

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

1501 Redondo Avenue
Manhattan Beach, CA 90266

JUNE 1994 - AUDIT REPORT

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
COUNTY OF LOS ANGELES
MANHATTAN BEACH, CALIFORNIA

AUDIT REPORT

JUNE 30, 1994

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

SMITH & GRANSTROM
CERTIFIED PUBLIC ACCOUNTANTS

A PARTNERSHIP INCLUDING A PROFESSIONAL CORPORATION

24430 HAWTHORNE BOULEVARD, SUITE 101
TORRANCE, CALIFORNIA 90505
(310) 375-7476
FAX (310) 378-2561

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Board of Trustees,
Manhattan Beach Unified School District,
Manhattan Beach, California

We have audited the combined and combining financial statements of the Manhattan Beach Unified School District as of and for the year ended June 30, 1994, as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Manhattan Beach Unified School District does not maintain a complete record of the historical cost of its fixed assets. Accordingly, the financial statements do not include the general fixed assets group of accounts, which should be included in order to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effect on the financial statements of the omission of the general fixed assets account group, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Manhattan Beach Unified School District at June 30, 1994 and the results of its operations and the cash flows of its Proprietary Fund for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the individual and combining financial statements referred to above present fairly, in all

Independent Auditors' Report
Page Two

material respects, the financial position of each individual fund and account group of the Manhattan Beach Unified School District at June 30, 1994, and the results of operations of such funds for the year then ended, in conformity with generally accepted accounting principles.

Smith & GRANSTROM

SMITH & GRANSTROM,
CERTIFIED PUBLIC ACCOUNTANTS

Torrance, California
December 10, 1994

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND THE ACCOUNT GROUP
JUNE 30, 1994

	-----GOVERNMENTAL FUND TYPES-----			FIDUCIARY FUND TYPES	PROPRIETARY FUND -----TYPES-----	LONG-TERM DEBT ACCOUNT	TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	TRUST AGENCY	INTERNAL SERVICE FUND	GROUP	
<u>ASSETS</u>							
CASH IN COUNTY TREASURY	\$ 3,405,132	\$ 3,758,763	\$ 292,466	\$1,745,573	\$1,860,015	\$	\$11,061,949
CASH ON HAND AND IN BANKS		237,226		260,761			497,987
CASH IN REVOLVING FUND	10,000						10,000
INVESTMENTS (NOTE 3)		12,060,349					12,060,349
ACCOUNTS RECEIVABLE (NOTE 5)	1,191,898	324,400	9,894	17,527	3,221		1,546,940
DUE FROM OTHER FUNDS (NOTE 6)	179,337	1,500,000					1,679,337
STORES & FOOD INVENTORY	48,391	27,191					75,582
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM DEBT (NOTE 8)						215,050	215,050
TOTAL ASSETS	<u>\$ 4,834,758</u>	<u>\$17,907,929</u>	<u>\$ 302,360</u>	<u>\$2,023,861</u>	<u>\$ 1,863,236</u>	<u>\$ 215,050</u>	<u>\$27,147,194</u>
<u>LIABILITIES AND FUND EQUITY</u>							
LIABILITIES:							
ACCOUNTS PAYABLE	\$2,565,471	\$ 150,012	\$ 68,965	\$	\$ 28,795		\$2,813,243
DUE TO OTHER FUNDS	1,500,000	179,337					1,679,337
TRUST ACCOUNTS	--			260,761			260,761
OTHER LIABILITIES	30,394	13,697	19		1,834,441		1,878,551
DEFERRED INCOME	140,902						140,902
ACCRUED VACATION BENEFITS						215,050	215,050
TOTAL LIABILITIES	<u>4,236,767</u>	<u>343,046</u>	<u>68,984</u>	<u>260,761</u>	<u>1,863,236</u>	<u>\$ 215,050</u>	<u>\$ 6,987,844</u>
FUND EQUITY:							
FUND BALANCES:							
RESERVED FOR STORES AND REVOLVING FUND	58,391	27,255					85,646
UNRESERVED - DESIGNATED AMOUNTS:		6,029					6,029
ECONOMIC UNCERTAINTIES	487,520		32,773	1,760,000			2,280,293
UNRESERVED - UNDESIGNATED AMOUNTS:	52,080	17,531,599	200,603	3,100			17,787,382
TOTAL FUND BALANCES	<u>597,991</u>	<u>17,564,883</u>	<u>233,376</u>	<u>1,763,100</u>			<u>20,159,350</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 4,834,758</u>	<u>\$17,907,929</u>	<u>\$ 302,360</u>	<u>\$2,023,861</u>	<u>\$ 1,863,236</u>	<u>\$ 215,050</u>	<u>\$27,147,194</u>

The notes to the financial statements are an integral part of this statement.

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
COMBINED BALANCE - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1994**

	-----GOVERNMENTAL FUND TYPES-----			-----TOTALS-----
REVENUES	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	(MEMORANDUM ONLY)
REVENUE LIMIT SOURCES	\$15,768,057	\$ 818,412	\$	\$16,586,469
FEDERAL REVENUE	383,767	156,611	--	540,378
OTHER STATE REVENUES	2,706,406	13,986	--	2,720,392
OTHER LOCAL REVENUES	<u>952,110</u>	<u>1,917,362</u>	<u>417,100</u>	<u>3,286,572</u>
TOTAL REVENUES	<u>19,810,340</u>	<u>2,906,371</u>	<u>417,100</u>	<u>23,133,811</u>
 EXPENDITURES				
CERTIFICATED SALARIES	10,875,260	425,170	--	11,300,430
CLASSIFIED SALARIES	3,798,689	871,918	--	4,670,607
EMPLOYEE BENEFITS	3,230,985	314,916	--	3,545,901
SUPPLIES AND MATERIALS	917,379	415,906	73,989	1,402,274
SERVICES AND OTHER OPERATING EXPENDITURES	1,848,520	115,289	286,062	2,249,871
CAPITAL OUTLAY	226,739	51,719	172,241	450,699
OTHER OUTGO	<u>500,006</u>	<u>--</u>	<u>--</u>	<u>500,006</u>
TOTAL EXPENDITURES	<u>21,397,578</u>	<u>2,194,918</u>	<u>532,292</u>	<u>24,124,788</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(1,587,238)</u>	<u>711,453</u>	<u>(115,192)</u>	<u>(990,977)</u>
OTHER FINANCING SOURCES (USES):				
INTERFUND TRANSFERS				
TRANSFERS IN	1,746,000	--	--	1,746,000
TRANSFERS OUT	<u>--</u>	<u>(1,683,000)</u>	<u>--</u>	<u>(1,683,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,746,000</u>	<u>(1,683,000)</u>	<u>--</u>	<u>63,000</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	158,762	(971,547)	(115,192)	(927,977)
FUND BALANCE, JULY 1, 1993	--	--	--	--
CONTRIBUTED CAPITAL FROM PREDECESSOR SCHOOL DISTRICTS (NOTE 12)	<u>439,229</u>	<u>18,536,430</u>	<u>348,569</u>	<u>19,324,228</u>
FUND BALANCE, JUNE 30, 1994	<u>\$ 597,991</u>	<u>\$17,564,883</u>	<u>\$ 233,377</u>	<u>\$18,396,251</u>

The notes to the financial statements are an integral part of this statement.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET ACTUAL - ALL GOVERNMENT FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1994
 (PAGE 1 OF 4)

	-----GENERAL FUND-----			-----SPECIAL REVENUE FUNDS-----		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>SOURCES OF FINANCIAL RESOURCES</u>						
REVENUES:						
REVENUE LIMIT SOURCES:						
STATE APPORTIONMENTS AND LOCAL SOURCES	\$15,972,146	\$15,768,057	\$(204,089)	\$ 778,000	\$ 818,412	\$ 40,412
TOTAL REVENUE LIMIT SOURCES	15,972,146	15,768,057	(204,089)	778,000	818,412	40,412
FEDERAL REVENUES	326,928	383,767	56,839	130,971	156,611	25,641
OTHER STATE REVENUES	2,619,332	2,706,406	87,074	26,579	13,986	(12,593)
OTHER LOCAL SOURCES	945,744	952,110	(6,336)	1,763,433	1,917,362	153,929
TOTAL REVENUES	\$19,864,180	\$19,810,340	\$ (53,840)	\$ 2,698,982	\$ 2,906,371	\$ 207,389

The notes to the financial statements are an integral part of this statement.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENT FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1994
(PAGE 2 OF 4)

	-----CAPITAL PROJECTS FUND-----			-----TOTALS (MEMORANDUM ONLY)-----		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>SOURCES OF FINANCIAL RESOURCES</u>						
REVENUES:						
REVENUE LIMIT SOURCES:						
STATE APPORTIONMENTS AND LOCAL SOURCES	\$ --	\$ --	\$ --	\$16,750,146	\$16,586,469	\$ (163,677)
TOTAL REVENUE LIMIT SOURCES	--	--	--	16,750,146	16,586,469	(163,677)
FEDERAL REVENUES	--	--	--	457,899	540,378	82,479
OTHER STATE REVENUES	--	--	--	2,645,911	2,720,392	74,481
OTHER LOCAL REVENUES	462,370	417,100	(45,270)	3,171,577	3,286,572	114,995
TOTAL REVENUES	\$ 462,370	\$ 417,100	\$ (45,270)	\$23,025,533	\$23,133,811	\$ 108,278

The notes to the financial statements are an integral part of this statement.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - ALL GOVERNMENT FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1994
 (PAGE 3 OF 4)

