



**MANHATTAN BEACH UNIFIED  
SCHOOL DISTRICT**

---

ANNUAL FINANCIAL REPORT

---

**JUNE 30, 2008**

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**OF LOS ANGELES COUNTY**

**MANHATTAN BEACH, CALIFORNIA**

**JUNE 30, 2008**

---

**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Amy Howorth	President	December 2011
Nancy Hersman	Vice President	December 2009
Ida Vander Poorte	Clerk	December 2009
Bill Eisen	Member	December 2009
Bill Fournell	Member	December 2011

**ADMINISTRATION**

Beverly Rohrer	Superintendent
Stephen Romines	Assistant Superintendent, Business
Janet Schwabe	Director, Personnel
Ellyn Schneider	Director, Special Education

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## TABLE OF CONTENTS JUNE 30, 2008

---

### ***FINANCIAL SECTION***

Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds - Balance Sheet	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the District-Wide Statement of Activities	18
Proprietary Funds - Statement of Net Assets	20
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Assets	21
Proprietary Funds - Statement of Cash Flows	22
Fiduciary Funds - Statement of Net Assets	23
Fiduciary Funds - Statement of Changes in Net Assets	24
Notes to Financial Statements	25

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

General Fund - Budgetary Comparison Schedule	54
Special Reserve Fund For Other Than Capital Outlay Projects - Budgetary Comparison Schedule	55

### ***SUPPLEMENTARY INFORMATION***

Schedule of Expenditures of Federal Awards	57
Local Education Agency Organization Structure	58
Schedule of Average Daily Attendance	59
Schedule of Instructional Time	60
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	61
Schedule of Financial Trends and Analysis	62
Excess Sick Leave	63
Note to Supplementary Information	64

### ***SUPPLEMENTARY INFORMATION - UNAUDITED***

Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet - Unaudited	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Unaudited	67
Note to Unaudited Supplementary Information - Unaudited	68

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2008

---

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	70
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	72
Report on State Compliance	74

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

Summary of Auditors' Results	77
Financial Statement Findings	78
Federal Award Findings and Questioned Costs	79
State Award Findings and Questioned Costs	80
Summary Schedule of Prior Audit Findings	81
Management Letter	88

---

---

***FINANCIAL SECTION***

---

---



## INDEPENDENT AUDITORS' REPORT

Governing Board  
Manhattan Beach Unified School District  
Manhattan Beach, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Manhattan Beach Unified School District (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Manhattan Beach Unified School District, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the 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 our report dated December 12, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 12, and budgetary comparison information on pages 54 and 55, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary 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 State, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California

December 12, 2008



## Manhattan Beach Unified School District

325 South Peck Avenue • Manhattan Beach • California 90266 • (310) 318-7345 • FAX (310) 303-3822

This section of Manhattan Beach Unified School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

#### **The Financial Statements**

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

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

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

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

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

The *Fiduciary Activities* are agency funds, which only report a balance sheet and do not have a measurement focus.

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

The Primary unit of the government is the Manhattan Beach Unified School District.



# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

---

### *REPORTING THE DISTRICT AS A WHOLE*

#### **The Statement of Net Assets and the Statement of Activities**

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

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

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

In the *Statement of Net Assets* and the *Statement of Activities*, we present the District activities as follows:

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

### ***REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS***

#### **Fund Financial Statements**

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

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

---

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

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

### **THE DISTRICT AS A TRUSTEE**

#### **Reporting the District's Fiduciary Responsibilities**

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

### **FINANCIAL HIGHLIGHTS**

The District exceeds all State Department of Education reserve for economic uncertainties requirements.

Due to significant State of California budget issues the District has taken a conservative approach to increasing expenses by limiting salary increases in 2007-08 and not increasing salaries in 2008-09.

To further its financial stability, the District plans to pay off its long term obligation represented by two COPs totaling approximately \$13,000,000. The passing of a General Obligation Bond in 2008-09 will be the financial vehicle used to relieve the District of this obligation.

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

### THE DISTRICT AS A WHOLE

#### Net Assets

The District's net assets were \$4,017,157 for the fiscal year ended June 30, 2008. Of this amount, \$11,096,162 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below, in summary form, focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

**Table 1**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Assets</b>						
Current and other assets	\$ 28,447,207	\$ 25,991,579	\$ 922,568	\$ 523,335	\$ 29,369,775	\$ 26,514,914
Capital assets	80,847,968	82,921,128	-	-	80,847,968	82,921,128
<b>Total Assets</b>	<b>109,295,175</b>	<b>108,912,707</b>	<b>922,568</b>	<b>523,335</b>	<b>110,217,743</b>	<b>109,436,042</b>
<b>Liabilities</b>						
Current liabilities	11,668,913	10,519,165	305,319	280,830	11,974,232	10,799,995
Non-current long-term obligations	93,609,105	94,383,470	-	-	93,609,105	94,383,470
<b>Total Liabilities</b>	<b>105,278,018</b>	<b>104,902,635</b>	<b>305,319</b>	<b>280,830</b>	<b>105,583,337</b>	<b>105,183,465</b>
<b>County School Facilities Fund</b>						
<b>Net Assets</b>						
Invested in capital assets, net of related debt	(15,567,110)	11,289,296	-	-	(15,567,110)	11,289,296
Restricted	8,488,105	1,733,780	-	-	8,488,105	1,733,780
Unrestricted	11,096,162	(9,013,004)	617,249	242,505	11,713,411	(8,770,499)
<b>Total Net Assets</b>	<b>\$ 4,017,157</b>	<b>\$ 4,010,072</b>	<b>\$ 617,249</b>	<b>\$ 242,505</b>	<b>\$ 4,634,406</b>	<b>\$ 4,252,577</b>

The \$11,096,162 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations.

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2008**

### *Changes in Net Assets*

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 14. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

**Table 2**

	Governmental Activities		Business-Type Activities		School District Activities	
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 560,202	\$ 262,839	\$ -	\$ -	\$ 560,202	\$ 262,839
Operating grants and contributions	11,046,439	11,473,493	-	-	11,046,439	11,473,493
Capital grants and contributions	41,057	70,517	-	-	41,057	70,517
General revenues:						
Federal and State aid not restricted	20,459,324	20,847,409	-	-	20,459,324	20,847,409
Property taxes	20,454,807	23,676,758	-	-	20,454,807	23,676,758
Other general revenues	11,591,678	5,476,285	3,389,727	2,093,051	14,981,405	7,569,336
<b>Total Revenues</b>	<b>64,153,507</b>	<b>61,807,301</b>	<b>3,389,727</b>	<b>2,093,051</b>	<b>67,543,234</b>	<b>63,900,352</b>
<b>Expenses</b>						
County School Facilities Fund	40,202,168	36,677,033	-	-	40,202,168	36,677,033
Student support services	5,440,198	4,980,785	-	-	5,440,198	4,980,785
Administration	4,100,418	3,382,358	-	-	4,100,418	3,382,358
Maintenance and operations	5,501,620	4,729,391	-	-	5,501,620	4,729,391
Other	8,902,018	9,864,269	3,014,983	1,932,919	11,917,001	11,797,188
<b>Total Expenses</b>	<b>64,146,422</b>	<b>59,633,836</b>	<b>3,014,983</b>	<b>1,932,919</b>	<b>67,161,405</b>	<b>61,566,755</b>
<b>Change in Net Assets</b>	<b>\$ 7,085</b>	<b>\$ 2,173,465</b>	<b>\$ 374,744</b>	<b>\$ 160,132</b>	<b>\$ 381,829</b>	<b>\$ 2,333,597</b>

### **Governmental Activities**

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$64,146,422. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$20,454,807 because the cost was paid by those who benefited from the programs (\$560,202) or by other governments and organizations who subsidized certain programs with grants and contributions (\$11,087,496). We paid for the remaining "public benefit" portion of our governmental activities with \$20,459,324 in Federal and State funds, and with other revenues, like interest and general entitlements.

