

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

**AUDIT REPORT
June 30, 2006**

FINANCIAL SECTION

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Manhattan Beach Unified School District as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Manhattan Beach Unified School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2006, on our consideration of the Manhattan Beach Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in Note 1, the District implemented Governmental Accounting Standards Board Statement No. 46 - *Net Assets Restricted by Enabling Legislation* - an amendment of GASB Statement No. 34, effective July 1, 2005.

The Budgetary Comparison Schedules for the General and Special Reserve Funds on page 43 through 44 are not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Manhattan Beach Unified School District has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Manhattan Beach Unified School District's basic financial statements. The accompanying combining and individual fund financial statements and schedules, financial, and statistical information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Manhattan Beach Unified School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Beverly Hills, California
December 12, 2006

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2006

Assets	Governmental Activities	Business-type Activities	Totals
Cash in county treasury	\$ 12,678,298	\$ -	\$ 12,678,298
Revolving cash fund	13,609		13,609
Cash in bank and on hand	145,754		145,754
Cash and investments with fiscal agent	1,062,001		1,062,001
Accounts receivable	5,549,508		5,549,508
Inventories, at cost	94,250		94,250
Prepaid items	129,090		129,090
Deferred loss on refunding, net of accumulated amortization	1,244,378		1,244,378
Debt issuance costs, net of accumulated amortization	118,275		118,275
Land	3,909,383		3,909,383
Land improvements	3,538,928		3,538,928
Buildings	100,699,713		100,699,713
Equipment	3,720,888		3,720,888
Less accumulated depreciation	<u>(27,091,549)</u>		<u>(27,091,549)</u>
Total Assets	<u>105,812,526</u>		<u>105,812,526</u>
Liabilities			
Accounts payable	5,298,307		5,298,307
Interest payable	793,558		793,558
Deferred revenue	547,484		547,484
Long-term liabilities:			
Due within one year:			
General obligation bonds payable	2,724,460		2,724,460
Certificates of participation payable	695,000		695,000
Postemployment benefits	10,000		10,000
Early retirement incentives	95,804		95,804
Settlement agreement payable	<u>248,617</u>		<u>248,617</u>
Total due within one year	<u>10,413,230</u>		<u>10,413,230</u>
Due after one year:			
Interest payable	18,978,794		18,978,794
General obligation bonds payable	59,840,722		59,840,722
Certificates of participation payable	13,420,000		13,420,000
Postemployment benefits	19,540		19,540
Early retirement incentives	119,755		119,755
Settlement agreement payable	500,000		500,000
Compensated absences payable	<u>418,382</u>		<u>418,382</u>
Total due after one year	<u>93,297,193</u>		<u>93,297,193</u>
Total Liabilities	<u>103,710,423</u>		<u>103,710,423</u>
Net Assets			
Invested in capital assets, net of related debt	9,459,834		9,459,834
Restricted for:			
Capital projects	2,100,020		2,100,020
Unrestricted	<u>(9,457,751)</u>		<u>(9,457,751)</u>
Total net assets	<u>\$ 2,102,103</u>	<u>\$ -</u>	<u>\$ 2,102,103</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 33,181,526	\$ 59,160	\$ 6,710,132	\$ 34,532
Instruction-related services:				
Supervision of instruction	576,685		221,742	
Instructional library, media, and technology	647,826	4,283	340,798	
School site administration	2,473,327	2,367	173,052	
Pupil services:				
Home-to-school transportation	500,016		88,230	
Food services	1,997,720		130,275	
All other pupil services	2,960,423	5,103	760,319	
General administration:				
Data processing	432,050			
All other general administration	3,129,167		249,622	
Plant services	4,486,521	1,150	207,767	
Ancillary services	1,172,679	11,575	833,430	
Enterprise activities	29,500	377	27,108	
Interest on long-term debt	4,357,406			
Other outgo	418,712	110,585	751,205	
Depreciation (unallocated)	1,965,559			
Total governmental activities	58,329,117	194,600	10,493,680	34,532
Business-type Activities				
Enterprise activities	6,325			
Total business-type activities	6,325			
Total primary government	\$ 58,335,442	\$ 194,600	\$ 10,493,680	\$ 34,532

General revenues:
Taxes and subventions:
 Taxes levied for general purposes
 Taxes levied for debt service
 Tax levied for other specific purposes
Federal and state aid not restricted to specific purposes
Interest and investment earnings
Interagency revenues
Miscellaneous
Total general revenues

Change in net assets

Net assets beginning of fiscal year
Prior year adjustments
Net assets beginning of fiscal year, restated
Net assets end of fiscal year

Governmental Activities	Business-type Activities	Total
\$ (26,377,702)	\$ -	\$ (26,377,702)
(354,943)		(354,943)
(302,745)		(302,745)
(2,297,908)		(2,297,908)
(411,786)		(411,786)
(1,867,445)		(1,867,445)
(2,195,001)		(2,195,001)
(432,050)		(432,050)
(2,879,545)		(2,879,545)
(4,277,604)		(4,277,604)
(327,674)		(327,674)
(2,015)		(2,015)
(4,357,406)		(4,357,406)
443,078		443,078
(1,965,559)		(1,965,559)
<u>(47,606,305)</u>		<u>(47,606,305)</u>
	(6,325)	(6,325)
	<u>(6,325)</u>	<u>(6,325)</u>
<u>(47,606,305)</u>	<u>(6,325)</u>	<u>(47,612,630)</u>
18,200,805		18,200,805
3,544,251		3,544,251
8,247		8,247
19,146,273		19,146,273
396,426		396,426
6,123,229	6,325	6,129,554
<u>47,419,231</u>	<u>6,325</u>	<u>47,425,556</u>
<u>(187,074)</u>		<u>(187,074)</u>
2,545,421		2,545,421
(256,244)		(256,244)
<u>2,289,177</u>		<u>2,289,177</u>
<u>\$ 2,102,103</u>	<u>\$ -</u>	<u>\$ 2,102,103</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General Fund	Special Reserve Fund	Bond Interest and Redemption Fund	Other Governmental Funds
Assets				
Cash in county treasury	\$ 2,073,037	\$ 4,757,089	\$ 3,408,978	\$ 2,416,888
Revolving cash fund	10,000			3,609
Cash in bank and on hand				145,754
Cash and investments with fiscal agent				1,062,001
Accounts receivable:				
Federal and state governments	3,270,525			19,790
Other	1,883,239	16,832		358,771
Inventory, at cost	65,900			28,350
Prepaid items	129,090			
Due from other funds		734,200		
Total assets	\$ 7,431,791	\$ 5,508,121	\$ 3,408,978	\$ 4,035,163
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 4,889,676	\$ -	\$ -	\$ 408,631
Deferred revenue	547,484			
Due to other funds				734,200
Total liabilities	5,437,160			1,142,831
Fund balances:				
Reserved for revolving fund	10,000			3,609
Reserved for inventory	65,900			28,350
Reserved for prepaid items	129,090			
Reserved for debt service			3,408,978	
Unreserved:				
Undesignated	1,789,641	5,508,121		2,860,373
Total fund balances	1,994,631	5,508,121	3,408,978	2,892,332
Total liabilities and fund balances	\$ 7,431,791	\$ 5,508,121	\$ 3,408,978	\$ 4,035,163

See notes to basic financial statements

Total
Governmental
Funds

\$ 12,655,992
13,609
145,754
1,062,001

3,290,315
2,258,842
94,250
129,090
734,200

\$ 20,384,053

\$ 5,298,307
547,484
734,200

6,579,991

13,609
94,250
129,090
3,408,978

10,158,135

13,804,062

\$ 20,384,053

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MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total fund balances - governmental funds \$ 13,804,062

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

Capital assets at historical cost	\$	111,868,912
Accumulated depreciation		<u>(27,091,549)</u>

Net 84,777,363

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred. (19,772,352)

In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issuance costs are capitalized and amortized over the life of the debt. 118,275

Deferred losses on refunding, net of accumulated amortization have not been reported in the governmental funds. These are capitalized and amortized over the life of the new debt or old debt whichever is shorter in the statement of net assets. 1,244,378

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net assets, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds payable	\$	(62,565,182)
Certificates of participation payable		(14,115,000)
Postemployment benefits		(29,540)
Early retirement incentives		(215,559)
Settlement agreement payable		(748,617)
Compensated absences payable		<u>(418,382)</u>

Total (78,092,280)

Internal service funds are used to charge the costs of services to the individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets. 22,657

Total net assets, governmental activities \$ 2,102,103

See notes to basic financial statements

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2006

	General Fund	Special Reserve Fund	Bond Interest and Redemption Fund	Other Governmental Funds
Revenues:				
Revenue limit sources:				
State apportionments	\$ 15,976,213	\$ -	\$ -	\$ -
Local sources	18,400,563			
Federal	1,566,637			125,572
Other state	7,472,858		21,726	245,645
Other local	5,631,689	53,392	3,597,146	5,047,695
Total revenues	<u>49,047,960</u>	<u>53,392</u>	<u>3,618,872</u>	<u>5,418,912</u>
Expenditures:				
Certificated salaries	23,530,735			655,737
Classified salaries	6,919,589			1,316,705
Employee benefits	7,078,600			544,932
Books and supplies	2,411,478			1,016,048
Contracted services and other operating expenses	7,999,793			419,065
Capital outlay	195,346			745,325
Other outgo	459,578			552,980
Debt service	17,318		3,443,282	1,028,438
Total expenditures	<u>48,612,437</u>		<u>3,443,282</u>	<u>6,279,230</u>
Excess of revenues over (under) expenditures	<u>435,523</u>	<u>53,392</u>	<u>175,590</u>	<u>(860,318)</u>
Other Financing Sources (Uses):				
Transfers in	345,630			568,560
Transfers out	(568,560)	(135,630)		(210,000)
Total other financing sources (uses)	<u>(222,930)</u>	<u>(135,630)</u>		<u>358,560</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>212,593</u>	<u>(82,238)</u>	<u>175,590</u>	<u>(501,758)</u>
Fund balances, July 1, 2005	1,896,235	5,590,359	3,233,388	3,512,186
Prior year adjustments	(114,197)			(118,096)
Fund balances, July 1, 2005, restated	<u>1,782,038</u>	<u>5,590,359</u>	<u>3,233,388</u>	<u>3,394,090</u>
Fund balances, June 30, 2006	<u>\$ 1,994,631</u>	<u>\$ 5,508,121</u>	<u>\$ 3,408,978</u>	<u>\$ 2,892,332</u>