EXPENDITURES	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
CERTIFICATED SALARIES	\$10,875,878	\$10,875,260	\$ 618	\$ 425,261	\$ 425,170	\$ 91
CLASSIFIED SALARIES	3,819,199	3,798,689	20,510	875,570	871,918	3,652
EMPLOYEE BENEFITS	3,239,927	3,230,985	8,942	326,958	314,916	12,762
SUPPLIES AND MATERIALS	1,005,988	917,379	88,609	383,716	415,906	(32,190)
SERVICES AND OTHER OPERATING EXPENDITURES	1,877,215	1,848,520	28,695	101,432	115,289	(13,859)
CAPITAL OUTLAY	226,984	226,739	245	63,500	51,719	11,781
OTHER OUTGO	500,117	500,006	111	--	--	--
TOTAL EXPENDITURES	<u>21,545,308</u>	<u>21,397,578</u>	<u>147,730</u>	<u>2,176,437</u>	<u>2,194,918</u>	<u>(18,481)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,681,128)	(1,587,238)	93,890	522,545	711,453	188,908
OTHER FINANCING SOURCES (USES):						
TRANSFERS IN - INTERFUND	1,858,381	1,746,000	(112,381)	(1,695,381)	(1,683,000)	12,381
TRANSFERS OUT - INTERFUND	--	--	--	--	--	--
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,858,381</u>	<u>1,746,000</u>	<u>(112,381)</u>	<u>(1,695,381)</u>	<u>(1,683,000)</u>	<u>12,381</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 177,253</u>	<u>158,762</u>	<u>\$ (18,491)</u>	<u>\$(1,172,836)</u>	<u>(971,547)</u>	<u>\$ 201,289</u>
FUND BALANCE, JULY 1, 1993		--			--	
CONTRIBUTED CAPITAL FROM PREDECESSOR SCHOOL DISTRICTS (NOTE 12)		<u>439,229</u>			<u>18,536,430</u>	
FUND BALANCE, JUNE 30, 1994		<u>\$ 597,991</u>			<u>\$17,564,883</u>	

The notes to the financial statements are an integral part of this statement.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - ALL GOVERNMENT FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1994
 (PAGE 4 OF 4)

	-----CAPITAL PROJECTS FUND-----			-----TOTALS (MEMORANDUM ONLY)-----		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>EXPENDITURES</u>						
CERTIFICATED SALARIES	\$	\$	\$	\$11,301,139	\$11,300,430	\$ 709
CLASSIFIED SALARIES	2,000		2,000	4,696,769	4,670,607	26,162
EMPLOYEE BENEFITS	900		900	3,567,735	3,545,901	21,884
SUPPLIES AND MATERIALS	82,800	73,989	8,811	1,472,504	1,407,274	65,230
SERVICES AND OTHER OPERATING EXPENDITURES	286,070	286,062	8	2,264,717	2,249,871	14,846
CAPITAL OUTLAY	172,241	9	462,734	450,699	12,035	
OTHER OUTGO	--	--	500,117	500,006	111	
TOTAL EXPENDITURES	<u>544,020</u>	<u>532,292</u>	<u>11,728</u>	<u>24,265,765</u>	<u>24,124,788</u>	<u>140,977</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(81,650)</u>	<u>(115,192)</u>	<u>(33,542)</u>	<u>(1,240,233)</u>	<u>(990,977)</u>	<u>249,256</u>
OTHER FINANCING SOURCES (USES):						
TRANSFERS IN - INTERFUND	--	--	--	1,858,381	1,746,000	112,381
TRANSFERS OUT - INTERFUND	--	--	--	(1,695,381)	(1,683,000)	12,381
TOTAL OTHER FINANCING SOURCES (USES)	<u>--</u>	<u>--</u>	<u>--</u>	<u>(163,000)</u>	<u>63,000</u>	<u>100,000</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (81,650)</u>	<u>\$ (115,192)</u>	<u>\$ (33,542)</u>	<u>\$(1,077,233)</u>	<u>(927,977)</u>	<u>\$ 149,256</u>
FUND BALANCE, JULY 1, 1993		--			--	
CONTRIBUTED CAPITAL FROM PREDECESSOR SCHOOL DISTRICTS (NOTE 12)		<u>348,569</u>			<u>19,324,228</u>	
FUND BALANCE, JUNE 30, 1994		<u>\$ 233,377</u>			<u>\$18,396,251</u>	

The notes to the financial statements are an integral part of this statement.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
 COMBINED BALANCE SHEET-PROPRIETARY FUND TYPE
 INTERNAL SERVICE FUNDS
 JUNE 30, 1994

	<u>Self Insurance Fund</u>	<u>Retiree Benefit Fund</u>	<u>Combined Total</u>
ASSETS			
Cash in County Treasury	\$ 77,444	\$1,782,571	\$1,860,015
Accounts Receivable	<u>763</u>	<u>2,458</u>	<u>3,221</u>
TOTAL ASSETS	<u>\$ 78,207</u>	<u>\$1,785,029</u>	<u>\$1,863,236</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts Payable	\$ --	\$ 28,795	\$ 28,795
Retiree Benefits Obligation	--	645,416	645,416
Retiree Benefits Obligation Administered on Behalf of Other District	<u>--</u>	<u>1,110,818</u>	<u>1,110,818</u>
TOTAL LIABILITIES	<u>--</u>	<u>1,785,029</u>	<u>1,863,236</u>
Retained Earnings	<u>78,207</u>	<u>--</u>	<u>--</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u>\$ 78,207</u>	<u>\$1,785,029</u>	<u>\$1,863,236</u>

The notes to the financial statements are
 an integral part of this statement

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
 COMBINED STATEMENT OF FUND BALANCE-PROPRIETARY FUND TYPE
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1994

	<u>Self Insurance Fund</u>	<u>Retiree Benefit Fund</u>	<u>Combined Total</u>
RETAINED EARNINGS, JULY 1, 1993	\$ --	\$ --	\$ --
CONTRIBUTION OF CAPITAL	77,259	--	77,259
NET INCOME (LOSS)	<u>948</u>	<u>--</u>	<u>948</u>
RETAINED EARNINGS, JUNE 30, 1994	<u>\$ 78,207</u>	<u>\$ --</u>	<u>\$ 78,207</u>

The notes to the financial statements are
 an integral part of this statement

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN RETAINED EARNINGS-PROPRIETARY FUND TYPE
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1994

	<u>Self Insurance Fund</u>	<u>Retiree Benefit Fund</u>	<u>Combined Total</u>
OPERATING REVENUES			
TOTAL OPERATING REVENUES	\$ --	\$ --	\$ --
OPERATING EXPENSES			
Employee Benefits	--	287,348	287,348
Contracted Services	<u>1,946</u>	<u>44,400</u>	<u>46,346</u>
TOTAL OPERATING EXPENSES	<u>1,946</u>	<u>331,748</u>	<u>333,694</u>
OPERATING INCOME (LOSS)	<u>(1,946)</u>	<u>(331,748)</u>	<u>(333,694)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest Income	2,894	5,639	8,533
Increase (Decrease) in Amount Due to Retiree Benefits	<u> --</u>	<u>326,109</u>	<u>326,109</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>2,894</u>	<u>331,748</u>	<u>334,642</u>
NET INCOME (LOSS)	<u>\$ 948</u>	<u>\$ --</u>	<u>\$ 948</u>

The notes to the financial statements are
 an integral part of this statement

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
 COMBINED STATEMENT OF CASH FLOWS-PROPRIETARY FUND TYPE
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1994

	<u>Self Insurance Fund</u>	<u>Retiree Benefit Fund</u>	<u>Combined Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Payments for Goods and Services	\$ (1,946)	\$ 20,698	\$ 18,752
Net Cash Provided (Used) by Operating Activities	<u>(1,946)</u>	<u>20,698</u>	<u>18,752</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
	<u> --</u>	<u> --</u>	<u> --</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Contributions to Capital (Note)	76,213	--	76,213
Increase in Amount Due For Retiree Benefits	--	645,416	645,416
Increase in Amount Due For Retiree Benefits Administered On Behalf Of Other District	<u> --</u>	<u>1,110,818</u>	<u>1,110,818</u>
TOTAL CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>76,213</u>	<u>1,756,234</u>	<u>1,832,447</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of Interest	<u>3,177</u>	<u>5,639</u>	<u>8,816</u>
NET INCREASE IN CASH	77,444	1,782,571	1,860,015
CASH, JULY 1, 1993 (Note 12)	<u> --</u>	<u> --</u>	<u> --</u>
CASH, JUNE 30, 1994	<u>\$ 77,444</u>	<u>\$1,782,571</u>	<u>\$1,937,459</u>

The notes to the financial statements are
 an integral part of this statement

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 1994

	<u>Self Insurance Fund</u>	<u>Retiree Benefit Fund</u>	<u>Combined Total</u>
OPERATING INCOME (LOSS)	\$ (1,946)	\$(331,748)	\$(333,694)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Increase (Decrease) in Accounts Payable	--	28,795	28,795
(Increase) Decrease in Accounts Receivable Related to Operating Income (Loss)	--	(2,458)	(2,458)
Increase (Decrease) in Amounts Due for Retiree Benefits	<u>--</u>	<u>326,109</u>	<u>326,109</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (1,946)</u>	<u>\$ 20,698</u>	<u>\$ 18,752</u>

The notes to the financial statements are
an integral part of this statement

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 1994

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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

B. Fund Accounting

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

GOVERNMENT FUNDS:

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

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains special revenue funds:

1. The Child Development Fund is used to account for resources committed to child development programs maintained by the District.
2. Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - Continued

JUNE 30, 1994

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - continued

3. The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeterias.
4. Special Reserve Fund

Capital Project Funds are used to account for the acquisition of all major governmental general fixed assets. The District maintains one capital project fund:

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

PROPRIETARY FUNDS:

Internal Revenue Funds are used to account for services rendered on a cost reimbursement basis within the District. The District maintains two internal service funds:

1. The self insurance fund is used to provide medical benefits to its employees.
2. The retiree benefit fund was established upon the dissolution of the South Bay Union High School District to pay for health benefits of the dissolved district. This responsibility is a joint obligation of the two successor Districts (see note 12). The Manhattan Beach Unified School District is the administrator of the successor Districts' obligation.

FIDUCIARY FUNDS:

Expendable Trust Funds are used to account for assets held by the district as trustee. The District maintains one expendable trust fund. The Article XIII-B, which is used for the purpose of economic uncertainties.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains three agency funds; one for each associated student body.

ACCOUNT GROUPS:

The accounting and reporting treatment applied to the long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - Continued

JUNE 30, 1994

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - continued

"financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources,." Thus, long-term liabilities associated with governmental funds are accounted for in the account group of the District.

General Long-Term Debt Account Group accounts for long-term liabilities expected to be financed from governmental funds.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Governmental Funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered). Agency Fund assets and liabilities are also accounted for on the modified accrual basis.