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2008**

---

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

**Table 3**

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction	\$ 40,202,168	\$ 36,677,033	\$ 32,226,341	\$ 28,089,070
Pupil transportation	617,866	477,179	512,215	384,761
Other pupil services	4,822,332	4,503,606	3,543,523	3,299,735
Administration	4,100,418	3,382,358	3,693,974	3,176,373
Maintenance and operations	5,501,620	4,729,391	5,146,311	4,432,173
Other outgo	8,902,018	9,864,269	7,376,360	8,444,875
<b>Total</b>	<b>\$ 64,146,422</b>	<b>\$ 59,633,836</b>	<b>\$ 52,498,724</b>	<b>\$ 47,826,987</b>

The "breakeven" budget status was accomplished through conservative and diligent budget management. Revenues were \$64,153,507 while expenditures were \$64,146,422 resulting in the slight positive balance of \$7,085. Approximately \$11,046,439 of the increase in revenue is from the restricted Federal and State grants which are expenditure driven; therefore, there is a corresponding \$11,046,439 increase in expenditures.

Salaries and fringe benefit expenditures were \$3,525,135 more than the previous year due to a negotiated 3 percent salary increase, step and column salary increases, health and welfare increases.

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2008**

---

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$19,731,061, which is an increase of \$1,348,148 from last year (Table 4).

**Table 4**

	Balances and Activity			
	July 1, 2007	Revenues	Expenditures	June 30, 2008
General Fund	\$ 6,482,087	\$ 54,762,826	\$ 53,813,094	\$ 7,431,819
Cafeteria Fund	40,436	1,977,974	1,937,403	81,007
Deferred Maintenance Fund	719,971	538,932	522,862	736,041
Special Reserve Fund for Other Than Capital Outlay Projects	5,413,352	185,526	-	5,598,878
Bond Interest and Redemption Fund	3,978,454	4,321,532	4,090,180	4,209,806
Building Fund	366,006	1,362,201	179,346	1,548,861
Capital Facilities Fund	9,175	870,591	858,334	21,432
County School Facilities Fund	1,358,599	41,057	1,300,000	99,656
Corporate Debt Service Fund	14,833	351,779	363,051	3,561
<b>Total</b>	<b>\$ 18,382,913</b>	<b>\$ 64,412,418</b>	<b>\$ 63,064,270</b>	<b>\$ 19,731,061</b>

The primary reasons for these increases/decreases are: the increase in the General Fund increase of \$949,732 was largely due to additional revenue provided to the revenue limit through a Cost of Living Adjustment (COLA), from the State. The Cafeteria Fund increase in revenue of \$40,571 was due to price increases for breakfast and lunch as well as management efficiencies. All other funds increases were largely due to the interest earned on the principal amounts.

### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on March 15, 2008, when it approved the positive certification for the 2<sup>nd</sup> Interim Report. Revenues increased by \$301,844. Contributing to this increase was \$212,904 from revenue limits, Federal revenue contributed a slight increase of \$1,248, State revenues also posted a slight increase of \$9,882 and local revenues increased by \$77,810. Expenditures also increased in most cases reflecting corresponding increases due to increases in salaries benefits. The total expenditure increase of \$738,134 was due to \$710,466 in salaries, with \$52,375 in benefits while supplies and services showed a decrease of \$25,834.

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

---

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2008, the District had \$80,847,968 in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of \$2,073,160, or 2.5 percent, from last year (Table 5).

**Table 5**

	Governmental Activities	
	2008	2007
Land and construction in progress	\$ 3,909,383	\$ 3,909,383
Buildings and improvements	76,796,632	78,650,324
Equipment	141,953	361,421
<b>Total</b>	<b>\$ 80,847,968</b>	<b>\$ 82,921,128</b>

This year's major additions included:

Building improvements	<u>\$ 128,062</u>
-----------------------	-------------------

#### Long-Term Obligations

At the end of this year, the District had \$83,352,794 in bonds outstanding versus \$83,240,173 last year, an increase of .14 percent.

**Table 6**

	Governmental Activities	
	2008	2007
General obligation bonds	\$ 83,352,794	\$ 83,240,173
Certificates of participation	12,705,000	13,420,000
Compensated absences	528,843	457,880
Early retirement program	23,951	119,755
Postemployment benefits	-	36,133
Settlement agreement	333,333	500,000
<b>Total</b>	<b>\$ 96,943,921</b>	<b>\$ 97,773,941</b>

Other obligations include compensated absences payable, and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

# **MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2008**

---

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In considering the District Budget for the 2008-09 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are: ADA used to calculate revenue was \$6,179 with revenue limit dollar amount of \$6,068. The State COLA used was 5.66 percent with a deficit factor of (5.357 percent). Unrestricted lottery revenue is projected at \$117 per ADA with restricted lottery at \$17 per ADA. Class size reduction K-3 revenue was projected at \$1,001 per ADA and 19th grade class size reduction was \$190 per ADA.

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

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Assistant Superintendent, Business Services, at Manhattan Beach Unified School District, South 325 Peck Avenue, Manhattan Beach, California 90266.



# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2008

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Deposits and investments	\$ 22,218,966	\$ 910,082	\$ 23,129,048
Receivables	4,867,928	12,486	4,880,414
Deferred charges	1,163,115	-	1,163,115
Stores inventories	51,551	-	51,551
Other current assets	145,647	-	145,647
Capital assets			
Land and construction in process	3,909,383	-	3,909,383
Other capital assets	108,403,782	-	108,403,782
Less: Accumulated depreciation	(31,465,197)	-	(31,465,197)
Total Capital Assets	<u>80,847,968</u>	<u>-</u>	<u>80,847,968</u>
<b>Total Assets</b>	<u>109,295,175</u>	<u>922,568</u>	<u>110,217,743</u>
<b>LIABILITIES</b>			
Accounts payable	6,777,490	305,319	7,082,809
Interest payable	807,421	-	807,421
Deferred revenue	749,186	-	749,186
Current portion of long-term obligations	4,393,154	-	4,393,154
Noncurrent portion of long-term obligations	92,550,767	-	92,550,767
<b>Total Liabilities</b>	<u>105,278,018</u>	<u>305,319</u>	<u>105,583,337</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	(15,567,110)	-	(15,567,110)
Restricted for:			
Debt service	4,213,367	-	4,213,367
Capital projects	1,669,949	-	1,669,949
Educational programs	1,748,254	-	1,748,254
Other activities	791,375	-	791,375
Other restrictions	65,160	-	65,160
Unrestricted	11,096,162	617,249	11,713,411
<b>Total Net Assets</b>	<u>\$ 4,017,157</u>	<u>\$ 617,249</u>	<u>\$ 4,634,406</u>

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

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$36,205,349	\$ 283,490	\$ 6,904,927	\$ 41,057
Instruction-related activities:				
Supervision of instruction	635,997	7,411	268,894	-
Instructional library, media, and technology	939,500	13,121	376,581	-
School site administration	2,421,322	3,328	77,018	-
Pupil services:				
Home-to-school transportation	617,866	149	105,502	-
Food services	1,887,403	-	131,738	-
All other pupil services	2,934,929	51,093	1,095,978	-
Administration:				
Data processing	433,653	-	-	-
All other administration	3,666,765	24,448	381,996	-
Plant services	5,501,620	670	354,639	-
Ancillary services	856,373	21,291	493,823	-
Interest on long-term obligations	5,070,069	-	-	-
Other outgo	2,975,576	155,201	855,343	-
<b>Total Governmental Activities</b>	<b>64,146,422</b>	<b>560,202</b>	<b>11,046,439</b>	<b>41,057</b>
<b>Business-Type Activities:</b>				
Enterprise services	3,014,983	-	-	-
<b>Total Business-Type Activities</b>	<b>3,014,983</b>	<b>-</b>	<b>-</b>	<b>-</b>
General revenues and subventions:				
Property taxes, levied for general purposes				
Federal and State aid not restricted to specific purposes				
Interest and investment earnings				
Transfers				
Miscellaneous				
<b>Subtotal, General Revenues</b>				
<b>Change in Net Assets</b>				
Net Assets - Beginning				
Net Assets - Ending				