See notes to basic financial statements

Total
Governmental
Funds

\$ 15,976,213
18,400,563
1,692,209
7,740,229
14,329,922

58,139,136

24,186,472
8,236,294
7,623,532
3,427,526

8,418,858
940,671
1,012,558
4,489,038

58,334,949

(195,813)

914,190
(914,190)

(195,813)

14,232,168

(232,293)

13,999,875

\$ 13,804,062

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MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006

Total net change in fund balances - governmental funds	\$	(195,813)
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:</p>		
Expenditures for capital outlay	\$	971,925
Depreciation expense		<u>(1,965,559)</u>
Net		(993,634)
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.		3,108,706
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		(2,324,326)
Internal service funds are used by the District to charge the costs of service to individual funds. The net loss of internal service funds is reported with governmental activities.		(8,474)
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, the amounts earned exceeded vacation paid by \$21,043.		(21,043)
In the statement of activities, post-employment benefits are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, post-employment benefits paid were more than the amounts earned by \$30,071.		30,071
In the statement of activities, structure legal settlement must be accrued in the year incurred. In governmental funds, however, such settlement is recognized when paid.		317,208
In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. This represents the net amount.		(5,259)
In governmental funds, deferred loss on refunding are recognized as expenditures in the period they are incurred. In the government-wide statements, deferred loss on refunding are amortized over the life of the debt. This is the amortization for the period.		<u>(94,510)</u>
Changes in net assets of governmental activities	<u>\$</u>	<u>(187,074)</u>

See notes to basic financial statements

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
 June 30, 2006

	Enterprise Fund	Governmental Activities
	Community Preschool Fund	Internal Service Fund Self-Insurance Fund
Assets		
Cash in county treasury	\$ -	\$ 22,306
Accounts receivable:		
Other		351
Total assets		<u>22,657</u>
Liabilities		
Accounts payable		
Total liabilities		
Net assets		
Unrestricted		<u>22,657</u>
Total net assets	<u>\$ -</u>	<u>\$ 22,657</u>

See notes to basic financial statements

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2006

	Enterprise Fund	Governmental Activities
	Community Preschool Fund	Internal Service Fund Self-Insurance Fund
Operating Revenues:		
Other local revenue	\$ 6,325	\$ -
Total revenues	<u>6,325</u>	<u>-</u>
Operating Expenses:		
Certificated salaries	2,954	
Classified salaries	2,462	
Employee benefits	909	
Books and supplies		9,385
Contracted services and other operating expenses		1,996
Total expenses	<u>6,325</u>	<u>11,381</u>
Operating income (loss)		(11,381)
Non-operating Revenues (Expenses)		
Interest income		<u>2,907</u>
Change in net assets		(8,474)
Net assets, July 1, 2005		<u>31,131</u>
Net assets, June 30, 2006	<u>\$ -</u>	<u>\$ 22,657</u>

See notes to basic financial statements

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
 For the Fiscal Year Ended June 30, 2006

	Enterprise Fund	Governmental Activities
	Community Preschool Fund	Internal Service Fund Self-Insurance Fund
Cash Flows from Operating Activities:		
Cash received from other local services	\$ 6,325	\$ -
Cash paid for salaries and benefits	(6,325)	
Cash paid for books and supplies		(10,637)
Cash paid for contracted services and other operating expenses		(1,996)
	<u> </u>	<u> </u>
Net cash provided (used) by operating activities		(12,633)
Cash Flows from Investing Activities:		
Interest received		2,841
		<u> </u>
Net increase (decrease) in cash and cash equivalents		(9,792)
Cash and cash equivalents at July 1, 2005		32,098
		<u> </u>
Cash and cash equivalents at June 30, 2006	<u>\$ -</u>	<u>\$ 22,306</u>

Reconciliation of Operating Income (Loss) to Net Cash
 (Used) by Operating Activities

Operating income (loss)	\$ -	\$ (11,381)
Increase (decrease) in operating liabilities		
Accounts payable		(1,252)
		<u> </u>
Net cash provided (used) by operating activities	<u>\$ -</u>	<u>\$ (12,633)</u>

See notes to basic financial statements

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2006

	Pension Trust Fund	Agency Funds		Totals
	Retiree Benefits Fund	Payroll Clearance Fund	Student Body Funds	
Assets				
Cash in county treasury	\$ 900,093	\$ (326,056)	\$ -	\$ 574,037
Cash on hand and in banks			336,588	336,588
Accounts receivable:				
Other	13,694		549	14,243
Prepaid items		326,056		326,056
Total assets	913,787		337,137	1,250,924
Liabilities				
Accounts payable	658,054			658,054
Due to student groups			337,137	337,137
Total liabilities	658,054		337,137	995,191
Net Assets				
Unrestricted	255,733			255,733
Total net assets	\$ 255,733	\$ -	\$ -	\$ 255,733

See notes to basic financial statements

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
 For the Fiscal Year Ended June 30, 2006

	Pension Trust Fund <hr/> Retiree Benefits Fund <hr/>
Additions	
Other local	\$ 37,075
Deductions	
Services and other operating expenses	<hr/> 86,422
Changes in net assets	(49,347)
Net assets, July 1, 2005	<hr/> 305,080
Net assets, June 30, 2006	<hr/> <hr/> \$ 255,733

See notes to basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

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MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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

B. Reporting Entity

The Manhattan Beach Unified School District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees.

The Manhattan Beach Unified School District (District) and the Manhattan Beach School Facilities Corporation (Corporation) have financial and operational relationships that meet the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, for inclusion of certain activity of the Corporation as a component unit of the District. Accordingly, certain financial activities of the Corporation have been included in the financial statements of the District.

C. Basis of Presentation

Government-wide Financial Statements:

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

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

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Fund Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets for proprietary funds presents increases (i.e. revenues) and decreases (i.e. expenditures) in net total assets. The statement of cash flows provides information about how the District meets the cash flow needs of proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the internal service fund are charges to other funds for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues – exchange and non-exchange transactions:

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

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

Deferred revenue:

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Expenses/expenditures:

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

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

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. 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 major, nonmajor, proprietary, and fiduciary funds as follows:

Major Governmental Funds:

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

The Special Reserve Fund is used to account for resources reserved for economic uncertainties.

The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of District bonds, interest, and related costs.

Nonmajor Governmental Funds:

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 two nonmajor special revenue funds:

1. The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.
2. The Child Development Fund is used to account for resources committed to child development programs maintained by the District.
3. The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's cafeterias.

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

The Corporate Debt Service Fund is used to account for interest and redemption of principal of the District's certificates of participation as issued by the Manhattan Beach School Facilities Corporation (Component Unit).

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

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

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

The County School Facilities Fund is used to account for State apportionment provided by SB 50, Proposition 1A bond money.

The Building Fund is used to account for the acquisition of governmental capital facilities and buildings from the sale of bonds and certificates of participation issued by the Manhattan Beach School Facilities Corporation.

Proprietary Fund:

Enterprise Fund are established to account for operations that are financed and operated in a manner similar to private business enterprises, whereas the intent is that the costs of providing services on a continuing basis be financed or recovered primarily through user charges. The District maintains one major enterprise fund.

The Community Preschool Fund accounts for the before and after school childcare program funded by parent fees.

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund:

The Self-Insurance Fund is used to pay small medical claims below the District's insurance deductible limits.

Fiduciary Funds:

Pension Trust Funds are used to account for assets held by the District as trustee. The District maintains one pension trust fund, the Retiree Benefits Fund, which is used to pay benefits for retirees of the District.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for its student body accounts. The funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The amount reported for student body funds represents the combined totals of all schools within the District. The District also maintains one agency fund for payroll clearance purposes.

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board and District Superintendent during the fiscal year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund and the Special Reserve Fund in the financial statements.

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Encumbrances

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

H. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the 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 fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

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

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

2. Inventories and Prepaid Items

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

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

3. Amortization of Deferred Charges

The costs of issuance of bonds are being amortized on the straight line method over the life of the bonds on the government-wide statements.

4. Deferred Loss on Refunding

The District has incurred a loss on the refunding of its debt. The deferred loss is being amortized on the straight line method over the lesser of the remaining period of the old debt or the remaining period of the new debt on the government-wide statements.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Assets, Liabilities, and Equity (Continued)

5. Capital Assets

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

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Assets, Liabilities, and Equity (Continued)

6. Deferred Revenue

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

7. Compensated Absences

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

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

8. Long-Term Obligations

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

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

9. Net Assets

The government-wide statement of net assets includes three equity categories entitled net assets invested in capital assets-net of related debt, restricted net assets, and unrestricted net assets. The invested in capital assets, net of related debt category presents the District's equity interest in capital assets less outstanding principal of related debt. The restricted net assets category is designed to reflect net assets that are subject to restrictions beyond the District's control (externally imposed or imposed by law). The unrestricted net assets category equals any remaining balance.

10. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriate for expenditure or amounts legally segregated for a specific future use. The Reserve for Revolving Fund, Reserve for Inventory, and Reserve for Prepaid Items, reflect the portions of the fund balances represented by revolving fund cash, stores inventory, and prepaid items, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Assets, Liabilities, and Equity (Continued)

11. Revenue Limit/Property Tax

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

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

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

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

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

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

I. New Accounting Pronouncement

Governmental Accounting Standards Board Statement No. 46

For the fiscal year ended June 30, 2006, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 46, "Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34". This statement is effective for fiscal periods beginning after June 15, 2005. This statement requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. A legally enforceable enabling legislation restriction is one that a party external to the District such as citizens, public interest groups, or the judiciary – can compel a government to honor. Implementation of GASB Statement No. 46 did not have an impact the District's financial statements for the fiscal year ended June 30, 2006, but required additional disclosure related to restricted net assets.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those reported.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments at June 30, 2006, consisted of the following:

Cash in banks	\$	495,951
Cash and investments with County Treasurer		13,252,335
Cash and investments with fiscal agent		1,062,001
		<hr/>
Total cash and investments	\$	<u>14,810,287</u>

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

Cash in County Treasury, statement of net assets	\$	12,678,298
Cash in revolving fund, statement of net assets		13,609
Cash on hand and in bank, statement of net assets		145,754
Cash and investments with fiscal agent, statement of net assets		1,062,001
Cash in County Treasury, statement of fiduciary net assets		574,037
Cash on hand and in bank, statement of fiduciary net assets		336,588
		<hr/>
Total cash and investments	\$	<u>14,810,287</u>

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool (\$13,252,335 as of June 30, 2006). The fair value of this pool as of that date, as provided by the plan sponsor, was \$13,252,335. The District is considered to be an involuntary participant in the external pool. Interest is deposited in the participating funds. The County is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks, and in Revolving Fund

Cash balance on hand and in banks (\$482,342 as of June 30, 2006) and in the revolving fund (\$13,609) are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by financial institutions is fully insured or collateralized.

Investments Authorized by the District's Investment Policy

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the **investment types** that are authorized for investments held by bond trustee. The table also identifies certain provision of these debt agreements that address **interest rate risk** and **concentration of credit risk**.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Certificates of Deposit with Bank of Savings & Loans	360 days	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Mortgage Backed Security, Prime Quality	None	None	None
Municipal Obligations	None	None	None
Commercial Paper, Prime Quality	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund (State Pool)	None	None	None
Guaranteed Investment Contract	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

Investment Type	Carrying Amount	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
Los Angeles County Investment Pool	\$ 13,252,335	\$ 13,252,335	\$ -	\$ -	\$ -
Held by COP Trustees: Money Market Funds	1,062,001	1,062,001			
Total	\$ 14,314,336	\$ 14,314,336	\$ -	\$ -	\$ -

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

NOTE 2 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code and the District's investment policy, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
Los Angeles County Investment Pool	\$ 13,252,335	N/A	\$ -	\$ -	\$ -	\$ -	\$ 13,252,335
Held by COP Trustees: Money Markets Funds	1,062,001						1,062,001
Total	\$ 14,314,336		\$ -	\$ -	\$ -	\$ -	\$ 14,314,336

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments.

Custodial Credit Risk

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

As of June 30, 2006, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

<u>Fund</u>	<u>Excess Expenditures</u>
Nonmajor Funds:	
Cafeteria Fund	\$ 251,292
Building Fund	9,904
Corporate Debt Service Fund	339,275

NOTE 4 - RECEIVABLES

Receivables at June 30, 2006, consist of the following:

	<u>General Fund</u>	<u>Special Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Internal Service Fund Self-Insurance Fund</u>	<u>Pension Trust Fund Retiree Benefits Fund</u>	<u>Agency Fund Student Body</u>
Federal Government:						
Federal programs	\$ 673,562	\$ -	\$ 19,323	\$ -	\$ -	\$ -
State Government:						
Apportionment	1,613,164					
Categorical aid programs	747,016		467			
Lottery	236,783					
Local Sources:						
Interest	82,481	16,832	40,568	351	13,694	
Miscellaneous	1,800,758		318,203			549
Totals	<u>\$ 5,153,764</u>	<u>\$ 16,832</u>	<u>\$ 378,561</u>	<u>\$ 351</u>	<u>\$ 13,694</u>	<u>\$ 549</u>

NOTE 5 - INTERFUND TRANSACTIONS

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

Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2006 are as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
<u>Major Fund:</u>		
Special Reserve Fund	\$ 734,200	\$ -
<u>Nonmajor Funds:</u>		
Building Fund		400,000
Cafeteria Fund		334,200
Totals	<u>\$ 734,200</u>	<u>\$ 734,200</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 - INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

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

Interfund transfers for the 2005-2006 fiscal year are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Major Funds:</u>		
General Fund	\$ 345,630	\$ 568,560
Special Reserve Fund		135,630
<u>Nonmajor Funds:</u>		
Deferred Maintenance Fund	240,630	
Child Development Fund		210,000
Corporate Debt Service Fund	<u>327,930</u>	
Totals	<u>\$ 914,190</u>	<u>\$ 914,190</u>

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, is shown below:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Capital assets, not being depreciated:				
Land	\$ 3,909,383	\$ -	\$ -	\$ 3,909,383
Construction in progress	21,250		21,250	
Total capital assets, not being depreciated	<u>\$ 3,930,633</u>	<u>\$ -</u>	<u>\$ 21,250</u>	<u>\$ 3,909,383</u>
Capital assets, being depreciated:				
Land improvements	\$ 3,504,323	\$ 34,605	\$ -	\$ 3,538,928
Buildings	99,983,350	716,363		100,699,713
Equipment	3,478,681	242,207		3,720,888
Total capital assets, being depreciated	<u>106,966,354</u>	<u>993,175</u>		<u>107,959,529</u>
Less accumulated depreciation:				
Land improvements	1,964,194	83,300		2,047,494
Buildings	20,230,764	1,667,055		21,897,819
Equipment	2,931,032	215,204		3,146,236
Total accumulated depreciation	<u>25,125,990</u>	<u>1,965,559</u>		<u>27,091,549</u>
Total capital assets, being depreciated, net	<u>\$ 81,840,364</u>	<u>\$ (972,384)</u>	<u>\$ -</u>	<u>\$ 80,867,980</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Unallocated	\$ 1,965,559

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 7 – BONDED DEBT

The outstanding general obligation bonded debt of the Manhattan Beach Unified School District at June 30, 2006, is:

Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Amount of Capital Appreciation Bonds Included in Original Issue	Balance Outstanding July 1, 2005	Issued Current Fiscal Year	Redeemed Current Fiscal Year	Balance Outstanding June 30, 2006
1996A	3.60%-5.65%	2020	\$ 25,184,723	\$ 13,019,723	\$ 16,499,723	\$ -	\$ 1,670,000	\$ 14,829,723
1998B	4.50%-5.25%	2023	6,000,501	6,000,501	6,000,501		28,706	5,971,795
1999C	3.50%-5.87%	2024	5,000,040	4,010,039	4,625,040		155,000	4,470,040
2001D	3.00%-5.33%	2025	5,148,769	4,263,769	5,053,769		70,000	4,983,769
2001A	4.00%-5.69%	2026	21,513,829	4,628,829	4,628,829			4,628,829
2002B	3.00%-5.57%	2026	4,485,101	1,940,101	4,045,101		290,000	3,755,101
2002E	3.10%-5.57%	2026	5,940,925	4,525,925	5,940,925			5,940,925
2004	2.00%-4.00%	2019	18,400,000		18,210,000		225,000	17,985,000
			<u>\$ 91,673,888</u>	<u>\$ 38,388,887</u>	<u>\$ 65,003,888</u>	<u>\$ -</u>	<u>\$ 2,438,706</u>	<u>\$ 62,565,182</u>

Interest on capital appreciation bonds is accruing annually and is included as a separate component of long-term debt.

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2006, are as follows:

Fiscal Years Ending June 30,	1996A Issue		1998B Issue	
	Principal	Interest	Principal	Interest
2007	\$ 1,810,000	\$ 41,630	\$ 54,460	\$ 25,540
2008	1,102,235	867,765	6,445	3,555
2009	1,069,535	965,465	27,405	17,595
2010	1,037,197	1,122,705	54,866	40,134
2011	1,007,394	1,228,575	79,341	65,659
2012-2016	4,661,320	7,756,127	767,066	932,934
2017-2021	4,142,042	9,465,739	1,311,841	2,463,158
2022-2024			3,670,371	9,859,629
	<u>\$ 14,829,723</u>	<u>\$ 21,448,006</u>	<u>\$ 5,971,795</u>	<u>\$ 13,408,204</u>

Defeased Debt

In March 2004, the District issued \$18,400,000 of general obligation refunding bonds to advance refund the \$16,885,000 2001A general obligation bonds (serial current interest bonds portion). As a result, the 2001A general obligation bonds are considered to be defeased and the liability for these bonds had been removed from the accompanying financial statements. The outstanding principal amount of the defeased debt as of June 30, 2006 was \$16,650,000.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

NOTE 7 - BONDED DEBT (Continued)

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2006, are as follows (Continued):

Fiscal Years Ending June 30,	1999C Issue		2001D Issue	
	Principal	Interest	Principal	Interest
2007	\$ 170,000	\$ 16,300	\$ 90,000	\$ 24,712
2008	290,000	75,215	120,000	21,030
2009	197,258	145,665	140,000	16,345
2010	191,413	160,311	170,000	10,645
2011	182,966	174,856	200,000	56,452
2012-2016	822,174	1,095,033	776,206	855,637
2017-2021	698,629	1,378,163	1,024,335	1,696,228
2022-2026	1,917,600	6,336,561	2,463,228	6,531,664
	<u>\$ 4,470,040</u>	<u>\$ 9,382,104</u>	<u>\$ 4,983,769</u>	<u>\$ 9,212,713</u>