D. Budgets and Budgetary Accounting

By state law, the District's governing board must approve a tentative budget no later than July 1 and adopt a final budget no later than September 15. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and District superintendent during the year to give consideration to unanticipated income and expenditures. It is this final revised budget that is presented in the financial statements.

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

E. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - Continued

JUNE 30, 1994

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - continued

been made. Encumbrances are recorded for purchase orders, contract, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

F. Inventories

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

G. Accumulated Vacation and Sick Leave

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The liabilities are recognized in the general long-term debt account group.

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

H. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The Reserve for Revolving Fund and Reserve for Inventory reflect the portions of fund balance represented by revolving fund cash and inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date. Designations of the ending fund balances indicate tentative plans for financial resource utilization in a future period.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - Continued

JUNE 30, 1994

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - continued

installment on or before August 31. The County of Los Angeles bills and collects the taxes for the District. Tax revenues are recognized by the District when received.

J. Total Columns on the Combined Statements

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operation, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund elimination have not been made in the aggregation of this data.

NOTE 2 - GENERAL FIXED ASSETS

No historical cost record of fixed assets has been maintained by the District.

NOTE 3 - CASH AND INVESTMENTS

Cash at June 30, 1994 consisted of the following:

Deposits:

Cash on Hand in Banks	\$ 497,987
Cash in Revolving Funds	\$ 10,000

Pooled Funds:

Cash in County Treasury	\$ 11,061,949
-------------------------	---------------

Cash balances held in bank and in revolving funds are insured up to \$100,000. All cash held by financial institutions is fully insured or collateralized.

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - Continued

JUNE 30, 1994

NOTE 3 - CASH AND INVESTMENTS-continued

Investments at June 30, 1994, held on behalf of the Manhattan Beach Unified School District, are presented below, categorized to give an indication of the level of risk associated with each investment:

	<u>CATEGORY 1</u>	<u>CATEGORY 2</u>	<u>CARRYING AMOUNT</u>	<u>MARKET VALUE</u>
U.S. GOVERNMENT SECURITIES	\$ <u> --</u>	<u>\$12,060,349</u>	<u>\$12,060,349</u>	<u>\$11,478,400</u>

Category 1 includes investments that are insured or collateralized. Category 2 includes investments that are not insured or collateralized.

NOTE 4 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations in individual funds are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
Cafeteria Fund:	
Food and Supplies	(32,763)
Services and Other Operating Expenses	(13,905)

DISTRICT RESPONSE AS TO CAUSES OF EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Cafeteria Fund:

District Response: The District incurred unanticipated expenditures in excess of those budgeted.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - Continued

JUNE 30, 1994

NOTE 5 - RECEIVABLES

Receivables in the governmental funds, at June 30, 1994 consist of the following:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Totals</u>
Federal Government:				
Categorical Aid Programs	\$ 223,150	\$ --	\$ --	\$ 223,150
National School Lunch Program	22,613			22,613
National Breakfast Program	<u> --</u>	<u> 2,201</u>	<u> --</u>	<u> 2,201</u>
Totals	<u>223,150</u>	<u>24,814</u>	<u> --</u>	<u>247,964</u>
State Government:				
Revenue Limit Sources	627,380			627,380
Categorical Aid Programs	<u>15,958</u>	<u> --</u>	<u> --</u>	<u>15,956</u>
Child Nutrition Program		2,181		2,181
Local Sources:				
Other	316,158	--	7,421	323,579
Interest	9,252	282,032	2,473	293,757
Miscellaneous	<u> --</u>	<u>15,373</u>	<u> --</u>	<u>15,373</u>
Totals	<u>\$1,191,898</u>	<u>\$ 324,400</u>	<u>\$ 9,894</u>	<u>\$1,526,192</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - Continued

JUNE 30, 1994

NOTE 6 - INTERFUND TRANSACTIONS

A. Interfund Receivable/Payable (Due to/Due from)

Individual fund interfund receivable and payable balances at June 30, 1994 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 179,337	\$1,500,000
Cafeteria Fund		179,337
Special Reserve Fund # 1	<u>1,500,000</u>	
	<u>\$1,679,337</u>	<u>\$1,679,337</u>

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the 1993-94 fiscal year were as follows:

Transfer from General Fund To The Cafeteria Fund	\$ 15,450
Transfer from The Special Reserve Fund to The General Fund	1,683,000
Transfer from The Article XIII-B Expendable Trust Fund to The General Fund	<u>63,000</u>
	<u>\$1,761,450</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - Continued

JUNE 30, 1994

NOTE 7 - EMPLOYMENT RETIREMENT SYSTEM

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System, and classified employees are members of the Public employees' Retirement System.

Plan Description and Provisions

State Teachers' Retirement System (STRS)

All full-time certificated employees participate in STRS, a cost-sharing multiple-employer contributory public employee retirement system. At June 30, 1994, the District employed 255 certificated employees with a total payroll of \$11,377,215.

Employees attaining the age of 60 with 5 years of credited California service (service) are eligible for normal retirement and are entitled to a monthly benefit of 2 percent of their final compensation for each year of service. Final compensation is defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with 30 years of service. Disability benefits of up to 90 percent of final compensation are available to members with 5 years of service. A family benefit is available if the deceased member had at least one year of service. After 5 years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The current rate of interest credited to members' accounts is 5.5 percent per annum.

Benefit provisions for STRS are established by the State Teachers' Retirement Law (Part 13 of the California Education Code, §22000 et seq.).

California Public Employees Retirement System (PERS)

All full-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The Manhattan Beach Unified School District is part of a "cost sharing" pool within PERS. One actuarial valuation is performed for those employers participating in the pool, and the same contribution rate applies to each. At June 30, 1994, the District employed classified employees with a total payroll of.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - Continued

JUNE 30, 1994

NOTE 7 - EMPLOYMENT RETIREMENT SYSTEM-continued

Employees are eligible for retirement at the age of 60 and are entitled to a monthly benefit of 2 percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement may begin at the age 50 with a reduced benefit rate, or after age 60 to 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after 5 years of credited service. Upon separation from the Fund, members' accumulated contributions are refundable with interest credited through the date of separation.

Benefit provisions for PERS are established by the Public Employees Retirement Law (Part 3 of the California Government Code, §20000 et seq.).

Funding Status and Progress of the Retirement Plans

The "pension benefit obligation" reported below is a standardized disclosure of the present value of pension benefits adjusted for the effects of projected salary increases and any step-rate benefits estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the retirement plans' funding status on an going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among retirement systems and employers. The measure is independent of the funding method used to determine contributions to the retirement systems.

The pension benefits obligations for STRS was computed as part of the actuarial valuation performed June 30, 1994. The significant actuarial assumptions used by STRS to compute the June 30, 1994 actuarial valuation are different from those applied in prior years.

The assumed long-term investment yield is 8.50%, and the assumed long-term salary increase assumption for inflation is 6.50%. The normal cost rate is 17.46% of covered payroll and

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - Continued

JUNE 30, 1994

NOTE 7 - EMPLOYMENT RETIREMENT SYSTEM-continued

the 38 year amortization rate for the unfunded actuarial obligation is 2.95%. Member and employer contribution rates are set by law and are not affected by the changed assumptions.

Under current law the pension benefit obligation for STRS is not the responsibility of the District. The State of California makes annual contributions to PERS toward the unfunded obligation. The pension benefit obligation for PERS is included in the financial statement for PERS and the State of California.

The pension benefit obligation for PERS was computed as a part of actuarial valuation performed June 30, 1993. Significant actuarial assumptions used to compute the PERS pension benefit obligation include an actuarial interest rate of 8.75% per annum and projected salary increases of 7.00% consisting of 4.50% for inflation, .75 across the board real salary increases, and 1.75% for merit raises.

PERS does not make separate measurements of assets and pension benefit obligations for individual school districts or county offices. The total unfunded pension benefit obligation for local educational agencies as a whole, as of June 30, 1993, is as follows:

<u>PENSION BENEFIT OBLIGATION</u>	<u>PERS</u>
RETIREES AND BENEFICIARIES CURRENTLY RECEIVING BENEFITS AND TERMINATED EMPLOYEES NOT YET RECEIVING BENEFITS	\$ 5,528,979,958
CURRENT EMPLOYEES:	
ACCUMULATED EMPLOYEE CONTRIBUTIONS INCLUDING ALLOCATED INVESTMENT EARNINGS	3,125,935,894
EMPLOYER-FINANCED VESTED	3,651,638,419
EMPLOYER-FINANCED NON-VESTED	<u>226,295,643</u>
TOTAL PENSION BENEFIT OBLIGATION	12,432,849,914
NET ASSETS AVAILABLE FOR BENEFITS, AT COST (MARKET VALUE IS (\$14,958,430,586))	<u>12,580,681,738</u>
UNFUNDED PENSION BENEFIT OBLIGATION	<u>\$ (147,831,824)</u>
CHANGES IN THE PENSION BENEFIT OBLIGATION FROM LAST YEAR, \$515,962,227, RESULTED FROM THE FOLLOWING:	
CHANGES IN BENEFIT PROVISIONS	<u>\$ 0</u>
CHANGES IN ACTUARIAL ASSUMPTION	<u>\$ (102,049,794)</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - Continued

JUNE 30, 1994

NOTE 7 - EMPLOYMENT RETIREMENT SYSTEM-continued

Contributions Required and Contributions Made

The District is required by statute to contribute 8.25% and 6.755% of gross salary expenditures to STRS and PERS, respectively. Participants are required to contribute 8.00% and 7.00% of modified gross salary to STRS and PERS respectively.

The District contribution information for the years ended June 30, 1994 is as follows:

NUMBER OF EMPLOYEES COVERED	TOTAL EMPLOYEE CONTRIBUTIONS	TOTAL EMPLOYER CONTRIBUTIONS	DISTRICT'S CURRENT YEAR COVERED PAYROLL	EMPLOYEE CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	EMPLOYER CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL
STRS 255	\$856,423	\$882,197	\$10,687,238	8.00%	8.25%
PERS 193	\$259,562	\$277,475	\$ 3,946,730	7.00%	6.755%

The District's contribution represented .081% and .0072% of the total contributions required of all participating employers in STRS and PERS, respectively.