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

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

<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
\$ (28,975,875)	\$ -	\$ (28,975,875)
(359,692)	-	(359,692)
(549,798)	-	(549,798)
(2,340,976)	-	(2,340,976)
(512,215)	-	(512,215)
(1,755,665)	-	(1,755,665)
(1,787,858)	-	(1,787,858)
(433,653)	-	(433,653)
(3,260,321)	-	(3,260,321)
(5,146,311)	-	(5,146,311)
(341,259)	-	(341,259)
(5,070,069)	-	(5,070,069)
(1,965,032)	-	(1,965,032)
<u>(52,498,724)</u>	<u>-</u>	<u>(52,498,724)</u>
-	(3,014,983)	(3,014,983)
-	<u>(3,014,983)</u>	<u>(3,014,983)</u>
20,454,807	-	20,454,807
20,459,324	-	20,459,324
500,554	-	500,554
50,314	-	50,314
11,040,810	3,389,727	14,430,537
<u>52,505,809</u>	<u>3,389,727</u>	<u>55,895,536</u>
7,085	374,744	381,829
4,010,072	242,505	4,252,577
<u>\$ 4,017,157</u>	<u>\$ 617,249</u>	<u>\$ 4,634,406</u>

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2008**

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Deposits and investments	\$ 9,671,259	\$ 3,870,206	\$ 4,209,806	\$ 4,441,573	\$ 22,192,844
Receivables	4,618,442	37,672	-	211,581	4,867,695
Due from other funds	249,837	1,691,000	-	-	1,940,837
Stores inventories	29,487	-	-	22,064	51,551
Other current assets	145,647	-	-	-	145,647
<b>Total Assets</b>	<b>\$14,714,672</b>	<b>\$ 5,598,878</b>	<b>\$ 4,209,806</b>	<b>\$ 4,675,218</b>	<b>\$ 29,198,574</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 6,533,667	\$ -	\$ -	\$ 243,823	\$ 6,777,490
Due to other funds	-	-	-	1,940,837	1,940,837
Deferred revenue	749,186	-	-	-	749,186
<b>Total Liabilities</b>	<b>7,282,853</b>	<b>-</b>	<b>-</b>	<b>2,184,660</b>	<b>9,467,513</b>
<b>Fund Balances:</b>					
Reserved for:					
Revolving cash	10,000	-	-	3,609	13,609
Stores inventories	29,487	-	-	22,064	51,551
Other reservations	1,748,254	-	-	-	1,748,254
Unreserved:					
Undesignated, reported in:					
General Fund	5,644,078	-	-	-	5,644,078
Special revenue funds	-	5,598,878	-	791,375	6,390,253
Debt service funds	-	-	4,209,806	3,561	4,213,367
Capital projects funds	-	-	-	1,669,949	1,669,949
<b>Total Fund Balance</b>	<b>7,431,819</b>	<b>5,598,878</b>	<b>4,209,806</b>	<b>2,490,558</b>	<b>19,731,061</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$14,714,672</b>	<b>\$ 5,598,878</b>	<b>\$ 4,209,806</b>	<b>\$ 4,675,218</b>	<b>\$ 29,198,574</b>

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

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008**

---

<b>Total Fund Balance - Governmental Funds</b>	\$ 19,731,061
<b>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 112,313,165
Accumulated depreciation is	<u>(31,465,197)</u>
Net Capital Assets	80,847,968
Expenditures relating to issuance of debt of next fiscal year were recognized on modified accrual basis, but are not recognized on the accrual basis.	1,163,115
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.	(807,421)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	26,355
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term obligations at year-end consist of:	
Bonds payable	\$ 83,352,794
Certificates of participation	12,705,000
Compensated absences (vacations)	528,843
Early retirement incentive program	23,951
Settlement agreement	<u>333,333</u>
Total Long-Term Obligations	<u>(96,943,921)</u>
<b>Total Net Assets - Governmental Activities</b>	<u><u>\$ 4,017,157</u></u>

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

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>General Fund</b>	<b>Special Reserve Fund for Other Than Capital Outlay Projects</b>	<b>Bond Interest and Redemption Fund</b>
<b>REVENUES</b>			
Revenue limit sources	\$ 37,738,309	\$ -	\$ -
Federal sources	1,377,359	-	-
Other State sources	9,522,854	-	20,734
Other local sources	6,124,304	185,526	4,300,798
<b>Total Revenues</b>	<b>54,762,826</b>	<b>185,526</b>	<b>4,321,532</b>
<b>EXPENDITURES</b>			
Current			
Instruction	34,628,847	-	-
Instruction-related activities:			
Supervision of instruction	609,582	-	-
Instructional library, media and technology	900,318	-	-
School site administration	2,320,286	-	-
Pupil services:			
Home-to-school transportation	592,112	-	-
Food services	-	-	-
All other pupil services	2,812,541	-	-
Administration:			
Data processing	415,603	-	-
All other administration	3,514,000	-	-
Plant services	4,811,189	-	-
Facility acquisition and construction	-	-	-
Ancillary services	856,373	-	-
Other outgo	-	-	-
Debt service			
Principal	166,667	-	2,403,680
Interest and other	250,000	-	1,686,500
<b>Total Expenditures</b>	<b>51,877,518</b>	<b>-</b>	<b>4,090,180</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,885,308</b>	<b>185,526</b>	<b>231,352</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Transfers out	(260,000)	-	-
Other uses	(1,675,576)	-	-
<b>Net Financing Sources (Uses)</b>	<b>(1,935,576)</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>949,732</b>	<b>185,526</b>	<b>231,352</b>
<b>Fund Balance - Beginning</b>	<b>6,482,087</b>	<b>5,413,352</b>	<b>3,978,454</b>
<b>Fund Balance - Ending</b>	<b>\$ 7,431,819</b>	<b>\$ 5,598,878</b>	<b>\$ 4,209,806</b>

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

---

<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 37,738,309
184,599	1,561,958
248,271	9,791,859
4,399,350	15,009,978
<u>4,832,220</u>	<u>64,102,104</u>
-	34,628,847
-	609,582
-	900,318
-	2,320,286
-	592,112
1,887,403	1,887,403
-	2,812,541
-	415,603
-	3,514,000
481,095	5,292,284
128,062	128,062
-	856,373
1,300,000	1,300,000
935,000	3,505,347
429,436	2,365,936
<u>5,160,996</u>	<u>61,128,694</u>
<u>(328,776)</u>	<u>2,973,410</u>
310,314	310,314
-	(260,000)
-	(1,675,576)
<u>310,314</u>	<u>(1,625,262)</u>
(18,462)	1,348,148
2,509,020	18,382,913
<u>\$ 2,490,558</u>	<u>\$ 19,731,061</u>

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

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008**

---

**Total Net Change in Fund Balances - Governmental Funds** \$ 1,348,148  
**Amounts Reported for Governmental Activities in the *Statement of Activities* are Different Because:**

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

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

Capital outlays	\$ 128,062	
Depreciation expense	<u>(2,201,222)</u>	(2,073,160)

In the *Statement of Activities*, certain operating expense - compensated absences (vacation) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was less than the amounts earned by: (70,963)

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

General obligation bonds	3,275,000
Certificates of participation	715,000
Early retirement incentive program	95,804
Postemployment benefits	36,133
Settlement agreement	166,667

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the *Statement of Activities*, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:

Amortization of cost of issuance	(94,510)	
Amortization of deferred amount on refunding	<u>(5,259)</u>	
Combined adjustment		(99,769)

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



**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2008**

---

Interest on long-term obligations in the <i>Statement of Activities</i> differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the <i>Statement of Activities</i> , however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the <i>Statement of Activities</i> is the result of additional \$3,387,631 of accreted interest in the current fiscal year.	\$(3,387,621)
An internal service fund is used by the District's management to charge the costs of services to the individual funds. The net revenue of the internal service fund is reported with governmental activities.	<u>1,846</u>
<b>Change in Net Assets of Governmental Activities</b>	<u><u>\$ 7,085</u></u>