Fiscal Years Ending June 30,	2001A Issue		2002B Issue	
	Principal	Interest	Principal	Interest
2007	\$ -	\$ -	\$ 340,000	\$ 55,655
2008			395,000	44,433
2009			420,000	31,380
2010			305,000	19,113
2011			85,000	12,203
2012-2016			369,929	171,734
2017-2021	816,130	1,848,870	350,631	735,178
2022-2026	3,812,699	11,387,301	740,116	2,824,214
2027			749,425	1,205,286
	<u>\$ 4,628,829</u>	<u>\$ 13,236,171</u>	<u>\$ 3,755,101</u>	<u>\$ 5,099,196</u>

Fiscal Years Ending June 30,	2002E Issue		2004 Issue	
	Principal	Interest	Principal	Interest
2007	\$ -	\$ 51,430	\$ 260,000	\$ 700,515
2008	195,000	48,407	295,000	694,965
2009	195,000	42,168	360,000	688,415
2010	205,000	35,363	590,000	677,440
2011	205,000	27,983	1,010,000	657,440
2012-2016	803,181	294,196	6,880,000	2,610,313
2017-2021	280,238	409,313	8,590,000	715,250
2022-2026	2,171,737	8,872,644		
2027	1,885,769	2,874,616		
	<u>\$ 5,940,925</u>	<u>\$ 12,656,120</u>	<u>\$ 17,985,000</u>	<u>\$ 6,744,338</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

NOTE 7 – BONDED DEBT (Continued)

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2006, are as follows (Continued):

Years Ending June 30,	Totals	
	Principal	Interest
2007	\$ 2,724,460	\$ 915,782
2008	2,403,680	1,755,370
2009	2,409,198	1,907,033
2010	2,553,476	2,065,711
2011	2,769,701	2,223,168
2012-2016	15,079,876	13,715,974
2017-2021	17,213,846	18,711,899
2022-2026	14,775,751	45,812,013
2027	2,635,194	4,079,902
	<u>\$ 62,565,182</u>	<u>\$ 91,186,852</u>

NOTE 8 – CERTIFICATES OF PARTICIPATION PAYABLE

2001A Issue

In June of 2001, the Manhattan Beach School Facilities Corporation (Corporation Debt Service Fund) issued Certificates of Participation with an original principal amount of \$12,020,000 with interest ranging from 4.00 to 5.00 percent. The maturity date of the Certificates is August, 2020. At June 30, 2006, the principal outstanding was \$9,745,000.

2002B Issue

In May of 2002, the Manhattan Beach School Facilities Corporation (Corporation Debt Service Fund) issued Certificates of Participation with an original principal amount of \$5,000,000 with a variable interest rate. The maturity date of the Certificates is September, 2022. At June 30, 2006, the principal outstanding was \$4,370,000.

The annual requirements to amortize certificates of participation payable, outstanding as of June 30, 2006, are as follows:

Fiscal Years Ending June 30,	2001A Issue		2002B Issue	
	Principal	Interest	Principal	Interest
2007	\$ 480,000	\$ 440,525	\$ 215,000	\$ 148,104
2008	495,000	421,025	220,000	140,359
2009	510,000	400,925	225,000	132,437
2010	540,000	379,655	230,000	124,338
2011	555,000	356,930	235,000	116,062
2012-2016	3,170,000	1,383,178	1,250,000	449,996
2017-2021	3,995,000	518,875	1,395,000	214,956
2022-2023			600,000	31,982
	<u>\$ 9,745,000</u>	<u>\$ 3,901,113</u>	<u>\$ 4,370,000</u>	<u>\$ 1,358,234</u>

Fiscal Years Ending June 30,	Totals	
	Principal	Interest
2007	\$ 695,000	\$ 588,629
2008	715,000	561,384
2009	735,000	533,362
2010	770,000	503,993
2011	790,000	472,992
2012-2016	4,420,000	1,833,174
2017-2021	5,390,000	733,831
2022-2023	600,000	31,982
	<u>\$ 14,115,000</u>	<u>\$ 5,259,347</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Postemployment benefits

In addition to the pension benefits described in Note 13, the District provides postemployment health care benefits to all employees who retire from the District on or after attaining age of 55 with at least 15 years of service. These postemployment health care benefits will be paid through age of 65 to a maximum of \$400 per year. On June 30, 2006, 25 retirees met these eligibility requirements and a total of \$29,540 is expected to be paid for these future benefits. For the fiscal year ending June 30, 2006, \$14,120 in postemployment health care benefits was paid by the District under this program.

Early retirement incentives

On May 21, 2003, the District adopted and implemented an Early Retirement Incentive Program (ERIP) for full-time certificated personnel for the 2002/2003 school year only. To be able to participate in the ERIP, employees must be current full-time certificated district employees, and: 1) be at least 55 years old, and 2) have accumulated at least ten years of service with the Manhattan Beach Unified School District at the time of ratification of this agreement. Eligible employees shall be entitled to receive health, dental, and vision insurance coverage up to the existing 2002/2003 cap for five years at the employee's current level of coverage (single party or two-party plan only). An equivalent amount of cash in lieu of health benefits at the employee's current level of coverage (single party or two-party plan only) can be selected at the option of the employee. On June 30, 2003, 19 retirees met these eligibility requirements and a total of \$468,819 will be paid for these future benefits. For the fiscal year ended June 30, 2006, \$23,951 was paid by the District under this program.

NOTE 10 - SETTLEMENT AGREEMENT PAYABLE

The District accrued a settlement in the amount of \$1,065,825 on a law suit in August, 2005. Pursuant to GASB Statement No. 10, the District accrued the loss because the amount was known and the settlement was probable (actual as of August 3, 2005). The total settlement was \$6,731,650. Of the total settlement the District is responsible to pay \$5,465,825 with the remaining \$1,265,825 paid by the California Department of Education.

The District's \$5,465,825 settlement was funded by an insurance reimbursement in the amount of \$4,400,000, a loan in the amount of \$500,000 from Alliance Risk Management Services (agreement was signed in August, 2005) payable in three yearly installments commencing fiscal year 2007, and the District's general fund in the amount of \$565,825.

NOTE 11 – CHANGES IN LONG-TERM DEBT

A schedule of changes in long-term debt for the fiscal year ended June 30, 2006, is shown below:

	Restated Balance July 1, 2005	Additions	Deletions	Prior Period Adjustments	Balance June 30, 2006
Compensated absences	\$ 397,339	\$ 21,043	\$ -		\$ 418,382
Postemployment benefits	35,660	8,000	14,120		29,540
Early retirement incentives	215,559		23,951	23,951	215,559
General obligation bonds	65,003,888		2,438,706		62,565,182
Certificates of participation	14,785,000		670,000		14,115,000
Settlement agreement payable	1,065,825		317,208		748,617
Unmatured interest payable (Capital appreciation bonds)	16,894,481	2,084,313			18,978,794
Totals	\$ 98,397,752	\$ 2,113,356	\$ 3,463,985	\$ 23,951	\$ 97,071,074

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2006

NOTE 12 – JOINT POWER AUTHORITIES

Manhattan Beach Unified School District participated in three joint ventures under joint powers agreements (JPA) entities: the Los Angeles County Alliance of Schools of Co-operative Insurance programs – “ASCIP”, the Schools Excess Liability Fund – “SELF”, and the Centinela South Bay Self Insurance Authority – “CSBSIA”. The District 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 JPAs is such that the JPAs are not a component unit of the Manhattan 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 Southern California School Districts.

Schools Excess Liability Fund (SELF)

The SELF arranges for and provides excess liability insurance for its members.

Centinela South Bay Self Insurance Authority (CSBSIA)

The CSBSIA arranges for and provides workers compensation, property, third party liability risk claims, and certain employee benefits insurance for its members.

Audited and unaudited condensed financial information of ASCIP, SELF, and, CSBSIA are as follows:

	ASCIP (Audited) <u>June 30, 2006</u>	SELF (Audited) <u>June 30, 2006</u>	CSBSIA (Unaudited) <u>June 30, 2004*</u>
Total assets	\$ 132,904,091	\$ 219,228,961	\$ 7,940,853
Total liabilities	<u>94,815,362</u>	<u>191,182,670</u>	<u>2,603,000</u>
Total Net Assets	\$ 38,088,729	\$ 28,046,291	\$ 5,337,853
Total revenue	\$ 63,646,057	\$ 63,688,772	\$ 4,285,017
Total expenditures	<u>55,637,905</u>	<u>38,865,579</u>	<u>6,491,426</u>
Change in Net Assets	\$ 8,008,152	\$ 24,823,193	\$ (2,206,409)

*Most recent audited information available as of report date.

The District’s share of fiscal year ending assets, liabilities, or equity in these JPAs has not been calculated or provided by the JPA administrators for these entities.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 13 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards and Grants

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

According to the District's staff and attorney except the above mentioned case, there are no contingent liabilities outstanding or lawsuits pending of any real financial consequence.

Postemployment Health Benefit Programs

On July 1, 1993, the District unified with the South Bay Union High School District and assumed its early retirement incentive and postemployment health benefit programs. Contracts were assumed with eligible retirees whereby retirement and health benefits will be paid for varying lengths of time. Based on an actuarial study conducted in 2002, the estimated remaining liability for these retirees is \$658,054. This liability is reflected in the self funded Retiree Benefits Fund. On June 30, 2006, 30 retirees were eligible and a total of \$86,422 in benefits was paid under this program.