The District's employer contributions to STRS met required contribution rate established by law. Although the actuarially determined contribution rate exceeds the employer rate set in law, the District has no obligation for the deficit.

The District's employer contribution to PERS met the required contribution rate and satisfied the plan's funding requirements as determined by the PERS actuary. The funded contribution included amortization of the unfunded actuarial liability through the year 2011. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation, as previously described.

Trend Information

Ten year historical trend information of the STRS' and PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the State Teacher' Retirement System Comprehensive Annual Financial Report for the year ended June 30, 1993.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - Continued

JUNE 30, 1994

NOTE 7 - EMPLOYMENT RETIREMENT SYSTEM-continued

The three-year trend information required to be reported for PERS is presented below.

	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>
NET ASSETS AVAILABLE FOR BENEFITS AS PERCENTAGES OF THE PENSION BENEFIT OBLIGATION	95.0%	96.9%	101.2%
UNFUNDED PENSION BENEFIT OBLIGATION AS A PERCENTAGE OF ANNUAL COVERED PAYROLL	12.9%	9.0%	(3.7)%
EMPLOYER CONTRIBUTIONS MADE IN ACCORDANCE WITH ACTUARIALY DETERMINED REQUIREMENTS, AS PERCENTAGES OF ANNUAL COVERED PAYROLL	8.14%	7.74%	6.76%

Other Information

Under STRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit which may be paid on either a current or deferred basis. The District has no obligation to STRS for early retirement incentives granted to terminated employees.

NOTE 8 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 1994 is shown below:

	--BALANCE-- <u>JULY 1, 1993</u>	ADDITIONS	DEDUCTIONS	--BALANCE-- <u>JUNE 30, 1994</u>
VACATION PAY	\$ --	\$ 215,050	\$ --	\$ 215,050
TOTALS	<u>\$ --</u>	<u>\$ 215,050</u>	<u>\$ --</u>	<u>\$ 215,050</u>

NOTE 9 - JOINT POWERS AGREEMENTS

The Manhattan Beach Unified School District participates in four joint ventures under joint powers agreement (JPA) entities - the Los Angeles County Alliance of Schools of Co-operative Insurance programs - "ASCIP", the Schools Excess Liability Fund - "SELF", the Centinela South Bay Insurance Authority - "CSBIA", and the Los Angeles Regionalized Insurance Services Authority - "LARISA". The District

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - Continued

JUNE 30, 1994

NOTE 9 - JOINT POWERS AGREEMENTS-continued

pays premiums commensurate with the level of coverage requested or compensation of employees where payroll is a determining factor, and shares surpluses and deficits proportionate to its participation in the JPA.

Each JPA is governed by an independent board consisting of representatives of member districts. Each governing board controls the operation of its JPA, independent of any influence by the Manhattan Beach Unified School District beyond the District's representation on the governing boards. Each JPA is independently accountable for its fiscal matters.

The relationships between the Manhattan Beach Unified School District and the JPA's are such JPA's are not a component unit of the Redondo Beach Unified School District for financial reporting purposes.

Alliance of Schools for Co-operative Insurance (ASCIP) - The ASCIP arranges for and provides property and liability insurance for its members, all of whom are part of the Los Angeles Country School Districts.

Schools Excess Liability Fund (SELF) - The SELF arranges for and provides excess liability insurance for its members.

Centinela South Bay Insurance Authority (CSBIA) - The CSBIA arranges for and provides workers compensation, property, third party liability risk claims, and certain employee benefits insurance for its members. Manhattan Beach Unified School District participated in the workers' compensation programs as well as the dental and vision care programs during the fiscal year 1993-94.

Los Angeles Regionalized Insurance Services Authority (LARISA) - The LARISA arranges for and administers employee benefit programs for participating school districts. During fiscal year ended June 30, 1994, the Manhattan Beach Unified School District provided the Kaiser Permanente major medical health insurance plan through LARISA for employees requesting it.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - Continued

JUNE 30, 1994

NOTE 9 - JOINT POWERS AGREEMENTS-continued

Available condensed financial information of the JPA's for the fiscal periods indicating, which is the most currently available, is as follows:

	----ASCIP----	-----SELF-----	----CSBIA----	---LARISA----
	<u>JUNE 30, 1993</u>	<u>JUNE 30, 1994</u>	<u>JUNE 30, 1994</u>	<u>JUNE 30, 1993</u>
TOTAL ASSETS	\$ 28,814,616	\$ 90,597,387	\$ 13,488,621	\$ 9,954,273
TOTAL LIABILITIES	<u>22,319,392</u>	<u>56,590,312</u>	<u>8,356,656</u>	<u>8,842,719</u>
FUND BALANCE	<u>\$ 6,495,224</u>	<u>\$ 34,007,075</u>	<u>\$ 5,131,965</u>	<u>\$ 1,111,554</u>
TOTAL REVENUES	\$ 12,255,092	\$ 20,084,629	\$ 5,872,015	\$ 625,929
TOTAL EXPENDITURES	<u>10,808,008</u>	<u>3,255,585</u>	<u>4,429,523</u>	<u>976,651</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$ 14,470,084</u>	<u>\$ 16,829,044</u>	<u>\$ 1,442,492</u>	<u>\$ (350,722)</u>

The JPA's did not have long-term debt outstanding at June 30, 1994 (SELF or CSBIA) or June 30, 1993 (ASCIP and LARISA). The District's share of year-end assets, liabilities, or fund equity has not been provided by the JPA administrators.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

A. Early Retirement

The District has adopted an early retirement incentive program. The District has entered into contracts with certain eligible employees whereby up to a maximum of \$6000 per year until age 65, and for certain employees for life. The District's obligations under the contracts are contingent upon the employees performing some required service. The estimated accumulated future liability for the district at June 30, 1994 for those benefits amounting to \$533,126.

B. State and Federal Allowances, Awards, and Grants

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - Continued

JUNE 30, 1994

NOTE 11 - TAX REVENUE ANTICIPATION NOTES

The District issued \$3,500,000 in tax and revenue anticipation notes dated July 1, 1993. The notes matured on June 29, 1994 and yielded 2.85% interest. The notes were sold to supplement cash flow.

The District had subsequent to the balance sheet date issued \$3,000,000 in tax and revenue anticipation notes dated July 7, 1994 at a premium of \$22,320. The notes mature on July 6, 1995 and yield 4.5% interest. The notes were sold to supplement cash flow.

NOTE 12 - UNIFICATION

Unification is under the jurisdiction of the State Department of Education. The Los Angeles County of Education also has legal responsibilities for unifications in their county and direction and procedures for unification are established in the California Education Code.

After public hearings, review and submission by the Los Angeles County Office of Education, on May 7, 1992 the State Board of Education approved to bring before the voters residing in the area served by the South Bay Union High School District a proposal for school unification. The proposal was for the formation of two new districts unified along City boundaries, the Redondo Beach Unified School District and the Manhattan Beach Unified School District. The Hermosa Beach City School District would remain as a K-8 school District with their students having the choice of attending high school at either of the two newly formed unified Districts. The South Bay Union High School District would be dissolved, with its real property becoming part of the new unified Districts in which it is located.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - Continued

JUNE 30, 1994

NOTE 12 - UNIFICATION-continued

On November 3, 1992 the unification proposal was approved by the voters with an effective date of July 1, 1993. New Boards of Education were also elected at this time and commenced holding regular board meetings for the implementation of the new districts. The County Office of Education, which oversees school districts in Los Angeles County, also provided direction and services for this implementation.

All real property became the property of the new district in which it is located. Personal property, cash and fund balances, future liabilities or assets are to be divided based upon an agreement of the two new Boards of Education as follows:

\$4 Million of the Special Reserve Account is to be divided fifty percent 50% each between the two districts.

All remaining assets and liabilities/obligations are divided:

Redondo Beach Unified School District	63.25%
Manhattan Beach Unified School District	36.75%

The two school Districts have agreed to jointly operate the Adult School program through a JPA agreement with the Redondo Beach Unified School District initially serving as the Operating District. Manhattan Beach Unified School District is processing the early retirement agreements that were entered into by South Bay Union High School District with its eligible employees, as reflected in the retiree benefit fund.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS - Continued

JUNE 30, 1994

NOTE 12 - UNIFICATION-continued

The contributions from the predecessor districts to fund balance were as follows:

<u>DESCRIPTION</u>	<u>MANHATTAN BEACH CITY SCHOOL DISTRICT</u>	<u>SOUTH BAY UNION HIGH SCHOOL DISTRICT</u>	<u>TOTAL</u>
GENERAL FUND	\$ <u>425,806</u>	\$ <u>13,419</u>	\$ <u>439,225</u>
SPECIFIC REVENUE FUNDS			
CHILD DEVELOPMENT	\$ 51,157	\$ --	\$ 51,157
SPECIAL RESERVE # 1	13,754,252	4,572,500	18,326,752
DEFERRED MAINTENANCE	37,407	14,033	51,440
CAFETERIA ACCOUNT	<u>102,385</u>	<u>4,696</u>	<u>107,081</u>
	<u>13,945,201</u>	<u>\$ 4,591,229</u>	<u>\$18,536,430</u>
CAPITAL PROJECT FUND			
CAPITAL FACILITIES	\$ <u>342,902</u>	\$ <u>5,667</u>	\$ <u>348,569</u>
INTERNAL SERVICE FUND			
SELF INSURANCE FUND	\$ <u>77,259</u>	\$ <u>--</u>	\$ <u>77,259</u>
EXPENDABLE TRUST FUND	\$ <u>1,760,845</u>	\$ <u>--</u>	\$ <u>1,760,845</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