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

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Business-Type Activities Enterprise Funds Major Enterprise</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Deposits and investments	\$ 910,082	\$ 26,122
Receivables	12,486	233
<b>Total Current Assets</b>	<b>922,568</b>	<b>26,355</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	305,319	-
<b>Total Current Liabilities</b>	<b>305,319</b>	<b>-</b>
<b>NET ASSETS</b>		
Unrestricted	617,249	26,355
<b>Total Net Assets</b>	<b>\$ 617,249</b>	<b>\$ 26,355</b>

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

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Business-Type Activities Enterprise Funds Major Enterprise</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>OPERATING REVENUES</b>		
Local and intermediate sources	\$ 3,348,053	\$ 3,235
<b>Total Operating Revenues</b>	<b>3,348,053</b>	<b>3,235</b>
<b>OPERATING EXPENSES</b>		
Payroll costs	2,215,315	-
Supplies and materials	246,967	1,110
Facility rental	366,537	1,368
Other operating costs	135,846	-
<b>Total Operating Expenses</b>	<b>2,964,665</b>	<b>2,478</b>
<b>Operating Income</b>	<b>383,388</b>	<b>757</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	41,670	1,089
Transfers out	(50,314)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(8,644)</b>	<b>1,089</b>
<b>Change in Net Assets</b>	<b>374,744</b>	<b>1,846</b>
<b>Total Net Assets - Beginning</b>	<b>242,505</b>	<b>24,509</b>
<b>Total Net Assets - Ending</b>	<b>\$ 617,249</b>	<b>\$ 26,355</b>

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

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Business-Type Activities Enterprise Funds Major Enterprise</b>	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from other local sources	\$ 3,414,889	\$ -
Cash from operating cash	-	3,235
Cash payments for salaries and benefits	(2,493,897)	-
Cash payments for interfund services used, including payments in lieu of taxes that are payments for, and equivalent to, services provided	(499,890)	(2,567)
Other operating cash payments	-	(90)
Net Cash Provided by Operating Activities	<u>421,102</u>	<u>578</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Cash transfers to other funds	(50,314)	-
Net Cash Used by Noncapital Financing Activities	<u>(50,314)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	41,670	1,089
Net Cash Provided by Investing Activities	<u>41,670</u>	<u>1,089</u>
Net Increase in Cash and Cash Equivalents	412,458	1,667
Cash and Cash Equivalents - Beginning	497,624	24,455
Cash and Cash Equivalents - Ending	<u>\$ 910,082</u>	<u>\$ 26,122</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 383,388	\$ 757
Changes in assets and liabilities:		
Receivables	13,225	229
Account payable	105,274	(408)
Deferred revenue	(80,785)	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 421,102</u>	<u>\$ 578</u>

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

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

---

	<b>Retiree Benefits Trust</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Deposits and investments	\$ 824,006	\$ 163,889
Receivables	8,173	879
<b>Total Assets</b>	<u>832,179</u>	<u>\$ 164,768</u>
 <b>LIABILITIES</b>		
Accounts payable	401,710	\$ -
Due to student groups	-	164,768
<b>Total Liabilities</b>	<u>401,710</u>	<u>\$ 164,768</u>
 <b>NET ASSETS</b>		
Unreserved	<u>430,469</u>	
<b>Total Net Assets</b>	<u>\$ 430,469</u>	

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

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008**

---

	<b>Retiree Benefits Trust</b>
<b>ADDITIONS</b>	
Interest	\$ 40,391
<b>Total Additions</b>	<u>40,391</u>
<b>Change in Net Assets</b>	40,391
<b>Net Assets - Beginning</b>	390,078
<b>Net Assets - Ending</b>	<u>\$ 430,469</u>

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

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Manhattan Beach Unified School District (the "District") was established in 1912, and unified in 1993 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates five elementary schools, one middle school, and one high school.

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

#### Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units.

**Public Entity Risk Pools and Joint Powers Authorities** The District is associated with three joint powers authorities. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

- Alliance of Schools for Cooperative Insurance Programs (ASCIP)
- Schools' Excess Liability Fund (SELF)
- Centinela-South Bay Self-Insurance Authority (CSBIA)

#### Basis of Presentation - Fund Accounting

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

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

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

---

### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

**Special Reserve Fund for Other Than Capital Outlay Projects** The Special Reserve for Other Than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (*Education Code* Section 42840)

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

### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

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

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

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

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

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



# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

---

**County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

**Debt Service Funds** The Debt Service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

**Corporate Debt Service Fund** The Corporate Debt Service Fund is used to account for the interest and redemption of principal of Certificates of Participation.

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

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

**Internal Service Fund** Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a Self-Insurance Fund that is accounted for in an internal service fund.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District's trust fund is a Retiree Benefits Trust Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

---

### Basis of Accounting - Measurement Focus

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

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

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

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

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

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

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

---

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

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

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

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

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

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

### **Cash and Cash Equivalents**

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

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

---

### Investments

Investments held at June 30, 2008, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

### Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

### Prepaid Expenditures

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

### Stores Inventories

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

### Capital Assets and Depreciation

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

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

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 20 years.

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

---

### Interfund Balances

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

### Compensated Absences

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

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

### Accrued Liabilities and Long-Term Obligations

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

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

### Deferred Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund *Statement of Net Assets*. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

---

### **Current Loans**

Current loans consist of amounts outstanding at June 30, 2008, for Tax Revenue and Anticipation Notes. The notes were issued as short-term obligations to provide cash flow needs. This liability is offset with cash deposits in the County Treasurer, which have been set aside to repay the notes.

### **Fund Balance Reserves and Designations**

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for revolving cash accounts, stores inventories, prepaid expenditures (expenses), and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund balance designations have been established for economic uncertainties, unrealized gains of investments and cash in county treasury, and other purposes.

### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The District has no related debt outstanding as of June 30, 2008. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements reports \$8,488,105 of restricted net assets.

### **Operating Revenues and Expenses**

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

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

---

### Interfund Activity

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

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

### Estimates

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

### Budgetary Data

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

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

### Property Tax

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

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

---

### New Accounting Pronouncements

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide *Statement of Net Assets* and activities.

In June 2005, the GASB issued Statement No. 47, *Accounting for Termination Benefits*. Statement No. 47 addresses accounting for both voluntary and involuntary termination benefits. For termination benefits that affect an employer's obligations for defined benefit OPEB, the provisions of Statement No. 47 should be applied simultaneously with the requirements of Statement No. 45. For all other termination benefits, including those that affect an employer's obligations for defined benefit pension benefits, Statement No. 47 is effective for financial statements for periods beginning after June 15, 2005. Earlier application of Statement No. 47 is encouraged.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as phase 1 or phase 2 governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated.



# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

---

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 22,218,966
Business-type activities	910,082
Fiduciary funds	987,895
Total Deposits and Investments	<u>\$ 24,116,943</u>

Deposits and investments as of June 30, 2008, consist of the following:

Cash on hand and in banks	\$ 1,616,553
Cash in revolving	13,609
Investments	22,486,781
Total Deposits and Investments	<u>\$ 24,116,943</u>

#### Policies and Practices

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

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

---

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

### General Authorizations

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

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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool 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.

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

---

### Specific Identification

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Date *</u>
County Pool	<u>\$ 22,462,056</u>	556 days

\* Weighted average days to maturity

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the county pool is not required to be rated, nor has it been rated as of June 30, 2008.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity Date *</u>
County Pool	<u>\$ 22,462,056</u>	556 days

\* Weighted average days to maturity.