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the Manhattan Beach Unified School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2005-2006 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The Manhattan Beach Unified School District's contributions to STRS for the fiscal years ending June 30, 2006, 2005, and 2004, were \$1,925,587, \$1,908,131, and \$1,918,932, respectively, and equal 100% of the required contributions for each fiscal year.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

California Public Employees' Retirement System (CalPERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the Manhattan Beach Unified School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2005-2006 was 9.116% of annual payroll. The contribution requirements of the plan members are established by state statute. The Manhattan Beach Unified School District's contributions to CalPERS for the fiscal years ending June 30, 2006, 2005, and 2004, were \$717,468, \$803,676, and \$896,644, respectively, and equal 100% of the required contributions for each fiscal year.

NOTE 15 - PRIOR PERIOD ADJUSTMENTS

A prior year adjustment of (\$114,197) in the General Fund was due to an overstatement of accounts receivable. A prior period adjustment of (\$118,096) was made in the Cafeteria Fund due to an overstatement of accounts receivable. A prior year adjustment of (\$23,951) in the government-wide financial statements was due to an understatement of early retirement incentive.

Required Supplemental Information

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MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State apportionments	\$ 15,426,790	\$ 16,254,850	\$ 15,976,213	\$ (278,637)
Local sources	19,026,186	18,141,222	18,400,563	259,341
Federal	1,343,120	1,654,059	1,566,637	(87,422)
Other state	7,422,670	7,661,550	7,472,858	(188,692)
Other local	3,737,587	5,534,219	5,631,689	97,470
Total revenues	<u>46,956,353</u>	<u>49,245,900</u>	<u>49,047,960</u>	<u>(197,940)</u>
Expenditures:				
Certificated salaries	23,598,786	23,530,736	23,530,735	1
Classified salaries	6,692,435	6,919,590	6,919,589	1
Employee benefits	7,763,470	7,362,275	7,078,600	283,675
Books and supplies	1,890,186	2,806,729	2,411,478	395,251
Contracted services and other operating expenses	6,857,886	8,561,296	7,999,793	561,503
Capital outlay	29,500	197,900	195,346	2,554
Other outgo	924,737	930,030	459,578	470,452
Debt service			17,318	(17,318)
Total expenditures	<u>47,757,000</u>	<u>50,308,556</u>	<u>48,612,437</u>	<u>1,696,119</u>
Excess of revenues over (under) expenditures	<u>(800,647)</u>	<u>(1,062,656)</u>	<u>435,523</u>	<u>1,498,179</u>
Other Financing Sources (Uses):				
Transfers in	906,630	906,630	345,630	(561,000)
Transfers out	<u>(135,630)</u>	<u>(240,630)</u>	<u>(568,560)</u>	<u>(327,930)</u>
Total other financing sources (uses)	<u>771,000</u>	<u>666,000</u>	<u>(222,930)</u>	<u>(888,930)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(29,647)</u>	<u>(396,656)</u>	<u>212,593</u>	<u>609,249</u>
Fund balance, July 1, 2005	1,896,235	1,896,235	1,896,235	
Prior year adjustments			(114,197)	(114,197)
Fund balance, July 1, 2005, restated	<u>1,896,235</u>	<u>1,896,235</u>	<u>1,782,038</u>	<u>(114,197)</u>
Fund balance, June 30, 2006	<u>\$ 1,866,588</u>	<u>\$ 1,499,579</u>	<u>\$ 1,994,631</u>	<u>\$ 495,052</u>

See notes to basic financial statements

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL RESERVE FUND
 For the Fiscal Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Other local	\$ 135,630	135,630	53,392	\$ (82,238)
Total revenues	135,630	135,630	53,392	(82,238)
Excess of revenues over (under) expenditures	135,630	135,630	53,392	(82,238)
Other Financing Sources (Uses):				
Transfers in				
Transfers out	(135,630)	(135,630)	(135,630)	
Total other financing sources (uses)	(135,630)	(135,630)	(135,630)	
Excess of revenues and other sources over (under) expenditures and other uses			(82,238)	(82,238)
Fund balance, July 1, 2005	5,590,359	5,590,359	5,590,359	
Fund balance, June 30, 2006	<u>\$ 5,590,359</u>	<u>\$ 5,590,359</u>	<u>\$ 5,508,121</u>	<u>\$ (82,238)</u>

See notes to basic financial statements

Other Supplemental Information

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
 June 30, 2006

Assets	Cafeteria Fund	Deferred Maintenance Fund	Child Development Fund	Totals
Cash in county treasury	\$ 73,839	\$ 663,773	\$ 180,031	\$ 917,643
Revolving cash fund	3,609			3,609
Cash in bank and on hand	145,754			145,754
Accounts receivable:				
Federal and state governments	19,790			19,790
Other	302,419	6,412	28,419	337,250
Inventory, at cost	28,350			28,350
 Total assets	 <u>\$ 573,761</u>	 <u>\$ 670,185</u>	 <u>\$ 208,450</u>	 <u>\$ 1,452,396</u>
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 199,019	\$ 15,311	\$ 126,078	\$ 340,408
Due to other funds	334,200			334,200
 Total liabilities	 <u>533,219</u>	 <u>15,311</u>	 <u>126,078</u>	 <u>674,608</u>
Fund balances:				
Reserved for revolving fund	3,609			3,609
Reserved for inventory	28,350			28,350
Unreserved:				
Undesignated	8,583	654,874	82,372	745,829
 Total fund balances	 <u>40,542</u>	 <u>654,874</u>	 <u>82,372</u>	 <u>777,788</u>
 Total liabilities and fund balances	 <u>\$ 573,761</u>	 <u>\$ 670,185</u>	 <u>\$ 208,450</u>	 <u>\$ 1,452,396</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2006

	Cafeteria Fund	Deferred Maintenance Fund	Child Development Fund	Totals
Revenues:				
Federal	\$ 125,572	\$ -	\$ -	\$ 125,572
Other state	4,703	240,942		245,645
Other local	1,889,629	15,560	1,991,385	3,896,574
Total revenues	<u>2,019,904</u>	<u>256,502</u>	<u>1,991,385</u>	<u>4,267,791</u>
Expenditures:				
Certificated salaries	8,411		647,326	655,737
Classified salaries	780,477		536,228	1,316,705
Employee benefits	197,221		347,711	544,932
Books and supplies	861,528		128,584	990,112
Capital outlay		196,558		196,558
Contracted services and other operating expenses	50,000	32,761	55,041	137,802
Total expenditures	<u>1,897,637</u>	<u>229,319</u>	<u>1,714,890</u>	<u>3,841,846</u>
Excess of revenues over (under) expenditures	<u>122,267</u>	<u>27,183</u>	<u>276,495</u>	<u>425,945</u>
Other Financing Sources (Uses):				
Transfers out			(210,000)	(210,000)
Transfers in		240,630		240,630
Total other financing sources (uses)		<u>240,630</u>	<u>(210,000)</u>	<u>30,630</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>122,267</u>	<u>267,813</u>	<u>66,495</u>	<u>456,575</u>
Fund balances, July 1, 2005	36,371	387,061	15,877	439,309
Prior period adjustments	(118,096)			(118,096)
Fund balances, July 1, 2005, restated	<u>(81,725)</u>	<u>387,061</u>	<u>15,877</u>	<u>321,213</u>
Fund balances, June 30, 2006	<u>\$ 40,542</u>	<u>\$ 654,874</u>	<u>\$ 82,372</u>	<u>\$ 777,788</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Cafeteria Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal	\$ 176,300	\$ 125,572	\$ (50,728)
Other state	8,500	4,703	(3,797)
Other local	1,700,010	1,889,629	189,619
Total revenues	<u>1,884,810</u>	<u>2,019,904</u>	<u>135,094</u>
Expenditures:			
Certificated salaries	772	8,411	(7,639)
Classified salaries	739,815	780,477	(40,662)
Employee benefits	198,258	197,221	1,037
Books and supplies	655,000	861,528	(206,528)
Capital outlay			
Contracted services and other operating expenses	52,500	50,000	2,500
Total expenditures	<u>1,646,345</u>	<u>1,897,637</u>	<u>(251,292)</u>
Excess of revenues over (under) expenditures	<u>238,465</u>	<u>122,267</u>	<u>(116,198)</u>
Other Financing Sources (Uses):			
Transfers out			
Transfers in			
Total other financing sources (uses)			
Excess of revenues and other sources over (under) expenditures and other uses	<u>238,465</u>	<u>122,267</u>	<u>(116,198)</u>
Fund balances, July 1, 2005	36,371	36,371	
Prior period adjustments		(118,096)	(118,096)
Fund balances, July 1, 2005, restated	<u>36,371</u>	<u>(81,725)</u>	<u>(118,096)</u>
Fund balances, June 30, 2006	<u>\$ 274,836</u>	<u>\$ 40,542</u>	<u>\$ (234,294)</u>

Deferred Maintenance Fund			Child Development Fund		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
250,000	240,942	(9,058)	2,736,000	1,991,385	(744,615)
	15,560	15,560			
250,000	256,502	6,502	2,736,000	1,991,385	(744,615)
			808,775	647,326	161,449
			527,327	536,228	(8,901)
			466,384	347,711	118,673
			125,000	128,584	(3,584)
196,558	196,558		10,000	55,041	(45,041)
32,761	32,761		1,937,486	1,714,890	222,596
229,319	229,319		798,514	276,495	(522,019)
20,681	27,183	6,502			
	240,630	240,630	(771,000)	(210,000)	561,000
	240,630	240,630	(771,000)	(210,000)	561,000
20,681	267,813	247,132	27,514	66,495	38,981
387,061	387,061		15,877	15,877	
387,061	387,061		15,877	15,877	
\$ 407,742	\$ 654,874	\$ 247,132	\$ 43,391	\$ 82,372	\$ 38,981