JUNE 30, 1994

	<u>Child Development</u>	<u>Special Reserve Fund</u>	<u>Deferred Maintenance</u>	<u>Cafeteria Account</u>	<u>Totals</u>
ASSETS					
CASH IN COUNTY TREASURY	\$ 156,406	\$ 3,554,051	\$ 48,306	\$	\$ 3,758,760
CASH ON HAND AND IN BANKS				237,226	237,226
INVESTMENTS (NOTE 3)		12,060,349			12,060,349
ACCOUNTS RECEIVABLE (Note 5)					
FEDERAL GOVERNMENT				24,814	24,814
STATE GOVERNMENT				2,181	2,181
INTEREST	1,891	278,848	293		282,032
MISCELLANEOUS	10,836			4,537	15,373
DUE FROM OTHER FUNDS (NOTE 6)		1,500,000			1,500,000
INVENTORIES					
SUPPLIES INVENTORY				8,668	8,668
FOOD INVENTORY				18,523	18,523
TOTAL ASSETS	<u>\$ 169,133</u>	<u>\$17,394,248</u>	<u>\$ 48,599</u>	<u>\$ 295,429</u>	<u>\$17,907,929</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
ACCOUNTS PAYABLE	\$ 133,408	\$	\$	\$ 16,604	\$ 150,012
DUE TO OTHER FUNDS				179,337	179,337
OTHER LIABILITIES	<u>3</u>			<u>13,694</u>	<u>13,697</u>
TOTAL LIABILITIES	<u>133,411</u>	<u>--</u>	<u>--</u>	<u>209,635</u>	<u>343,046</u>
FUND BALANCES					
RESERVED FOR STORES AND REVOLVING CASH				27,255	27,255
DESIGNATED FOR ECONOMIC UNCERTAINTIES	6,029				6,029
UNDESIGNATED	<u>29,693</u>	<u>17,394,248</u>	<u>48,599</u>	<u>59,059</u>	<u>17,531,599</u>
TOTAL FUND BALANCES	<u>35,722</u>	<u>17,394,248</u>	<u>48,599</u>	<u>86,314</u>	<u>17,564,883</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 169,133</u>	<u>\$17,394,248</u>	<u>\$ 48,599</u>	<u>\$ 295,949</u>	<u>\$17,907,929</u>

The notes to the financial statements are
an integral part of this statement.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
FOR FISCAL YEAR ENDED JUNE 30, 1994

	<u>CHILD DEVELOPMENT</u>	<u>SPECIAL RESERVE FUND</u>	<u>DEFERRED MAINTENANCE</u>	<u>CAFETERIA ACCOUNT</u>	<u>TOTALS</u>
REVENUES					
FEDERAL SOURCES:	\$	\$	\$	\$	\$
NATIONAL SCHOOL LUNCH PROGRAM				156,611	156,611
STATE SOURCES:					
APPORTIONMENT	818,412				818,412
SPECIAL ALLOWANCES				7,986	7,986
STATE GRANTS	6,000				6,000
LOCAL SOURCES:					
INTEREST	7,411	750,496	1,234	2,095	761,236
FOOD SERVICES	--	--	--	517,401	517,401
OTHER	<u>619,725</u>	<u> </u>	<u>19,000</u>	<u> </u>	<u>638,725</u>
TOTAL REVENUES	<u>1,451,548</u>	<u>750,496</u>	<u>20,234</u>	<u>684,093</u>	<u>2,906,371</u>
EXPENDITURES					
CERTIFICATED SALARIES	425,170	--	--	--	425,170
CLASSIFIED SALARIES	582,708	--	--	289,210	871,918
EMPLOYEE BENEFITS	252,343	--	--	62,573	314,916
FOOD AND SUPPLIES	119,636	--	5,351	290,919	415,906
SERVICES AND OTHER OPERATING EXPENDITURE	69,255	--	12,129	33,905	115,289
CAPITAL OUTLAY	17,871	--	5,595	28,253	51,719
OTHER OUTGO	--	--	--	--	--
TOTAL EXPENDITURES	<u>1,466,983</u>	<u> </u>	<u>23,075</u>	<u>704,860</u>	<u>2,194,918</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(15,435)</u>	<u>750,496</u>	<u>(2,841)</u>	<u>(20,767)</u>	<u>711,453</u>
OTHER FINANCING SOURCES (USES):					
TRANSFERS IN	--	--			
TRANSFERS OUT	<u> </u>	<u>(1,683,000)</u>	<u> </u>	<u> </u>	<u>(1,683,000)</u>
TOTAL OTHER FINANCIAL SOURCES (USES)	<u> </u>	<u>(1,683,000)</u>	<u> </u>	<u> </u>	<u>(1,683,000)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	(15,435)	(932,504)	(2,841)	(20,767)	(971,547)
FUND BALANCE - July 1, 1993	--	--	--	--	--
CONTRIBUTED CAPITAL FROM PREDECESSOR DISTRICTS (Note 12)	51,157	18,326,752	51,440	107,081	18,536,430
FUND BALANCE, JULY 1, 1994	<u>\$ 35,722</u>	<u>\$17,394,248</u>	<u>\$ 48,599</u>	<u>\$ 86,314</u>	<u>\$17,564,883</u>

The notes to the financial statements are
an integral part of this statement

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1994
(PAGE 1 OF 5)

	<u>CHILD DEVELOPMENT FUND</u>		VARIANCE FAVORABLE (UNFAVORABLE)
	<u>BUDGET</u>	<u>ACTUAL</u>	
REVENUES			
STATE SOURCES:			
APPORTIONMENT FOR CHILDREN'S CENTERS	\$ 778,000	\$ 818,412	\$ 40,412
STATE GRANTS	<u> --</u>	<u> 6,000</u>	<u> 6,000</u>
TOTAL STATE SOURCES	<u> 778,000</u>	<u> 824,412</u>	<u> 46,412</u>
LOCAL SOURCES:			
INTEREST	7,000	7,411	411
FEES AND CONTRACTS	570,000	615,857	45,887
DONATIONS, GIFTS	<u> --</u>	<u> 3,868</u>	<u> 3,687</u>
TOTAL LOCAL SOURCES	<u> 577,000</u>	<u> 627,136</u>	<u> 50,136</u>
TOTAL REVENUES	<u> 1,355,000</u>	<u> 1,451,548</u>	<u> 96,548</u>
EXPENDITURES			
CERTIFICATED SALARIES	425,261	425,170	91
CLASSIFIED SALARIES	582,745	582,708	37
EMPLOYEE BENEFITS	252,397	252,343	54
BOOKS AND SUPPLIES	120,200	119,636	564
SERVICES AND OTHER OPERATING EXPENSES	69,297	69,255	42
CAPITAL OUTLAY	17,900	17,871	29
OTHER OUTGO	<u> --</u>	<u> --</u>	<u> --</u>
TOTAL EXPENDITURES	<u> 1,467,800</u>	<u> 1,466,983</u>	<u> 817</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u> (112,800)</u>	<u> (15,435)</u>	<u> 97,365</u>
OTHER FINANCING SOURCES (USES)	<u> --</u>	<u> --</u>	<u> --</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USE	<u> \$(112,800)</u>	<u> (15,435)</u>	<u> \$ 97,365</u>
FUND BALANCE--July 1, 1993		--	
CONTRIBUTED CAPITAL FROM PREDECESSOR SCHOOL DISTRICTS (Note 12)		<u> 51,157</u>	
FUND BALANCE--June 30, 1994		<u> \$ 35,722</u>	

The notes to the financial statements are an integral part of this statement.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1994
(PAGE 2 OF 5)

	SPECIAL RESERVE FUND # 1		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
LOCAL SOURCES:			
INTEREST	\$ 620,000	\$ 750,496	\$ 130,496
TOTAL REVENUES	620,000	750,496	130,496
OTHER FINANCING SOURCES (USES):			
INTERFUND TRANSFERS OUT	(1,695,381)	(1,683,000)	12,381
TOTAL OTHER FINANCING SOURCES (USES)	(1,695,381)	(1,683,000)	12,381
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES (USES) OVER (UNDER) EXPENDITURES AND OTHER USES	\$1,075,381)	(932,504)	\$ 142,877
FUND BALANCE-July 1, 1993		--	
CONTRIBUTED CAPITAL FROM PREDECESSOR DISTRICTS (NOTE 12)		18,326,752	
FUND BALANCE-June 30, 1994		\$17,394,248	

The notes to the financial statements are
an integral part of this statement.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1994
(PAGE 3 OF 5)

	DEFERRED	MAINTENANCE	FUND
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
STATE SOURCES	\$ --	\$ --	\$ --
LOCAL SOURCES			
INTEREST	1,275	1,234	(41)
OTHER LOCAL	<u>19,160</u>	<u>19,000</u>	<u>(160)</u>
TOTAL REVENUES	<u>20,438</u>	<u>20,234</u>	<u>(201)</u>
EXPENDITURES			
CLASSIFIED SALARIES	300	--	300
EMPLOYEE BENEFITS	290	--	290
BOOKS AND SUPPLIES	5,360	5,351	9
SERVICES AND OTHER OPERATING EXPENSES	12,135	12,129	6
CAPITAL OUTLAY	<u>5,600</u>	<u>5,595</u>	5
TOTAL EXPENDITURES	<u>23,685</u>	<u>23,075</u>	<u>610</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,250)</u>	<u>(2,841)</u>	<u>409</u>
OTHER FINANCING SOURCES (USES):	<u> --</u>	<u> --</u>	<u> --</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (3,250)</u>	<u>(2,841)</u>	<u>\$ 14,442</u>
FUND BALANCE--July 1, 1993		--	
CONTRIBUTED CAPITAL FROM PREDECESSOR DISTRICTS (NOTE 12)		<u>51,440</u>	
FUND BALANCE--June 30, 1994		<u>\$ 48,599</u>	

The notes to the financial statements are
an integral part of this statement.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SPECIAL REVENUE FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1994

(PAGE 4 OF 5)

CAFETERIA FUND			
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Federal	\$ 130,970	\$ 156,611	\$ 25,641
State	7,419	7,986	567
Local	565,158	517,401	(47,757)
Interest	<u> --</u>	<u> 2,095</u>	<u> 2,095</u>
TOTAL REVENUE	<u> 703,547</u>	<u> 684,093</u>	<u> (19,454)</u>
EXPENDITURES			
Classified Salaries	292,525	289,210	3,315
Employee Benefits	74,271	62,573	11,698
Food and Supplies	258,156	290,919	(32,763)
Services and Other Operating Expenses	20,000	33,905	(13,905)
Capital Outlay	<u> 40,000</u>	<u> 28,253</u>	<u> 11,747</u>
TOTAL EXPENDITURES	<u> 684,952</u>	<u> 704,860</u>	<u> (19,908)</u>
Surplus (Deficiency) of Revenues Over Expenditure	<u> \$ 18,595</u>	(20,767)	<u> \$ (39,362)</u>
ENDING BALANCE--July 1, 1993		--	
CONTRIBUTED CAPITAL FROM PREDECESSOR SCHOOL DISTRICTS (Note 12)		<u> 107,081</u>	
ENDING BALANCE--June 30, 1994		<u> \$ 86,314</u>	