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2008, the District's bank balance of \$1,138,905 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2008, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Non-Major Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Federal Government			
Categorical aid	\$ 444,450	\$ -	\$ 25,111
State Government			
Apportionment	1,641,371	-	-
Categorical aid	1,978,614	-	534
Lottery	419,374	-	-
Local Government			
Interest	95,324	37,672	30,272
Other Local Sources	39,309	-	155,664
Total	<u>\$ 4,618,442</u>	<u>\$ 37,672</u>	<u>\$ 211,581</u>
	Total	Proprietary Funds	Fiduciary Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Federal Government			
Categorical aid	\$ 469,561	\$ -	\$ -
State Government			
Apportionment	1,641,371	-	-
Categorical aid	1,979,148	-	-
Lottery	419,374	-	-
Local Government			
Interest	163,268	-	-
Other Local Sources	194,973	12,719	9,052
Total	<u>\$ 4,867,695</u>	<u>\$ 12,719</u>	<u>\$ 9,052</u>

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 3,909,383	\$ -	\$ -	\$ 3,909,383
Total Capital Assets Not Being Depreciated	3,909,383	-	-	3,909,383
Capital Assets Being Depreciated:				
Land Improvements	3,547,297	-	-	3,547,297
Buildings and Improvements	101,003,075	128,062	-	101,131,137
Furniture and Equipment	3,725,348	-	-	3,725,348
Total Capital Assets Being Depreciated	108,275,720	128,062	-	108,403,782
Total Capital Assets	112,185,103	128,062	-	112,313,165
Less Accumulated Depreciation:				
Land Improvements	2,165,560	130,288	-	2,295,848
Buildings and Improvements	23,734,488	1,851,466	-	25,585,954
Furniture and Equipment	3,363,927	219,468	-	3,583,395
Total Accumulated Depreciation Governmental Activities Capital Assets, Net	29,263,975	2,201,222	-	31,465,197
	<u>\$ 82,921,128</u>	<u>\$ (2,073,160)</u>	<u>\$ -</u>	<u>\$ 80,847,968</u>

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

<b>Governmental Activities</b>	
Instruction	\$ 1,506,296
Supervision of instruction	26,415
Instructional library, media, and technology	39,182
School site administration	101,036
Home-to-school transportation	25,754
All other pupil services	122,388
Data processing	18,050
All other administration	152,765
Plant services	209,336
Total Depreciation Expenses Governmental Activities	<u>\$ 2,201,222</u>

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

---

**NOTE 5 - INTERFUND TRANSACTIONS**

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

Interfund receivable and payable balances at June 30, 2008, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

Due To	Due From Non-Major Governmental Funds
General Fund	\$ 249,837
Special Reserve Fund for Other Than Capital Outlay Projects	1,691,000
Total	\$ 1,940,837

**Operating Transfers**

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfer To	Transfer From		Total
	General Fund	Enterprise Funds	
Non-Major Governmental Funds	\$ 260,000	\$ 50,314	\$ 310,314
The General Fund transferred to the Deferred Maintenance Fund for District match.			\$ 260,000
The Enterprise Fund transferred to the Capital Facilities Fund for repayment for portable trailer.			50,314
Total			\$ 310,314

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2008, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total	Proprietary Funds	Fiduciary Funds
Vendor payables	\$ 600,297	\$ 192,489	\$ 792,786	\$ 10,863	\$ -
State apportionment	2,293,045	-	2,293,045	152,411	-
Salaries and benefits	3,630,874	50,061	3,680,935	141,890	-
Other	9,451	1,273	10,724	155	401,710
Total	<u>\$ 6,533,667</u>	<u>\$ 243,823</u>	<u>\$ 6,777,490</u>	<u>\$ 305,319</u>	<u>\$ 401,710</u>

**NOTE 7 - DEFERRED REVENUE**

Deferred revenue at June 30, 2008, consists of the following:

	General Fund
Federal financial assistance	\$ 118,648
State categorical aid	37,822
Other local	592,716
Total	<u>\$ 749,186</u>

**NOTE 8 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Due in One Year
General obligation bonds	\$83,240,173	\$3,387,621	\$3,275,000	\$83,352,794	\$3,467,536
Certificates of participation	13,420,000	-	715,000	12,705,000	735,000
Accumulated vacation - net	457,880	70,963	-	528,843	-
Early retirement incentive program	119,755	-	95,804	23,951	23,951
Postemployment benefits	36,133	-	36,133	-	-
Settlement agreement payable	500,000	-	166,667	333,333	166,667
	<u>\$97,773,941</u>	<u>\$3,458,584</u>	<u>\$4,288,604</u>	<u>\$96,943,921</u>	<u>\$4,393,154</u>

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

---

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding July 1, 2007	Accretion	Redeemed	Outstanding June 30, 2008
1996	2022	3.60-5.65%	\$ 25,184,723	\$ 23,621,570	\$ 1,260,986	\$ 1,970,000	\$ 22,912,556
1998	2023	4.50-5.25%	6,000,501	9,473,913	511,621	10,000	9,975,534
1999	2024	3.50-5.87%	5,000,040	7,702,930	353,807	290,000	7,766,737
2001	2025	3.00-5.33%	5,148,769	6,572,361	333,290	120,000	6,785,651
2001	2026	4.00-5.69%	21,513,829	6,599,532	416,986	-	7,016,518
2002	2026	3.00-5.57%	4,485,101	4,086,843	157,304	395,000	3,849,147
2002	2026	3.10-5.57%	5,940,925	7,458,024	353,627	195,000	7,616,651
2004	2019	2.00-4.00%	18,400,000	17,725,000	-	295,000	17,430,000
				<u>\$ 83,240,173</u>	<u>\$ 3,387,621</u>	<u>\$ 3,275,000</u>	<u>\$ 83,352,794</u>



# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### Debt Service Requirements to Maturity

The bonds mature through 2021 as follows:

#### 1995 Series A

Year Ending June 30,	Principal Including Accreted Interest to Date	Current Interest to Maturity	Total
2009	\$ 1,983,413	\$ 51,587	\$ 2,035,000
2010	1,946,136	158,864	2,105,000
2011	1,912,487	272,513	2,185,000
2012	1,872,297	387,703	2,260,000
2013	1,833,062	506,938	2,340,000
2014-2018	8,609,390	4,425,610	13,035,000
2019-2021	4,755,771	4,274,229	9,030,000
Total	<u>\$ 22,912,556</u>	<u>\$ 10,077,444</u>	<u>\$ 32,990,000</u>

The bonds mature through 2024 as follows:

#### 1995 Series B

Year Ending June 30,	Principal Including Accreted Interest to Date	Current Interest to Maturity	Total
2009	\$ 43,945	\$ 1,055	\$ 45,000
2010	88,411	6,589	95,000
2011	128,471	16,529	145,000
2012	172,458	32,542	205,000
2013	215,722	54,278	270,000
2014-2018	1,651,301	798,699	2,450,000
2019-2023	6,400,020	6,469,980	12,870,000
2024	1,275,206	1,934,795	3,210,001
Total	<u>\$ 9,975,534</u>	<u>\$ 9,314,467</u>	<u>\$ 19,290,001</u>

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

The bonds mature through 2025 as follows:

**1995 Series C**

Year Ending June 30,	Principal Including Accreted Interest to Date	Current Interest to Maturity	Total
2009	\$ 325,178	\$ 9,822	\$ 335,000
2010	315,537	29,463	345,000
2011	301,620	48,380	350,000
2012	292,313	67,687	360,000
2013	282,954	87,046	370,000
2014-2018	1,263,372	711,628	1,975,000
2019-2023	819,177	786,253	1,605,430
2024-2025	4,166,586	5,154,434	9,321,020
Total	<u>\$ 7,766,737</u>	<u>\$ 6,894,713</u>	<u>\$ 14,661,450</u>

The bonds mature through 2026 as follows:

**1995 Series D**

Year Ending June 30,	Principal Including Accreted Interest to Date	Current Interest to Maturity	Total
2009	\$ 140,000	\$ 18,900	\$ 158,900
2010	170,000	13,790	183,790
2011	200,000	7,500	207,500
2012	198,218	41,782	240,000
2013	211,137	58,863	270,000
2014-2018	1,293,227	671,773	1,965,000
2019-2023	1,288,031	1,216,969	2,505,000
2024-2026	3,285,038	5,134,962	8,420,000
Total	<u>\$ 6,785,651</u>	<u>\$ 7,164,539</u>	<u>\$ 13,950,190</u>