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Totals		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal	\$ 176,300	\$ 125,572	\$ (50,728)
Other state	258,500	245,645	(12,855)
Other local	4,436,010	3,896,574	(539,436)
Total revenues	<u>4,870,810</u>	<u>4,267,791</u>	<u>(603,019)</u>
Expenditures:			
Certificated salaries	809,547	655,737	153,810
Classified salaries	1,267,142	1,316,705	(49,563)
Employee benefits	664,642	544,932	119,710
Books and supplies	780,000	990,112	(210,112)
Capital outlay	196,558	196,558	
Contracted services and other operating expenses	95,261	137,802	(42,541)
Total expenditures	<u>3,813,150</u>	<u>3,841,846</u>	<u>(28,696)</u>
Excess of revenues over (under) expenditures	<u>1,057,660</u>	<u>425,945</u>	<u>(631,715)</u>
Other Financing Sources (Uses):			
Transfers out	(771,000)	(210,000)	561,000
Transfers in		240,630	240,630
Total other financing sources (uses)	<u>(771,000)</u>	<u>30,630</u>	<u>801,630</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>286,660</u>	<u>456,575</u>	<u>169,915</u>
Fund balances, July 1, 2005	439,309	439,309	
Prior period adjustments		(118,096)	(118,096)
Fund balances, July 1, 2005, restated	<u>439,309</u>	<u>321,213</u>	<u>(118,096)</u>
Fund balances, June 30, 2006	<u>\$ 725,969</u>	<u>\$ 777,788</u>	<u>\$ 51,819</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NONMAJOR DEBT SERVICE FUND
BALANCE SHEET
June 30, 2006

	<u>Corporate Debt Service Fund</u>
Assets	
Cash and investments with fiscal agent	\$ 14,524
Total assets	<u>\$ 14,524</u>
Liabilities and Fund Balance	
Fund balance:	
Unreserved:	
Undesignated	\$ 14,524
Total fund balance	<u>14,524</u>
Total liabilities and fund balance	<u>\$ 14,524</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NONMAJOR DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2006

	Corporate Debt Service Fund
Revenues:	
Other local	\$ 695
Total revenues	<u>695</u>
Expenditures:	
Debt service	<u>339,275</u>
Total expenditures	<u>339,275</u>
Excess of revenues over (under) expenditures	<u>(338,580)</u>
Other Financing Sources (Uses):	
Transfers in	<u>327,930</u>
Total other financing sources (uses)	<u>327,930</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(10,650)</u>
Fund balance, July 1, 2005	<u>25,174</u>
Fund balance, June 30, 2006	<u>\$ 14,524</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NONMAJOR DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Corporate Debt Service Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other local	\$ -	\$ 695	\$ 695
Total revenues		695	695
Expenditures:			
Debt service		339,275	(339,275)
Total expenditures		339,275	(339,275)
Excess of revenues over (under) expenditures		(338,580)	(338,580)
Other Financing Sources (Uses):			
Transfers in		327,930	327,930
Total other financing sources (uses)		327,930	327,930
Excess of revenues and other sources over (under) expenditures and other uses		(10,650)	(10,650)
Fund balance, July 1, 2005	25,174	25,174	
Fund balance, June 30, 2006	<u>\$ 25,174</u>	<u>\$ 14,524</u>	<u>\$ (10,650)</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
 June 30, 2006

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Totals
Assets				
Cash in county treasury	\$ 23,888	\$ 205,012	\$ 1,270,345	\$ 1,499,245
Cash with fiscal agent	1,047,477			1,047,477
Accounts receivable:				
Other	163	2,391	18,967	21,521
Total assets	<u>\$ 1,071,528</u>	<u>\$ 207,403</u>	<u>\$ 1,289,312</u>	<u>\$ 2,568,243</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 2,062	\$ 66,161	\$ -	\$ 68,223
Due to other funds	400,000			400,000
Total liabilities	<u>402,062</u>	<u>66,161</u>		<u>468,223</u>
Fund balances:				
Unreserved:				
Undesignated	669,466	141,242	1,289,312	2,100,020
Total fund balances	<u>669,466</u>	<u>141,242</u>	<u>1,289,312</u>	<u>2,100,020</u>
Total liabilities and fund balances	<u>\$ 1,071,528</u>	<u>\$ 207,403</u>	<u>\$ 1,289,312</u>	<u>\$ 2,568,243</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 For the Fiscal Year Ended June 30, 2006

	Building Fund	Capital Facilities Fund	County School Facilities Fund	Totals
Revenues:				
Other local	\$ 92,325	\$ 1,008,212	\$ 49,889	\$ 1,150,426
Total revenues	<u>92,325</u>	<u>1,008,212</u>	<u>49,889</u>	<u>1,150,426</u>
Expenditures:				
Books and supplies		25,936		25,936
Contracted services and other operating expenses	15,505	265,758		281,263
Other outgo		552,980		552,980
Debt service	689,163			689,163
Capital outlay	41,261	507,506		548,767
Total expenditures	<u>745,929</u>	<u>1,352,180</u>		<u>2,098,109</u>
Excess of revenues over (under) expenditures	(653,604)	(343,968)	49,889	(947,683)
Fund balances, July 1, 2005	<u>1,323,070</u>	<u>485,210</u>	<u>1,239,423</u>	<u>3,047,703</u>
Fund balances, June 30, 2006	<u>\$ 669,466</u>	<u>\$ 141,242</u>	<u>\$ 1,289,312</u>	<u>\$ 2,100,020</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NONMAJOR CAPITAL PROJECTS FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Building Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other local	\$ 8,600	\$ 92,325	\$ 83,725
Total revenues	<u>8,600</u>	<u>92,325</u>	<u>83,725</u>
Expenditures:			
Books and supplies			
Contracted services and other operating expenses	5,600	15,505	(9,905)
Other outgo	432,038		432,038
Debt service	257,125	689,163	(432,038)
Capital outlay	<u>41,262</u>	<u>41,261</u>	<u>1</u>
Total expenditures	<u>736,025</u>	<u>745,929</u>	<u>(9,904)</u>
Excess of revenues over (under) expenditures	(727,425)	(653,604)	73,821
Fund balances, July 1, 2005	<u>1,323,070</u>	<u>1,323,070</u>	
Fund balances, June 30, 2006	<u>\$ 595,645</u>	<u>\$ 669,466</u>	<u>\$ 73,821</u>

Capital Facilities Fund			County School Facilities Fund		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ 903,000	\$ 1,008,212	\$ 105,212	\$ 3,400	\$ 49,889	\$ 46,489
903,000	1,008,212	105,212	3,400	49,889	46,489
30,000	25,936	4,064			
75,400	265,758	(190,358)			
1,057,600	552,980	504,620			
200,000	507,506	(307,506)	3,400		3,400
1,363,000	1,352,180	10,820	3,400		3,400
(460,000)	(343,968)	116,032		49,889	49,889
485,210	485,210		1,239,423	1,239,423	
\$ 25,210	\$ 141,242	\$ 116,032	\$ 1,239,423	\$ 1,289,312	\$ 49,889

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NONMAJOR CAPITAL PROJECTS FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2006

	Totals		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other local	\$ 915,000	\$ 1,150,426	\$ 235,426
Total revenues	<u>915,000</u>	<u>1,150,426</u>	<u>235,426</u>
Expenditures:			
Books and supplies	30,000	25,936	4,064
Contracted services and other operating expenses	81,000	281,263	(200,263)
Other outgo	1,489,638	552,980	936,658
Debt service	257,125	689,163	(432,038)
Capital outlay	<u>244,662</u>	<u>548,767</u>	<u>(304,105)</u>
Total expenditures	<u>2,102,425</u>	<u>2,098,109</u>	<u>4,316</u>
Excess of revenues over (under) expenditures	(1,187,425)	(947,683)	239,742
Fund balances, July 1, 2005	<u>3,047,703</u>	<u>3,047,703</u>	
Fund balances, June 30, 2006	<u>\$ 1,860,278</u>	<u>\$ 2,100,020</u>	<u>\$ 239,742</u>

SUPPLEMENTARY INFORMATION SECTION

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2006

The members of the Board of Trustees of the Manhattan Beach Unified School District holding office during the audit period and their respective expiration dates of terms of office were as follows:

<u>NAME</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Amy Howorth	President	December 2007
Bill Cooper	Vice President	December 2007
Ida Vander Poorte	Clerk	December 2009
Nancy Hersman	Member	December 2009
Bill Eisen	Member	December 2009

ADMINISTRATION

Gwen E. Gross, PhD
Superintendent

Stephen L. McMahon
Assistant Superintendent – Business

Janet Schwabe
Director - Personnel

Ellyn Schneider
Director – Special Education

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For Fiscal Year Ended June 30, 2006

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary		
Kindergarten	516.43	517.21
First through Third	1,281.28	1,283.46
Fourth through Sixth	1,166.50	1,166.25
Seventh and Eighth	789.87	790.60
Home and Hospital	0.73	0.68
Special Education	36.84	37.38
Extended Year	<u>4.63</u>	<u>4.63</u>
Subtotals	<u>3,796.25</u>	<u>3,800.21</u>
Secondary		
Ninth through Twelfth	2,175.16	2,165.44
Home and Hospital	1.83	2.42
Special Education	78.06	77.99
Extended Year	10.75	10.75
Regional Occupational Center Mandated Programs	<u>111.23</u>	<u>121.29</u>
Subtotals	<u>2,377.03</u>	<u>2,377.89</u>
Totals	<u>6,173.28</u>	<u>6,178.10</u>

<u>Supplemental Instructional Hours</u>	<u>Hours of Attendance</u>
Elementary	8,810
Secondary	<u>1,526</u>
	<u>10,336</u>

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2006

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2005-06 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	35,000	36,000	36,000	180	In compliance
Grades 1 through 3	45,500	50,400	50,427	180	In compliance
Grades 4 through 5	54,250	54,000	56,160	180	In compliance
Grades 6 through 8	56,875	54,000	63,910	180	In compliance
Grades 9 through 12	*	64,800	65,102	180	In compliance

*Not applicable – The high school joined the District in July 1, 1993.