The notes to the financial statements are
an integral part of this statement.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1994
(PAGE 5 OF 5)

	TOTALS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
FEDERAL SOURCES	\$ 130,970	\$ 156,611	\$ 25,641
STATE SOURCES:			
APPORTIONMENT	778,000	818,412	40,412
SPECIAL ALLOWANCES	19,160	7,986	(11,174)
STATE GRANTS	7,419	6,000	(1,419)
TOTAL STATE SOURCES	804,579	832,398	27,819
LOCAL SOURCES:			
INTEREST	629,275	761,236	132,961
FOOD SERVICES	565,158	517,401	(47,757)
OTHER	570,000	638,725	68,725
TOTAL LOCAL SOURCES	1,763,433	1,917,362	153,929
TOTAL REVENUES	2,698,982	2,906,371	207,389
EXPENDITURES			
CERTIFIED SALARIES	425,261	425,170	91
CLASSIFIED SALARIES	875,570	871,918	3,652
EMPLOYEE BENEFITS	326,958	314,916	12,762
BOOKS AND SUPPLIES	383,716	415,906	(32,190)
SERVICES AND OTHER			
OPERATING EXPENSES	101,432	115,289	(13,857)
CAPITAL OUTLAY	63,500	51,719	11,781
OTHER OUTGO	--	--	--
TOTAL EXPENDITURES	2,176,437	2,194,918	(18,481)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	522,545	711,453	188,908
OTHER FINANCING SOURCES (USES)	(1,695,381)	(1,683,000)	12,381
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	\$(1,172,836)	(971,547)	\$ 201,289
ENDING BALANCE--July 1, 1993		--	
CONTRIBUTED CAPITAL FROM PREDECESSOR SCHOOL DISTRICTS (Note 12)		18,536,430	
ENDING BALANCE--June 30, 1994		\$17,564,883	

The notes to the financial statements are
an integral part of this statement.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL CAPITAL PROJECTS TYPE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1994

	<u>CAPITAL FACILITIES</u>	<u>TOTALS</u>
sets		
Cash in County Treasury	\$ 292,466	\$ 292,466
Cash on hand and in banks		
Accounts Receivable:		
Interest	2,473	2,473
Other	7,422	7,422
 Total Assets	 <u>\$ 302,361</u>	 <u>\$ 302,361</u>

Liabilities and Fund Balance

Liabilities		
Accounts Payable	\$ 68,984	\$ 68,984
Deferred Revenue		
Due To Other Funds		
 Total Liabilities	 <u>68,984</u>	 <u>68,984</u>
 Fund Balance		
Undesignated Funds	<u>233,377</u>	<u>233,377</u>
 Total Fund Balance	 233,377	 233,377
 Total Liabilities and Fund Balance	 <u>\$ 302,361</u>	 <u>\$ 302,361</u>

The notes to the financial statements are
 an integral part of this statement.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF
 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 ALL CAPITAL PROJECT TYPE FUNDS
 FOR FISCAL YEAR ENDED JUNE 30, 1994

	<u>Capital Facilities Fund</u>	<u>Totals</u>
REVENUES		
Local Revenues:		
Building Permit Fees	\$ 406,748	\$ 406,748
Interest	<u>10,352</u>	<u>10,352</u>
TOTAL REVENUES	<u>17,100</u>	<u>417,100</u>
EXPENDITURES		
Current:		
Certificated Salaries	--	--
Classified Salaries	--	--
Employee Benefits	--	--
Books and Supplies	73,989	73,989
Services and Other		
Operating Expenses	286,062	286,062
Capital Outlay	<u>172,241</u>	<u>172,241</u>
TOTAL EXPENDITURES	<u>532,292</u>	<u>532,292</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(115,192)</u>	<u>(115,192)</u>
OTHER FINANCING SOURCES (USES)		
Transfer In	--	--
Transfer Out	<u>--</u>	<u>--</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>--</u>	<u>--</u>
EXCESS (Deficiency) of Revenue Over Expenditures and Other Financing Sources	(115,192)	(115,192)
Ending Balance, July 1, 1993	--	--
CONTRIBUTED CAPITAL FROM PREDECESSOR SCHOOL DISTRICTS (NOTE 12)		
	<u>348,569</u>	<u>348,569</u>
ENDING BALANCE JUNE 30, 1994	<u>\$ 233,377</u>	<u>\$ 233,377</u>

The notes to the financial statements are
 an integral part of this statement.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 TRUST AND AGENCY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1994

	EXPENDABLE TRUST	AGENCY FUNDS			
	ARTICLE XIII-B FUND	MANHATTAN BEACH INTERMEDIATE	MIRA COSTA HIGH SCHOOL	TOTAL AGENCY FUNDS	TOTALS
ASSETS					
Cash in County Treasury	\$ 1,745,573	\$	\$	\$	\$ 1,745,573
Cash on Hand and in Banks		40,220	220,541	260,761	260,761
Accounts Receivable					
Interest	17,527	_____	_____	_____	17,527
TOTAL ASSETS	<u>\$ 1,763,100</u>	<u>\$ 40,220</u>	<u>\$ 220,541</u>	<u>\$ 260,761</u>	<u>\$ 2,023,861</u>
LIABILITIES AND FUND EQUITY					
DUE TO STUDENT GROUPS	\$ --	\$ 40,220	\$ 220,541	\$ 260,761	\$ 260,761
FUND EQUITY					
Designated for Economic Uncertainties	1,760,000				1,760,000
Undesignated	3,100	--	--	--	3,100
TOTAL FUND EQUITY	<u>1,763,100</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,763,100</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,763,100</u>	<u>\$ 40,220</u>	<u>\$ 220,541</u>	<u>\$ 260,761</u>	<u>\$ 2,023,861</u>

The notes to the financial statements are
 an integral part of this statement.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 TRUST AND AGENCY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1994

	<u>BALANCE</u> <u>July 1, 1993</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 1994</u>
MANHATTAN BEACH INTERMEDIATE:				
ASSETS				
CASH ON HAND AND IN BANKS	\$ <u> --</u>	\$ <u> 40,220</u>	\$ <u> 30,455</u>	\$ <u> 9,765</u>
LIABILITIES				
DUE TO STUDENT GROUPS	\$ <u> --</u>	\$ <u> 40,220</u>	\$ <u> 30,455</u>	\$ <u> 9,765</u>
 MIRA COSTA HIGH SCHOOL:				
ASSETS				
CASH ON HAND AND IN BANKS	\$ <u> --</u>	\$ <u> 772,194</u>	\$ <u> 551,653</u>	\$ <u> 220,541</u>
LIABILITIES				
DUE TO STUDENT GROUPS	\$ <u> --</u>	\$ <u> 772,194</u>	\$ <u> 551,653</u>	\$ <u> 220,541</u>

The notes to the financial statements are
 an integral part of this statement.

SUPPLEMENTAL INFORMATION SECTION

SMITH & GRANSTROM
CERTIFIED PUBLIC ACCOUNTANTS

A PARTNERSHIP INCLUDING A PROFESSIONAL CORPORATION

24430 HAWTHORNE BOULEVARD, SUITE 101
TORRANCE, CALIFORNIA 90505
(310) 375-7476
FAX (310) 378-2561

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Trustees,
Manhattan Beach Unified School District,
Manhattan Beach, California

We have audited the combined and combining financial statements of the Manhattan Beach Unified School District as of the fiscal year ended June 30, 1994 and have issued our report thereon dated December 10, 1994. These financial statements are the responsibility of the District's management. Our responsibility was to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards; the standards for financial and compliance 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 Educational Agencies, prescribed by the State controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental financial and statistical information listed in the table of contents, including the Schedule of

INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTAL INFORMATION - Continued

Federal and State Financial Assistance, is presented for purposes of additional analysis and is not a required part of the financial statements of the Manhattan Beach Unified School District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose and combining financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Smith & Granstrom

SMITH & GRANSTROM,
CERTIFIED PUBLIC ACCOUNTANTS

Torrance, California
December 10, 1994

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
ORGANIZATION
JUNE 30, 1994

The Manhattan Beach Unified School District is a unified district that has been in existence since July 1, 1993. The District comprises an area of approximately 3.87 square miles located in the Southwest portion of Los Angeles County, California with boundaries contiguous with those of the incorporated city of Manhattan Beach, California. There were no changes in the boundaries of the District during the current year.