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

---

The bonds mature through 2027 as follows:

**1995 Series E**

Year Ending June 30,	Principal Including Accreted Interest to Date	Current Interest to Maturity	Total
2009	\$ 195,000	\$ 45,385	\$ 240,385
2010	205,000	38,950	243,950
2011	205,000	31,775	236,775
2012	205,000	10,630	215,630
2013	205,000	7,400	212,400
2014-2018	675,199	273,002	948,201
2019-2023	328,070	341,930	670,000
2024-2027	5,598,382	9,936,618	15,535,000
Total	<u>\$ 7,616,651</u>	<u>\$ 10,685,690</u>	<u>\$ 18,302,341</u>

The bonds mature through 2027 as follows:

**2000 Series A**

Year Ending June 30,	Principal Including Accreted Interest to Date	Current Interest to Maturity	Total
2009	\$ -	\$ -	\$ -
2010	-	-	-
2011	-	-	-
2012	-	-	-
2013	-	-	-
2014-2018	-	-	-
2019-2023	3,357,967	4,307,033	7,665,000
2024-2027	3,658,551	6,541,449	10,200,000
Total	<u>\$ 7,016,518</u>	<u>\$ 10,848,482</u>	<u>\$ 17,865,000</u>

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

---

The bonds mature through 2027 as follows:

**2000 Series B**

Year Ending June 30,	Principal Including Accreted Interest to Date	Current Interest to Maturity	Total
2009	\$ 420,000	\$ 38,310	\$ 458,310
2010	305,000	24,450	329,450
2011	85,000	13,775	98,775
2012	85,000	10,630	95,630
2013	90,000	7,400	97,400
2014-2018	420,357	203,444	623,801
2019-2023	835,911	959,089	1,795,000
2024-2027	1,607,879	2,089,992	3,697,871
Total	<u>\$ 3,849,147</u>	<u>\$ 3,347,090</u>	<u>\$ 7,196,237</u>

The bonds mature thorough 2020 as follows:

**2004 Refunding**

Year Ending June 30,	Principal	Interest	Total
2009	\$ 360,000	\$ 692,015	\$ 1,052,015
2010	590,000	684,815	1,274,815
2011	1,010,000	670,065	1,680,065
2012	1,110,000	644,815	1,754,815
2013	1,230,000	611,515	1,841,515
2014-2018	8,455,000	2,109,275	10,564,275
2019-2020	4,675,000	282,365	4,957,365
Total	<u>\$ 17,430,000</u>	<u>\$ 5,694,865</u>	<u>\$ 23,124,865</u>

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

---

### Certificates of Participation

#### 2001A Issue

In June 2001, the Manhattan Beach School Facilities Corporation issued certificates of participation in the amount of \$12,020,000 with interest rates ranging from 4.00 to 5.00 percent. The maturity date of the Certificates is August, 2020. As of June 30, 2008, the principal balance outstanding was \$8,770,000.

#### 2001B Issue

In May of 2002, the Manhattan Beach School Facilities Corporation 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. As of June 30, 2008, the principal balance outstanding was \$3,935,000.

The certificates mature through 2023 as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 735,000	\$ 564,025	\$ 1,299,025
2010	770,000	534,525	1,304,525
2011	790,000	503,085	1,293,085
2012	820,000	470,274	1,290,274
2013	845,000	435,635	1,280,635
2014-2018	4,775,000	1,577,480	6,352,480
2019-2023	3,970,000	403,400	4,373,400
Total	<u>\$ 12,705,000</u>	<u>\$ 4,488,424</u>	<u>\$ 17,193,424</u>

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2008, amounted to \$528,843.

### Early Retirement Incentive

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 requirements and a total of \$468,819 will be paid for these future benefits. For the fiscal year ending June 30, 2008, there was a remaining balance of \$23,951.

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

### Settlement Agreement

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. As of June 30, 2008, the remaining balance was \$333,333.

### Alliance Risk Management Services

Year Ending June 30,	Settlement Agreement Payment
2009	\$ 166,667
2010	166,666
Total	<u>\$ 333,333</u>

### NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Special Reserve Non-Capital Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Reserved					
Revolving cash	\$ 10,000	\$ -	\$ -	\$ 3,609	\$ 13,609
Stores inventories	29,487	-	-	22,064	51,551
Restricted programs	1,748,254	-	-	-	1,748,254
Total Reserved	<u>1,787,741</u>	<u>-</u>	<u>-</u>	<u>25,673</u>	<u>1,813,414</u>
Unreserved					
Undesignated	5,644,078	5,598,878	4,209,806	2,464,885	17,917,647
Total Unreserved	<u>5,644,078</u>	<u>5,598,878</u>	<u>4,209,806</u>	<u>2,464,885</u>	<u>17,917,647</u>
Total	<u>\$7,431,819</u>	<u>\$ 5,598,878</u>	<u>\$ 4,209,806</u>	<u>\$ 2,490,558</u>	<u>\$19,731,061</u>

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

---

### **NOTE 10 - POSTEMPLOYMENT BENEFITS**

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 15 years of service. Currently, 39 employees meet those eligibility requirements. The District contributes up to \$400 per year for premiums incurred by retirees and their dependents and the retiree contributes the remainder. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as premiums are paid. During the year, expenditures of \$69,604 were recognized for retirees' health care benefits.

### **NOTE 11 - RISK MANAGEMENT**

#### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2008, the District contracted with Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **Workers' Compensation**

For fiscal year 2008, the District participated in the School Excess Liability Fund (SELF), an insurance purchasing pool. The intent of SELF is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SELF. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in SELF. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the SELF. Participation in SELF is limited to districts that can meet SELF's selection criteria. The third party administrator provides administrative, cost control, and actuarial services to the JPA.

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

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

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

---

### CalSTRS

#### Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

#### Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$2,015,618, \$1,978,546, and \$1,925,587, respectively, and equal 100 percent of the required contributions for each year.

### CalPERS

#### Plan Description

The District contributes to the School Employer Pool under 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 Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

#### Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-2008 was 9.306 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$819,244, \$733,702, and \$717,468, respectively, and equal 100 percent of the required contributions for each year.



# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

---

### On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$1,114,272 (4.517 percent of salaries subject to CalSTRS). No contributions were made for CalPERS for the year ended June 30, 2008. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the *General Fund Budgetary Comparison Schedule*.

### NOTE 13 - COMMITMENTS AND CONTINGENCIES

#### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

#### Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2008.

#### 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 program. 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 reflects in the Self-Funded Retiree Benefits Fund. On June 30, 2008, 30 retirees were eligible and a total of \$85,688 in benefits was paid under this program.

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2008**

---

### **NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS**

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP), Schools' Excess Liability Fund (SELF), and the Centinela South Bay Self Insurance Authority (CSBSIA) joint powers authorities (JPA's). The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2008, the District made payments of \$1,488,492 and \$12,805 to ASCIP and SELF, respectively.