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

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For Fiscal Year Ended June 30, 2006

General Fund	(Budgeted)	2006	2005	2004
	2007			
Revenues and other financial sources	\$ 48,828,789	\$ 49,393,590	\$ 48,561,878	\$ 48,714,762
Expenditures	48,523,863	48,612,437	47,056,926	47,642,994
Other uses and transfers out	250,000	568,560	408,087	430,268
Total outgo	48,773,863	49,180,997	47,465,013	48,073,262
Prior period adjustments		(114,197)	(567,660)	(36,881)
Change in fund balance	54,926	98,396	529,205	604,619
Ending fund balance	\$ 2,049,557	\$ 1,994,631	\$ 1,896,235	\$ 1,367,030
Available reserves	\$ 1,804,233	\$ 1,789,641	\$ 1,650,911	\$ 1,100,934
Designated for economic uncertainties	\$ -	\$ -	\$ -	\$ -
Undesignated fund balance	\$ 1,621,264	\$ 1,789,641	\$ 1,650,911	\$ 1,100,934
Available reserves as a percentage of total outgo	3.70%	3.64%	3.48%	2.29%
Available reserve percentage with inclusion of unrestricted special reserve fund	14.62%	14.85%	15.26%	16.27%
Total long-term debt	\$ 93,297,193	\$ 97,071,074	\$ 98,397,752	\$ 97,368,080
Average daily attendance at P-2	6,200	6,173	6,344	6,413

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

The General Fund balance has increased by \$627,601 over the two past fiscal years. The fiscal year 2006-2007 budget projects a increase of \$54,926. When the unrestricted Special Reserve Fund is included in the calculation (as allowed by the State), the available reserves measured as a percentage of total outgo was 14.85%. For a district this size, the state recommends available reserve of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each the past three fiscal years, and anticipates a surplus during the 2006-2007 fiscal year. Total long-term debt has decreased by \$297,006 over the past two fiscal years.

Average daily attendance has decreased by 240 over the past two fiscal years. An increase of 27 ADA is anticipated during the fiscal year 2006-2007.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal Catalog Number</u>	<u>Federal Expenditures</u>
Federal Programs:		
U.S. Department of Education passed Through		
California Department of Education:		
IDEA Part B:		
Local Assistance	84.027	\$ 948,189
Preschool Local Entitlement	84.027A	97,776
Staff Development	84.027A	1,846
Sub-Total 84.027		<u>1,047,811</u>
IDEA Part B:		
Preschool Staff Development	84.173A	421
Federal Preschool	84.173	52,683
Sub-Total 84.173		<u>53,104</u>
Title II - Teachers Quality	84.367	49,245
Title I	84.010	81,268
Carl Perkins Vocational Education:		
Title II, Part C, Sec.131, Secondary Education	84.048	16,998
Title IV Safe and Drug-Free Schools	84.186	3,934
Title IV - Innovative Strategies	84.298A	13,558
Title III - Limited English Proficiency	84.365	15,964
Title V Part D - Foreign Language Assistance	84.293	284,755
U.S. Department of Agriculture Passed Through		
The California Department of Education:		
National School Lunch	10.555	103,648
Basic School Breakfast Program	10.553	21,924
Total Federal Awards		<u>\$ 1,692,209</u>

The accompanying notes are an integral part of this schedule.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Manhattan Beach Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (J-200) WITH
AUDITED FINANCIAL STATEMENTS
 June 30, 2006

	<u>General Fund</u>	<u>Child Development Fund</u>	<u>Cafeteria Fund</u>
June 30, 2006 Annual Financial and Budget Report (Form J-200) Fund Balances	\$ 2,260,674	\$ 82,372	\$ 40,542
Overstatement of inventory	(25,718)		
Understatement of cash with fiscal agent			
Overstatement of account receivable	(146,882)		
Understatement of accounts payable	<u>(93,443)</u>		
June 30, 2006 Audited Financial Statements Fund Balances	<u>\$ 1,994,631</u>	<u>\$ 82,372</u>	<u>\$ 40,542</u>

	<u>Bond Interest and Redemption Fund</u>	<u>Other Enterprise Fund</u>	<u>Self- Insurance Fund</u>
June 30, 2006 Annual Financial and Budget Report (Form J-200) Fund Balances	<u>\$ 3,408,978</u>	<u>\$ -</u>	<u>\$ 22,657</u>
June 30, 2006 Audited Financial Statements Fund Balances	<u>\$ 3,408,978</u>	<u>\$ -</u>	<u>\$ 22,657</u>

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities of the general long-term debt account group as reported on the Form J-200 to the audited financial statements.

<u>Deferred Maintenance Fund</u>	<u>Special Reserve Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>
\$ 654,874	\$ 5,508,121	\$ 624,243	\$ 150,242	\$ 1,289,312
		45,223		
			(9,000)	
<u>\$ 654,874</u>	<u>\$ 5,508,121</u>	<u>\$ 669,466</u>	<u>\$ 141,242</u>	<u>\$ 1,289,312</u>

Retiree
Benefit
Fund

\$ 255,733

\$ 255,733

June 30, 2006 Annual Financial and Budget Report (Form J-200)

Total Liabilities

Understatement of compensated absences

Understatement of post-employment benefits

Understatement of interest payable

June 30, 2006 Audited Financial Statements Long-Term Debt

Total Liabilities

Long-Term
Debt

\$ 95,386,635

21,043

100,084

1,563,312

\$ 97,071,074

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SCHOOL BUSINESS OFFICIALS

OFFICES: BEVERLY HILLS, CALIFORNIA
SANTA MARIA, CALIFORNIA

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Manhattan Beach Unified School District (the District) as of and for the fiscal year ended June 30, 2006, and have issued our report thereon dated December 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited 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 over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters including the internal control over financial reporting, which we described in the findings and recommendation section of this report.

Compliance and Other Matters

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

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

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Beverly Hills, California
December 12, 2006

MOSS, LEVY & HARTZHEIM, LLP

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OFFICES: BEVERLY HILLS, CALIFORNIA
SANTA MARIA, CALIFORNIA

AUDITOR'S REPORT ON STATE COMPLIANCE

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Manhattan Beach Unified School District as of and for the fiscal year ended June 30, 2006, and have issued our report thereon dated December 12, 2006. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures in Controller's Audit Guide</u>	<u>Procedures Performed</u>
Attendance reporting	8	Yes
Kindergarten continuation	3	Yes
Independent study	22	No (see next page)
Continuation education	10	Not applicable
Adult education	9	Not applicable
Regional occupational centers/programs	6	No (see next page)
Instructional time:		
School districts	4	Yes
County offices of education	3	Not applicable
Community day schools	9	Not applicable
Morgan-Hart class size reduction program	7	Yes
Instructional materials fund:		
General requirements	12	Yes
K-8	1	Yes
9-12	1	Yes
Ratios of administrative employees to teachers	1	Yes
Early retirement incentive program	4	Not applicable

<u>Description</u>	<u>Procedures in Controller's Audit Guide</u>	<u>Procedures Performed</u>
Gann limit calculation	1	Yes
School construction funds:		
School district bonds	3	Not applicable
State school facilities funds	1	Yes
Alternative pension plans	2	Not applicable
Proposition 20 lottery funds (Cardenas Textbook Act Of 2000)	2	Yes
State lottery funds (California State Lottery Act of 1984)	2	Yes
California school age families education (Cal-Safe) program	3	Not applicable
School accountability report card	3	Yes
Class size reduction:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not applicable
Only one school serving K-3	4	Not applicable
Office of criminal justice planning	-	Not applicable
Contemporaneous records of attendance, for charter schools	1	Not applicable
Nonclassroom-based instruction/independent study, charter	15	Not applicable
Additional nonclassroom-based instruction, charter	1	Not applicable
Determination of funding for nonclassroom-based instruction, for charter schools	3	Not applicable
Annual instructional minutes – classroom based, for charter school	3	Not applicable

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

We did not perform procedures for the ADA of the ROP program because the ROP program is administered by Southern California Regional Occupational Center (SCROC). The SCROC is audited in each year pursuant to State Audit Guide requirement.

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. Further, based on our examination, for the 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.

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

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
 Beverly Hills, California
 December 12, 2006

MOSS, LEVY & HARTZHEIM, LLP

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AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Manhattan Beach Unified School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2006. The Manhattan Beach Unified School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Manhattan Beach Unified School District's management. Our responsibility is to express an opinion on the Manhattan Beach Unified School District's compliance based on our audit.

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

In our opinion, the Manhattan Beach Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2006.

Internal Control Over Compliance

The management of the Manhattan Beach Unified School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Manhattan Beach Unified School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited 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 over compliance and its operation that we consider to be material weaknesses.

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

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Beverly Hills, California
December 12, 2006

FINDINGS AND RECOMMENDATIONS SECTION

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 June 30, 2006

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Reporting condition(s) identified not considered to be material weaknesses?	<u> X </u>	Yes	_____	None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Reporting condition(s) identified not considered to be material weaknesses?	_____	Yes	<u> X </u>	None reported

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a) _____ Yes X No

Identification of major programs

<u>CFDA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027</u>	<u>IDEA-Part B – Special Education</u>
<u>10.555 & 10.553</u>	<u>National School Lunch & Basic School Breakfast Program</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee: X Yes _____ No

State Awards

Internal control over state programs:

Material weakness(es) identified?	_____	Yes	<u> X </u>	No
Reporting conditions(s) identified not considered to be material weaknesses?	_____	Yes	<u> X </u>	None reported

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2006

Section II- Financial Statement Findings

FINDING 2006-1
REVOLVING CASH AND CASH CLEARING
30000

Finding:

A review of the District's cash clearing fund disclosed that the respective employee who was responsible for preparing checks was also responsible for the preparation of the bank reconciliation. We also noted that the employee responsible for preparing the bank reconciliations for the general revolving fund (non-cafeteria) did not sign the bank reconciliations to document who prepared the bank reconciliations. Additionally the employee responsible for approving these bank reconciliations did not sign the bank reconciliations to show that the bank reconciliation had been properly reviewed and approved.