The board of Education for the fiscal year ended June 30, 1994 was composed of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mary A. Rogers	President	December 8, 1998
Barbara J. Dunsmoor	Vice-President	December 8, 1996
Kathy Campbell	Clerk	December 8, 1998
Gary Collins	Member	December 8, 1996
Bernard O'Connor	Member	December 8, 1998

Administration

Gerald F. Davis
Superintendent of Schools

Dr. Sarah Content
Assistant Superintendent, Curriculum and Instruction

Scott J. Smith
Assistant Superintendent, Business and Financial Services

See the accompanying notes to supplementary information.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 FOR THE FISCAL YEAR ENDED JUNE 30, 1994

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>1982-83 Actual Minutes</u>	<u>1993-94 Actual Minutes</u>	<u>1993-94 Status</u>
Kindergarten	36,000	*	36,000	In Compliance
Grades 1 through 3	50,400	*	50,400	In Compliance
Grades 4 through 6	54,000	*	58,500	In Compliance
Grades 7 through 8	54,000	*	64,740	In Compliance
Grades 9 through 12	64,800	*	66,180	In Compliance

* Not Applicable - The District was formed July 1, 1993

See the Accompanying Notes to Supplementary Information.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 1994

	<u>Second Period Report</u>	<u>Annual Report</u>
ELEMENTARY		
Kindergarten	342.31	344.13
First through Third	935.76	939.67
Fourth through Sixth	819.03	822.75
Seventh and Eighth	514.75	520.68
Home and Hospital	--	--
Special Education	30.21	31.29
Extended Year	<u>--</u>	<u>--</u>
	<u>2,642.06</u>	<u>2,658.52</u>
HIGH SCHOOL		
Regular Day Classes	1,595.54	1,589.02
Opportunity Schools and Classes	11.26	10.96
Home and Hospital	.70	.56
Special Education	54.29	53.40
Regional Occupational Center Mandated Programs	68.62	97.89
Extended Year	<u>4.67</u>	<u>4.67</u>
	<u>1,735.08</u>	<u>1,756.50</u>

SENIOR SCHOOL	<u>Hours of Attendance</u>
Elementary	29,067
High School	29,622

See the Accompanying Notes to Supplementary Information.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
 FEDERAL PROGRAMS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1994

PROGRAM NAME	FEDERAL CATALOG NUMBER	-----PROGRAM ENTITLEMENTS-----			-----PROGRAM REVENUE-----					
		CURRENT YEAR	PRIOR YEAR CARRY-OVER	TOTAL	CASH RECEIVED	ACCOUNTS RECEIVABLE	DEFERRED INCOME	TOTAL REVENUE	TOTAL EXPENDITURES	
FEDERAL FINANCIAL ASSISTANCE										
GENERAL FUND										
E.S.E.A. CHAPTER I	84.010	\$ 18,503	(A) \$ 900	\$ 19,403	\$ 19,403	\$	\$ 3,627	\$ 15,776	15,776	
E.S.E.A. CHAPTER II	84.151	21,536	(A) 13,032	34,568	34,679		12,645	22,145	22,034	
PL94-142 EDUCATION OF THE HANDICAPPED-DISCRETIONARY	84.027	110,140		110,140	66,577	54,721		121,298	121,298	
PL94-142 AND PL99-457 SPLASH	84.027	138,915	(A) 23,474	162,389	23,474	154,596		178,070	178,070	
EESA EISENHOWER MATH AND SCIENCE	84.164	7,230	(A) 6,184	13,414	13,414		1,828	11,586	11,586	
DRUG FREE SCHOOLS AND COMMUNITIES	84.184	17,189	(A) 9,663	26,852	23,414		2,355	21,059	21,059	
PL-94-142 EDUCATION OF THE HANDICAPPED-SPECIAL EDUCATION	84.027									
COMMUNITY BASED ORGANIZATIONS VOCATIONAL EDUCATION	84.174	2,151		2,151		1,933		1,933	1,933	
COMMUNITY BASED ORGANIZATIONS VOCATIONAL EDUCATION	84.174	11,188		11,188		11,178		11,178	11,178	
PL94-142 EDUCATION OF THE HANDICAPPED STAFF DEVELOPMENT	84.027	<u>722</u>		<u>722</u>		<u>722</u>		<u>722</u>	<u>722</u>	
TOTAL GENERAL FUND		\$ 327,574	\$ 53,253	\$ 380,827	\$ 180,850	\$ 223,150	\$ 20,455	\$ 383,767	\$ 433,565	
CAFETERIA FUND										
NATIONAL SCHOOL LUNCH PROGRAM	10.555	N/A	N/A	N/A	98,808	22,613	--	121,421	121,421	
SCHOOL BREAKFAST PROGRAM	10.553	N/A	N/A	N/A	8,685	2,201	--	10,886	10,886	
FOOD DISTRIBUTION	10.550	N/A	24,304	24,304	24,304		--	24,304	24,304	
TOTAL CAFETERIA FUND		\$ --	\$ 24,304	\$ 24,304	\$ 131,797	\$ 24,814	\$ --	\$ 156,611	\$ 156,611	
TOTAL FEDERAL PROGRAMS		\$ 327,574	\$ 77,577	\$ 405,131	\$ 312,647	\$ 247,964	\$ 20,455	\$ 540,267	\$ 590,176	

(A) Carryover is from predecessor districts, see Note (12)

THE ACCOMPANYING NOTES TO THE SUPPLEMENTAL INFORMATION ARE AN INTEGRAL PART OF THIS STATEMENT.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
 STATE PROGRAMS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1994

PROGRAM NAME	-----PROGRAM ENTITLEMENTS-----			-----PROGRAM REVENUE-----				
	CURRENT YEAR	PRIOR YEAR CARRY-OVER	TOTAL	CASH RECEIVED	ACCOUNTS RECEIVABLE	DEFERRED INCOME	TOTAL REVENUE	PROGRAM EXPENDITURES
STATE FINANCIAL ASSISTANCE								
GENERAL FUND								
SPECIAL EDUCATION MASTER PLAN	\$1,149,196	(A) \$ 14,195	\$1,163,391	\$1,163,391	\$	\$	\$1,163,391	\$1,433,362
GIFTED AND TALENTED EDUCATION	16,817		16,817	16,900			16,900	74,821
SCHOOL IMPROVEMENT PROGRAM	159,306	(A) 48,130	207,436	288,574		45,677	242,897	242,897
ECONOMIC IMPACT AID	27,233		27,233	28,384			28,384	103,344
INSTRUCTIONAL MATERIALS, K-8	71,387	(A) 27,134	98,521	82,420		11,033	71,387	87,488
INSTRUCTIONAL MATERIALS, 9-12	33,651	(A) 9,780	43,431	43,431		10,516	32,915	32,915
MENTOR TEACHING	56,459	(A) 35,221	91,680	91,680		32,616	59,064	59,064
TOBACCO USE PREVENTION EDUCATION ACT	10,899	(A) 14,248	25,147	30,757		5,610	25,147	25,147
TENTH GRADE COUNSELING	5,838	(A) 3,820	9,658	12,442		2,784	9,658	9,658
PROGRAM SPECIALIST REGIONALIZED SERVICES	<u>57,127</u>	<u>--</u>	<u>57,127</u>	<u>41,169</u>	<u>15,958</u>	<u>--</u>	<u>57,127</u>	<u>50,686</u>
TOTAL STATE PROGRAMS	<u>\$1,620,318</u>	<u>\$ 147,473</u>	<u>\$1,767,791</u>	<u>\$1,799,148</u>	<u>\$ 15,958</u>	<u>\$ 108,236</u>	<u>\$1,706,870</u>	<u>\$2,068,696</u>
CAFETERIA FUND								
CHILD NUTRITION PROGRAM	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>N/A</u>	<u>\$ 5,805</u>	<u>\$ 2,181</u>	<u>\$ --</u>	<u>\$ 7,986</u>	<u>\$ 10,167</u>
TOTAL STATE PROGRAM	<u>\$1,620,318</u>	<u>\$ 147,473</u>	<u>\$1,767,791</u>	<u>\$1,804,953</u>	<u>\$ 18,139</u>	<u>\$ 108,236</u>	<u>\$1,714,856</u>	<u>\$2,078,863</u>

(A) Carryover is from predecessor district - see note (12)

THE ACCOMPANYING NOTES TO THE SUPPLEMENTAL INFORMATION ARE AN INTEGRAL PART OF THIS STATEMENT

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1994

<u>GENERAL FUND</u>	<u>BUDGETED</u> <u>1994-1995</u>	<u>1993-1994</u>	<u>1992-1993</u>	<u>1991-1992</u>
REVENUE	\$20,788,075	19,810,340	District	District
OTHER SOURCES	<u>877,364</u>	<u>1,746,000</u>	Formed	Formed
			July 1, 1993	July 1, 1993
TOTAL REVENUE AND OTHER SOURCES	<u>21,665,439</u>	<u>21,556,340</u>		
EXPENDITURES	21,178,313	20,897,572		
OTHER OUTGO	<u>479,525</u>	<u>500,006</u>		
TOTAL EXPENDITURES AND OTHER OUTGO	<u>21,657,838</u>	<u>21,397,578</u>		
CHANGE IN FUND BALANCE	<u>\$ 7,601</u>	<u>\$ 158,762</u>		
ENDING FUND BALANCE	<u>\$ 625,083</u>	<u>\$ 597,991</u>		
AVAILABLE RESERVES	<u>\$19,663,706</u>	<u>\$19,696,948</u>		
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	<u>90.79%</u>	<u>92.05%</u>		
TOTAL LONG-TERM DEBT		<u>\$ 215,050</u>		
AVERAGE DAILY ATTENDANCE AT P.2	4,594.0	4,377.15		

The general fund balance has increased by \$158,762 due to fund operations and has increased due to fund contributions by \$439,229 over the past year (see note 12). For a district this size, the state recommends available reserves of at least three percent (3%) of total general fund expenditures, transfers out, and other uses (total outgo).

The District has not incurred operating deficits in the past year. Total long-term debt has increased during the past year.

Additional growth of 217 is anticipated during fiscal year 1994-1995.

Earlier years information is not available, since the District began operations effective July 1, 1993, unifying with the Mira Costa High School to become the Manhattan Beach Unified School District. See Footnote 12 for more information.

See the Accompanying Notes to Supplementary Information

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 1994**

NOTE 1 - PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

The District has received incentive funds for increasing instructional time as provided by the Incentives for Longer Instructional Days. 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 46201 through 46206.

C. 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.

D. Schedule of State and Federal Financial Assistance

OMB Circular A-128 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with OMB Circular A-128 and state requirements.

E. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Form J-200 to the audited financial statements.

SMITH & GRANSTROM
CERTIFIED PUBLIC ACCOUNTANTS

A PARTNERSHIP INCLUDING A PROFESSIONAL CORPORATION

24430 HAWTHORNE BOULEVARD, SUITE 101
TORRANCE, CALIFORNIA 90505
(310) 375-7476
FAX (310) 378-2561

INDEPENDENT AUDITORS' COMBINED REPORT
ON INTERNAL CONTROL STRUCTURE

Board of Trustees,
Manhattan Beach Unified School District,
Manhattan Beach, California

We have audited the combined and combining financial statements of the Manhattan Beach Unified School District (The District) as of and for the year ended June 30, 1994, and have issued our report thereon dated December 10, 1994. We have also audited the District's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated December 10, 1994.