---

---

***REQUIRED SUPPLEMENTARY INFORMATION***

---

---

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
<b>REVENUES</b>				
Revenue limit sources	\$ 37,046,898	\$ 37,690,547	\$ 37,738,309	\$ 47,762
Federal sources	1,319,299	1,380,383	1,377,359	(3,024)
Other State sources	8,876,798	8,099,397	9,522,854	1,423,457
Other local sources	4,021,990	5,208,306	6,124,304	915,998
<b>Total Revenues</b> <sup>1</sup>	<u>51,264,985</u>	<u>52,378,633</u>	<u>54,762,826</u>	<u>2,384,193</u>
<b>EXPENDITURES</b>				
Current				
Instruction	33,146,878	35,597,241	34,628,847	968,394
Instruction-related activities:				
Supervision of instruction	602,894	647,463	609,582	37,881
Instructional library, media, and technology	890,440	956,266	900,318	55,948
School site administration	2,294,830	2,464,473	2,320,286	144,187
Pupil services:				
Home-to-school transportation	585,616	628,907	592,112	36,795
All other pupil services	2,781,684	2,987,318	2,812,541	174,777
Administration:				
Data processing	411,043	411,429	415,603	(4,174)
All other administration	3,475,447	3,732,367	3,514,000	218,367
Plant services	4,758,404	5,110,166	4,811,189	298,977
Ancillary services	846,978	909,590	856,373	53,217
Debt service				
Principal	164,838	177,024	166,667	10,357
Interest	247,257	265,536	250,000	15,536
<b>Total Expenditures</b> <sup>1</sup>	<u>50,206,309</u>	<u>53,887,780</u>	<u>51,877,518</u>	<u>2,010,262</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>1,058,676</u>	<u>(1,509,147)</u>	<u>2,885,308</u>	<u>4,394,455</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(260,000)	(260,000)	(260,000)	-
Other uses	-	-	(1,675,576)	(1,675,576)
<b>Net Financing Sources (Uses)</b>	<u>(260,000)</u>	<u>(260,000)</u>	<u>(1,935,576)</u>	<u>(1,675,576)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>798,676</u>	<u>(1,769,147)</u>	<u>949,732</u>	<u>2,718,879</u>
<b>Fund Balance - Beginning</b>	<u>6,482,087</u>	<u>6,482,087</u>	<u>6,482,087</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 7,280,763</u>	<u>\$ 4,712,940</u>	<u>\$ 7,431,819</u>	<u>\$ 2,718,879</u>

<sup>1</sup> On behalf payments of \$1,114,272 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**SPECIAL RESERVE FUND FOR OTHER THAN CAPITAL OUTLAY PROJECTS  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances - Positive (Negative) Final to Actual</b>
	<b>(GAAP Basis)</b>			
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Other local sources	\$ 120,000	\$ 120,000	\$ 185,526	\$ 65,526
<b>Total Revenues</b>	<u>120,000</u>	<u>120,000</u>	<u>185,526</u>	<u>65,526</u>
<b>EXPENDITURES</b>				
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of Revenues Over Expenditures</b>	<u>120,000</u>	<u>120,000</u>	<u>185,526</u>	<u>65,526</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>120,000</u>	<u>120,000</u>	<u>185,526</u>	<u>65,526</u>
<b>Fund Balance - Beginning</b>	<u>5,413,352</u>	<u>5,413,352</u>	<u>5,413,352</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u><u>\$5,533,352</u></u>	<u><u>\$5,533,352</u></u>	<u><u>\$ 5,598,878</u></u>	<u><u>\$ 65,526</u></u>

---

---

***SUPPLEMENTARY INFORMATION***

---

---

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through the California Department of Education (CDE):			
No Child Left Behind Act			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 94,006
Title II, Teacher Quality	84.367	14341	105,433
Title IV, Part A, Drug-Free Schools	84.186	14347	11,916
Title V, Part A, Innovative Education Strategies	84.298A	14354	720
Title V, Part D, Foreign Language Assistance Grant	84.293B	[1]	21,310
Subtotal			<u>233,385</u>
Individuals with Disabilities Education Act			
Basic Local Assistance Entitlement	84.027	13379	937,877
Preschool Grant	84.173	13430	64,381
Local Preschool Entitlement	84.027A	13682	121,140
Preschool Staff Development	84.173A	13431	436
Subtotal			<u>1,123,834</u>
Vocational and Applied Technology Secondary II C, Sec 131 (Carl Perkins Act)			
Advance Placement	84.048A	13924	18,891
Subtotal	84.330	14831	<u>1,248</u>
			<u>20,139</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through the California Department of Education:			
National School Lunch	10.555	13390	95,733
Basic Breakfast	10.553	13390	30,948
Commodity Distribution	10.558	13534	57,919
Subtotal			<u>184,600</u>
Total Expenditures			<u>\$ 1,561,958</u>

[1] Pass-Through Identifying Number not available.

See accompanying note to supplementary information.

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2008

---

### ORGANIZATION

The Manhattan Beach Unified School District was established in 1912, and unified in 1993, and consists of an area comprising approximately 3.88 square miles in the southwestern portion of the County of Los Angeles, and is conterminous with the City of Manhattan Beach. The District operates five elementary schools, one middle school, and one high school. There were no boundary changes during the year.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Amy Howorth	President	December 2011
Nancy Hersman	Vice President	December 2009
Ida Vander Poorte	Clerk	December 2009
Bill Eisen	Member	December 2009
Bill Fournell	Member	December 2011

### ADMINISTRATION

Beverly Rohrer	Superintendent
Stephen Romines	Assistant Superintendent, Business
Janet Schwabe	Director, Personnel
Ellyn Schneider	Director, Special Education

See accompanying note to supplementary information.



**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2008**

	Second Period Report	Annual Report
<b>ELEMENTARY</b>		
Kindergarten	517	517
First through third	1,252	1,255
Fourth through sixth	1,221	1,224
Seventh and eighth	729	727
Home and hospital	1	1
Special education	116	119
Total Elementary	3,836	3,843
<b>SECONDARY</b>		
Regular classes	2,261	2,242
Home and hospital	-	1
Special education	93	91
Total Secondary	2,354	2,334
Total K-12	6,190	6,177
<b>REGIONAL OCCUPATIONAL PROGRAM</b>	157	169
Grand Total	6,347	6,346
<b>Hours of Attendance</b>		
<b>SUMMER SCHOOL</b>		
Elementary		10,368
High school		14,975
Total Hours		25,343

See accompanying note to supplementary information.

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2008**

Grade Level	1982-83	1986-87	2007-2008	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	35,000	36,000	36,000	180	N/A	Complied
Grades 1 - 3	45,500	50,400				
Grade 1			50,425	180	N/A	Complied
Grade 2			50,425	180	N/A	Complied
Grade 3			50,425	180	N/A	Complied
Grades 4 - 6	54,250	54,000				
Grade 4			55,455	180	N/A	Complied
Grade 5			55,455	180	N/A	Complied
Grade 6			55,455	180	N/A	Complied
Grades 7 - 8	56,875	54,000				
Grade 7			63,920	180	N/A	Complied
Grade 8			63,920	180	N/A	Complied
Grades 9 - 12	*	64,800				
Grade 9			66,216	180	N/A	Complied
Grade 10			66,216	180	N/A	Complied
Grade 11			66,216	180	N/A	Complied
Grade 12			66,216	180	N/A	Complied

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

See accompanying note to supplementary information.

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

---

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

	<u>Building Fund</u>
FUND BALANCE	
Balance, June 30, 2008, Unaudited Actuals	\$ 1,456,610
Increase in:	
Cash with fiscal agent	92,251
Balance, June 30, 2008, Audited Financial Statements	<u>\$ 1,548,861</u>

See accompanying note to supplementary information.

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2008**

	(Budget) 2009 <sup>1</sup>	2008	2007	2006
<b>GENERAL FUND</b>				
Revenues	\$ 53,686,787	\$ 54,762,826	\$ 54,116,795	\$ 49,393,590
Other sources	-	-	36,876	-
Total Revenues and Other Sources	53,686,787	54,762,826	54,153,671	49,393,590
Expenditures	52,408,420	51,877,518	49,666,215	48,726,634
Other uses and transfers out	270,000	1,935,576	-	568,560
Total Expenditures and Other Uses	52,678,420	53,813,094	49,666,215	49,295,194
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<b>\$ 1,008,367</b>	<b>\$ 949,732</b>	<b>\$ 4,487,456</b>	<b>\$ 98,396</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 8,440,186</b>	<b>\$ 7,431,819</b>	<b>\$ 6,482,087</b>	<b>\$ 1,994,631</b>
<b>AVAILABLE RESERVES <sup>2</sup></b>	<b>\$ 11,242,956</b>	<b>\$ 11,242,956</b>	<b>\$ 7,742,962</b>	<b>\$ 7,320,336</b>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup></b>	<b>21.34%</b>	<b>21.33%</b>	<b>15.59%</b>	<b>14.85%</b>
<b>LONG-TERM OBLIGATIONS</b>	<b>\$ -</b>	<b>\$ 96,943,921</b>	<b>\$ 97,773,941</b>	<b>\$ 97,071,074</b>
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2 <sup>4</sup></b>	<b>6,179</b>	<b>6,190</b>	<b>6,295</b>	<b>6,173</b>

The General Fund balance has increased by \$5,437,188 over the past two years. The fiscal year 2008-2009 budget projects a further increase of \$1,008,367 (13.57 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2008-2009 fiscal year. Total long-term obligations have decreased by \$127,153 over the past two years.