Recommendation:

The District should segregate the above duties in order to strengthen the internal control procedures.

District's Response:

The District will implement the recommendations. The senior accountant will acquire the duty of reconciling the cash clearing account.

FINDING 2006-2
PAYROLL SYSTEM
30000

Finding:

An examination of the payroll documentation disclosed that 8 out of 40 employees that participated in the direct deposit process did not have a direct deposit authorization form in their respective personnel files.

Recommendation:

We recommend that the District obtain and retain a direct deposit authorization form for each employee that elects to use direct deposit.

District's Response:

The missing authorizations date from prior to 1999, and the policy at that time was to not retain the forms.

FINDING 2006-3
DISBURSEMENTS SYSTEM
30000

Finding:

An examination of the disbursements documentation disclosed that 3 out of 40 payments were made from invoices that lacked approval signatures. One of these unapproved invoices lacked a "PAID" stamp and was incorrectly coded in the general ledger. We also noted that there was a payment made from a faxed copy of an invoice.

Recommendation:

The District should review all supporting documents to verify that all the invoices have been properly approved, stamped "PAID" and correctly coded. The District should only make payments from original invoices to limit the possibility of making duplicate payments.

District's Response:

The District's payment system does not allow the use of the same invoice number and date for the same vendor. A vendor can send many "original" (i.e. reprinted) invoices and the system will not allow us to pay it.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2006

Section II- Financial Statement Findings (Continued)

FINDING #2006-4
STUDENT BODY ACCOUNTS
30000

Finding:

An examination of the cash receipts at Manhattan Beach Middle School disclosed that inside the ASB funds, there are funds set aside for the Principal. Per discussion with ASB staff, we noted that the revenue for payments made from this "Principal Fund" comes from the fee charged by the office to replace Snap Identification Cards when cards are lost.

Recommendation:

We recommend that only ASB money should be kept within the ASB accounts.

District's Response:

District will implement the recommendation.

FINDING #2006-5
STUDENT BODY ACCOUNTS
30000

Finding:

An examination of the disbursements documentation at Manhattan Beach Middle School disclosed that 4 out of 25 invoices/requisitions were not signed by the ASB advisor. We also noted that 5 out of 25 supporting documents were not approved by the ASB president.

Recommendation:

The District should require the School to verify that all invoices are properly approved by the designated authorizing personnel. The School should investigate any invoices that do not contain authorizing signatures to prevent payments of unauthorized purchases.

District's Response:

District will implement the recommendation.

FINDING #2006-6
STUDENT BODY ACCOUNTS
30000

Finding:

An examination of the cash receipts at Mira Costa High School disclosed that there were deposits that were made that were over five days old. All the deposits we examined were deposited no later than two weeks.

Recommendation:

We recommend that all cash/checks received should be deposited within one week of receipt.

District's Response:

District will implement the recommendation.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2006

Section II- Financial Statement Findings (Continued)

FINDING #2006-7
STUDENT BODY ACCOUNTS
30000

Finding:

An examination of cancelled checks at Manhattan Beach Middle School disclosed that only one signature is required for a check to be cashed by the ASB's bank. Per discussion with ASB staff, it was noted that the check will not require two signatures on checks. Subsequently, the ownership of the bank has changed, and the ASB staff stated that she would ask the bank if the signature policy has been amended or not.

Recommendation:

We recommend that the School request the bank to only cash checks that have two authorizing signatures.

District's Response:

District will implement the recommendation.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2006

Section III – Federal Award Findings and Questioned Costs

None

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2006

Section IV – State Award Finding and Questioned Costs

No State Award Findings

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2006

Section II- Financial Statement Findings

FINDING 2005-1
REVOLVING CASH AND CASH CLEARING
30000

Finding:

A review of the District's general revolving fund (non-cafeteria) and cash clearing fund disclosed that the respective employee who was responsible for preparing checks was also responsible for the preparation of the bank reconciliation.

Recommendation:

The District should segregate the above duties in order to strengthen the internal control procedures.

Status:

Not Implemented – See Finding 2006-1

FINDING 2005-2
PAYROLL SYSTEM
30000

Finding:

An examination of the payroll system disclosed that 37 out of 46 action forms lacked the respective personnel's authorizing signatures.

Recommendation:

The District should review all action forms for completeness prior to processing them into the payroll system.

Status:

Implemented

FINDING 2005-3
PAYROLL SYSTEM
30000

Finding:

An examination of the payroll documentation disclosed that 10 out of 46 timecards lacked either the respective employee or supervisor signature.

Recommendation:

The District should review all timecards for appropriate supervisor and employee signatures prior to processing the timecards into the payroll system. This would prevent future disagreements regarding the amount of hours that the employee was paid for.

Status:

Implemented

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2006

Section II- Financial Statement Findings (Continued)

FINDING 2005-4
PAYROLL SYSTEM
30000

Finding:

An examination of the payroll documentation disclosed that 5 out of 46 I-9 forms were not obtained/retained, and 7 out of 46 I-9 forms were incomplete.

Recommendation:

The District should implement procedures to ensure that all I-9 forms are obtained and reviewed by the District.

Status:

Implemented

FINDING 2005-5
PAYROLL SYSTEM
30000

Finding:

An examination of the payroll documentation disclosed that 6 out of 46 employee applications were not obtained/retained by the District.

Recommendation:

The District should obtain and retain an application for each employee that is hired by the District.

Status:

Implemented

FINDING #2005-6
STUDENT BODY ACCOUNTS
30000

Finding:

At Manhattan Beach Middle School, we noted that 6 out of 20 invoices or other supporting documentation were not obtained/retained by the School.

Recommendation:

The District should require the School to obtain and retain all the supporting documents for all payments made from the student body bank account.

Status:

Implemented

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2006

Section II- Financial Statement Findings (Continued)

FINDING #2005-7
STUDENT BODY ACCOUNTS
30000

Finding:

At Manhattan Beach Middle School, we noted that a "PAID" stamp is not used. Also at Mira Costa High School, we noted that 3 out of 20 invoices did not have a "PAID" stamp.

Recommendation:

The District should require the Schools to use a "PAID" stamp to prevent invoices from being resubmitted for payment.

Status:

Implemented

FINDING #2005-8
STUDENT BODY ACCOUNTS
30000

Finding:

At Mira Costa High School, we noted that 1 out of 20 invoices lacked the respective personnel's authorizing signature, and 6 out of 20 invoices did not have check request forms which contain the approval signatures.

Recommendation:

The District should require the School to verify that all invoices are properly approved by the designated authorizing personnel. The School should investigate both invoices that do not contain the authorizing signatures, and supporting documents that do not contain a check request form, to prevent payments of unauthorized purchases.

Status:

Implemented

FINDING #2005-9
STUDENT BODY ACCOUNTS
30000

Finding:

At Mira Costa High School, we noted that deposits that were collected by the ASB office were not deposited in a timely manner. We also noted that when a club advisor/student turn in the deposits to the ASB office, the club advisor does not sign off on the deposit form to authenticate the amount that he/she has submitted. During our test of cash receipts at the Manhattan Beach Middle School, we noted that two transactions were deposited one week after the dates entered in the general ledger.

Recommendation:

The District should require that deposits be made timely and that all of the deposits be signed by the respective club advisor.

Status:

Not Implemented – See Finding 2006-6

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2006

Section III – Federal Award Findings and Questioned Costs

None

Section IV – State Award Finding and Questioned Costs

FINDING 2005-10
ATTENDANCE
40000

Finding:

During attendance testing at Mira Costa High School, we noted that 10 out of 50 absence notes did not match the information provided on the attendance summary. We also noted the following findings:

- There were no signatures on the attendance sheets from one teacher for periods 2-4 for the week of 3/21/2005.
- For the week of 3/28/2005, a teacher only submitted 6 copies of period 1 attendance, instead of submitting all of the periods he/she taught for the week.
- One teacher submitted the report for the week of 3/14/2005 when he/she should have submitted the report for 2/21/2005.
- Original Scantrons were not presented for one teacher for period 6, Track & Softball-Girls, for the week of 3/7/2005. Computer generated forms were submitted and reviewed; however, these forms lacked approval signatures.
- Attendance report for one teacher for period 6 (week of 3/21/2005) was not presented. We were only able to review the computer generated report.

Questioned Costs

None

Recommendation:

The District has already made revisions on the average daily attendance report, but in order to have an audit trail, we recommend that the School verify that the teachers' attendance rosters and attendance reports are properly completed and updated.

Status:

Implemented

FINDING 2005-11
KINDERGARTEN RETENTION
40000

Finding:

An examination of the kindergarten retention disclosed that two out of 42 kindergarteners did not have a retention agreement present in their file even though they had repeated kindergarten. Additionally, 40 out of 42 kindergarten retention agreements were not signed by a school official and the anniversary date was not present on one out of 42 kindergarten retention agreements.

Recommendation:

The District should require all elementary schools to obtain/retain a completed kindergarten retention agreement for each child that repeats kindergarten.

Questioned Costs:

\$5,311.43*2= \$10,622.86

Status:

Implemented