We conducted our audits in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States' and Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the combined and combining financial statements are free of material misstatement and about whether the District complied with laws and regulations non-compliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the year ended June 30 1994, we considered the District's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the District's financial statements and on its compliance with requirements applicable to major federal financial assistance programs, and not to provide assurance on the internal control structure.

The management of the District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The

INDEPENDENT AUDITORS' COMBINED REPORT
ON INTERNAL CONTROL STRUCTURE - Continued

objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure errors, irregularities or instances of non-compliance may nevertheless occur and not be detected. Also,, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate. For all of the internal control structure categories listed above we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

For the purpose of this report, we have classified the significant internal control structure policies and procedures into the following categories:

Accounting Applications

- Billings
- Receivables
- Cash Receipts
- Purchasing and Receiving
- Accounts Payable
- Cash Disbursements
- Payroll
- Inventory Control
- Property and Equipment
- General Ledger
- Attendance

General Requirements

- Political Activity
- Davis-Bacon Act
- Civil Rights
- Cash Management
- Relocation Assistance and
Real Property Management
- Federal Financial Reports
- Allowable Costs/Cost Principles
- Drug Free Workplace
- Administrative Requirements

INDEPENDENT AUDITORS' COMBINED REPORT
ON INTERNAL CONTROL STRUCTURE - Continued

Specific Requirements

Types of Services

Eligibility

Matching, Level, of Effort or Earmarking

Reporting

Cost Allocation

Special Requirements, if any

Monitoring Subrecipients

Claims for Advances and Reimbursements

Amounts Claimed or Used for Matching

During the year ended June 30, 1994, the District had no major federal financial assistance programs and expended 50.75% of its' total federal financial assistance under the following non-major federal financial assistance programs:

PL 94-142, SPLASH	\$178,070
NATIONAL SCHOOL LUNCH PROGRAM	\$121,421

We performed tests of controls as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material non-compliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the District's major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure, policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited or that non-compliance with laws and regulations that would be material to a federal

INDEPENDENT AUDITORS' COMBINED REPORT
ON INTERNAL CONTROL STRUCTURE - Continued

financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Trustees, management, the State Department of Education, and the State Controller's Office. However, this report is a matter of public record and its distribution is not limited.

Smith & GRANSTROM
SMITH & GRANSTROM,
CERTIFIED PUBLIC ACCOUNTANTS

Torrance, California
December 10, 1994

SMITH & GRANSTROM
CERTIFIED PUBLIC ACCOUNTANTS

A PARTNERSHIP INCLUDING A PROFESSIONAL CORPORATION

24430 HAWTHORNE BOULEVARD, SUITE 101
TORRANCE, CALIFORNIA 90505
(310) 375-7476
FAX (310) 378-2561

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees,
Manhattan Beach Unified School District,
Manhattan Beach, California

We have audited the combined and combining financial statements of the Manhattan Beach Unified School District as of and for the year ended June 30, 1994, and have issued our report thereon dated December 10, 1994. Our audit was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the State Controller's Standards and Procedures for Audits of California K-12 Local Educational Agencies. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An Audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the following state laws and regulations:

INDEPENDENT AUDITORS' REPORT
ON STATE COMPLIANCE - Continued

Attendance Accounting
Incentives For Longer Instructional Days
Gann Limit Calculation
School Improvement Program
Economic Impact Aid
Categorical Programs - Mega Item
Early Retirement Incentive Program
State Residency

Based on our audit, we found that, for the items tested, the Manhattan Beach Unified School District complied with the state laws and regulations referred to above, except as described in the Findings and Recommendations section of this report. Further

based on our examination, for items not tested, nothing came to our attention to indicate that the Manhattan Beach Unified School District had not complied with the state laws and regulations, except as described in the Findings and Recommendations section of this report.

Smith & GRANSTROM

SMITH & GRANSTROM,
CERTIFIED PUBLIC ACCOUNTANTS

Torrance, California
December 10, 1994

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FAX (310) 378-2561

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
FEDERAL LAWS AND REGULATIONS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS ISSUED BY THE G.A.O.

Board of Trustees,
Manhattan Beach Unified School District,
Manhattan Beach, California

We have audited the combined and combining financial statements of the Manhattan Beach Unified School District as of and for the year ended June 30, 1994, and have issued our report thereon dated December 10, 1994. We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws regulations, contracts, and grants applicable to the District is the responsibility of the District's management. As part of our audit, we assessed the risk that non compliance with certain provisions of laws, regulations, contracts and grants could cause the financial statements to be materially misstated. We concluded that the risk of such material misstatement was sufficiently low that it was not necessary to perform tests of the District's compliance with such provisions of laws, regulations, contracts, and grants.

However, in connection with our audit, nothing came to our attention that caused us to believe that the District had not complied, in all material respects with the laws, regulations, contracts, and grants referred to in the preceding paragraph.

The results of our tests indicate that with respect to the items tested Manhattan Beach Unified School District complied, in all material respects with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with those provisions.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
FEDERAL LAWS AND REGULATIONS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS ISSUES BY THE G.A.O. - continued

This report is intended for the information of the Board of
Trustees, management, the State Department of Education, and the
public record and its distribution is not limited.

Smith & GRANSTROM

SMITH & GRANSTROM,
CERTIFIED PUBLIC ACCOUNTANTS

Torrance, California
December 10, 1994

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INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH THE GENERAL REQUIREMENTS
APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Board of Trustees,
Manhattan Beach Unified School District,
Manhattan Beach, California

We have audited the combined and combining financial statements of the Manhattan Beach Unified School District as of and for the year ended June 30, 1994, and have issued our report thereon dated December 10, 1994.

We have applied procedures to test the District's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the schedule of federal financial assistance for the year ended June 30, 1994.

- Political Activity
- Civil Rights
- Cash Management
- Federal Financial Reports
- Allowable Costs/Cost Principles
- Drug Free Workplace
- Administrative Requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the District's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested the results of those procedures disclosed no material instances of non-compliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Manhattan Beach Unified School District had not complied in all material respects, with those

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH THE GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL FINANCIAL ASSISTANCE PROGRAMS - Continued

requirements. However, the results of our procedures disclosed immaterial instances of non-compliance with those requirements, which are described in the Findings and Recommendations section of this report.

This report is intended for the information of the Board of Trustees, management, the State Department of Education, and the State Controller's Office. However, this report is a matter of public record and its distribution is not limited.

Smith & Granstrom

SMITH & GRANSTROM,
CERTIFIED PUBLIC ACCOUNTANTS

Torrance, California
December 10, 1994

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24430 HAWTHORNE BOULEVARD, SUITE 101
TORRANCE, CALIFORNIA 90505
(310) 375-7476
FAX (310) 378-2561

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL FINANCIAL
ASSISTANCE PROGRAM TRANSACTION

Board of Trustees,
Manhattan Beach Unified School District,
Manhattan Beach, California

We have audited the combined and combining financial statements of the Manhattan Beach Unified School District (the District) as of and for the year ended June 30 1994, and have issued our report thereon dated December 10, 1994.

In connection with our audit of the June 30 1994 combined and combining financial statements of the Manhattan Beach Unified School District (the District), and with our study and evaluation of the District's internal control systems used to administer federal financial assistance programs, as required by the Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments," we selected certain transactions applicable to certain non-major Federal financial assistance programs for the year ended June 30 1994.

As required by OMB Circular A-128 we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; and eligibility; that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the District's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Manhattan Beach Unified School District had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed an immaterial instance of noncompliance with those requirements, which are described in the accompanying schedule of Findings and Recommendations.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL FINANCIAL
ASSISTANCE PROGRAM TRANSACTION - Continued

This report is intended for the information of the Board of trustees, management, the State Department of Education, and the State Controller's Office. However, this report is a matter of public record and its distribution is not limited.

SMITH & GRANSTROM

SMITH & GRANSTROM,
CERTIFIED PUBLIC ACCOUNTANTS

Torrance, California
December 10, 1994

FINDINGS AND RECOMMENDATIONS SECTION

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 1994

INTERNAL CONTROL

FINDING # 1
PAYROLL CLEARANCE FUND

The district in common with most school districts maintains a payroll clearance fund. The Payroll clearance fund should be reconciled monthly. It was noted during the course of our audit the payroll clearance fund is not being reconciled on a monthly basis.

Recommendation:

Reconciliations of the payroll clearance fund should be done monthly to ensure liabilities and cash balances are properly stated.

District Response:

The district shall reconcile the payroll clearance fund monthly.

FINDING # 2

GENERAL LEDGER SUBSIDIARY REVENUE
RECONCILIATION

Periodically the district shall report revenue on federal and state categorical programs to other governmental entities such as to the County of Los Angeles Offices of Education annually on Form J390. The periodic reportings are not reconciled to the districts general ledger and result in erroneous program revenue disclosure or in an improperly adjusted general ledger.

Recommendation:

All subsidiary general ledger reportings, such as the Form J390, should be reconciled to the district's general ledger.

District Response:

The district shall reconcile all subsidiary revenue reportings.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
FINDINGS AND RECOMMENDATIONS-continued
FOR THE FISCAL YEAR ENDED JUNE 30, 1994

STATE COMPLIANCE

FINDING # 1
STAFF DEVELOPMENT DAYS

The district had eight (8) staff development days during the fiscal year which were used for apportionment purposes. Each staff development day must tie to a site development program approved in a school site plan approved by the Board of Trustees.

Recommendation:

All staff development days must be supported by a site development program approved in a school site plan approved by the Board of Trustees.

District Response:

The district shall insure compliance by a review by the Board of Trustees of all site development programs held on staff development days.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
FINDINGS AND RECOMMENDATIONS-continued
FOR THE FISCAL YEAR ENDED JUNE 30, 1994

FEDERAL COMPLIANCE

**FINDING # 1
DRUG-FREE WORKPLACE ACT**

The district in accordance with the drug-free workplace act to provide a drug free environment must notify employees by providing a copy of a policy statement that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the workplace.

Recommendation:

The district should distribute a copy of the district's drug free workplace policy statement to each employee engaged in the performance of a federal program.

District Response:

The district will ensure, compliance with the requirement to distribute copies of it's drug free workplace act policy.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 1994

THERE WERE NO PRIOR YEAR FINDINGS AND
RECOMMENDATIONS - SEE NOTE 12 -