Average daily attendance has increased by 17 over the past two years. An additional decline of 11 ADA is anticipated during fiscal year 2008-2009.

<sup>1</sup> Budget 2009 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all undesignated fund balances contained within the General Fund, and Special Reserve Fund for Other Than Capital Outlay Projects.

<sup>3</sup> On behalf payments of \$1,114,272 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2008.

<sup>4</sup> Excludes adult education and ROP ADA.

See accompanying note to supplementary information.

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## EXCESS SICK LEAVE

**JUNE 30, 2008**

---

### **Section 19833.5 (a)(3) or (a)(3)(b) Disclosure**

Manhattan Beach Unified School District does not provide more than 12 sick leave days in a school year to any CalSTRS member.

See accompanying note to supplementary information.

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2008

---

### NOTE 1 - PURPOSE OF SCHEDULES

#### **Schedule of Expenditures of Federal Awards**

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

#### **Local Education Agency Organization Structure**

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

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

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

#### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

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

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

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

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

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

#### **Excess Sick Leave**

This schedule provides information required by the Audit Guide for California K - 12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers' Retirement System (CalSTRS).

See accompanying note to supplementary information.

---

---

***SUPPLEMENTARY INFORMATION - UNAUDITED***

---

---

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET - UNAUDITED  
JUNE 30, 2008**

	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Building Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 314,772	\$ 796,306	\$ 2,304,048
Receivables	182,856	8,774	11,249
Stores inventories	22,064	-	-
<b>Total Assets</b>	<b>\$ 519,692</b>	<b>\$ 805,080</b>	<b>\$ 2,315,297</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 173,848	\$ 69,039	\$ 936
Due to other funds	264,837	-	765,500
<b>Total Liabilities</b>	<b>438,685</b>	<b>69,039</b>	<b>766,436</b>
<b>Fund Balances:</b>			
Reserved for:			
Revolving cash	3,609	-	-
Stores inventories	22,064	-	-
Unreserved:			
Undesignated, reported in:			
Special revenue funds	55,334	736,041	-
Debt service funds	-	-	-
Capital projects funds	-	-	1,548,861
<b>Total Fund Balance</b>	<b>81,007</b>	<b>736,041</b>	<b>1,548,861</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 519,692</b>	<b>\$ 805,080</b>	<b>\$ 2,315,297</b>

See accompanying note to supplementary information.



---

<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Corporate Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 924,243	\$ 98,643	\$ 3,561	\$ 4,441,573
7,689	1,013	-	211,581
-	-	-	22,064
<u>\$ 931,932</u>	<u>\$ 99,656</u>	<u>\$ 3,561</u>	<u>\$ 4,675,218</u>
\$ -	\$ -	\$ -	\$ 243,823
910,500	-	-	1,940,837
<u>910,500</u>	<u>-</u>	<u>-</u>	<u>2,184,660</u>
-	-	-	3,609
-	-	-	22,064
-	-	-	791,375
-	-	3,561	3,561
21,432	99,656	-	1,669,949
<u>21,432</u>	<u>99,656</u>	<u>3,561</u>	<u>2,490,558</u>
<u>\$ 931,932</u>	<u>\$ 99,656</u>	<u>\$ 3,561</u>	<u>\$ 4,675,218</u>

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Building Fund</b>
<b>REVENUES</b>			
Federal sources	\$ 184,599	\$ -	\$ -
Other State sources	5,059	243,212	-
Other local sources	1,788,316	35,720	1,362,201
<b>Total Revenues</b>	<u>1,977,974</u>	<u>278,932</u>	<u>1,362,201</u>
<b>EXPENDITURES</b>			
Current			
Pupil services:			
Food services	1,887,403	-	-
Plant services	50,000	431,095	-
Facility acquisition and construction	-	91,767	36,295
Other outgo	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	143,051
<b>Total Expenditures</b>	<u>1,937,403</u>	<u>522,862</u>	<u>179,346</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>40,571</u>	<u>(243,930)</u>	<u>1,182,855</u>
<b>Other Financing Sources</b>			
Transfers in	-	260,000	-
<b>Net Financing Sources</b>	<u>-</u>	<u>260,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>40,571</u>	<u>16,070</u>	<u>1,182,855</u>
<b>Fund Balance - Beginning</b>	40,436	719,971	366,006
<b>Fund Balance - Ending</b>	<u>\$ 81,007</u>	<u>\$ 736,041</u>	<u>\$ 1,548,861</u>

See accompanying note to supplementary information.

<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Corporate Debt Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 184,599
-	-	-	248,271
820,277	41,057	351,779	4,399,350
<u>820,277</u>	<u>41,057</u>	<u>351,779</u>	<u>4,832,220</u>
-	-	-	1,887,403
-	-	-	481,095
-	-	-	128,062
-	1,300,000	-	1,300,000
715,000	-	220,000	935,000
143,334	-	143,051	429,436
<u>858,334</u>	<u>1,300,000</u>	<u>363,051</u>	<u>5,160,996</u>
<u>(38,057)</u>	<u>(1,258,943)</u>	<u>(11,272)</u>	<u>(328,776)</u>
50,314	-	-	310,314
<u>50,314</u>	<u>-</u>	<u>-</u>	<u>310,314</u>
12,257	(1,258,943)	(11,272)	(18,462)
9,175	1,358,599	14,833	2,509,020
<u>\$ 21,432</u>	<u>\$ 99,656</u>	<u>\$ 3,561</u>	<u>\$ 2,490,558</u>

# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2008

---

### NOTE 1 - PURPOSE OF SCHEDULES

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

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

---

---

***INDEPENDENT AUDITORS' REPORTS***

---

---



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

Governing Board  
Manhattan Beach Unified School District  
Manhattan Beach, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Manhattan Beach Unified School District (the "District") as of and for the year ended June 30, 2008, which collectively comprise Manhattan Beach Unified School District's basic financial statements and have issued our report thereon dated December 12, 2008. 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 Manhattan Beach Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Manhattan Beach Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Manhattan Beach Unified School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Manhattan Beach Unified School 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 governing board, management, the California Department of Education, the State Controller's Office, 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.

Varrinck, Trinc, Day & Co., LLP  
Rancho Cucamonga, California  
December 12, 2008



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Governing Board  
Manhattan Beach Unified School District  
Manhattan Beach, California

**Compliance**

We have audited the compliance of Manhattan Beach Unified School District (the "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 each of its major Federal programs for the year ended June 30, 2008. Manhattan Beach Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Manhattan Beach Unified School District's management. Our responsibility is to express an opinion on 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 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 of Manhattan Beach Unified School District's compliance with those requirements.

In our opinion, 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 year ended June 30, 2008.

**Internal Control Over Compliance**

The management of Manhattan Beach Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Manhattan Beach Unified School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Manhattan Beach Unified School District's internal control over compliance.



A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

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

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, 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.

Vavrinek, Trine, Day & Co., LLP  
Rancho Cucamonga, California  
December 12, 2008



**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Governing Board  
 Manhattan Beach Unified School District  
 Manhattan Beach, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Manhattan Beach Unified School District (the "District") as of and for the year ended June 30, 2008, and have issued our report thereon dated December 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K - 12 Local Educational Agencies 2007-08*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Manhattan Beach School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Manhattan Beach School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	No, see below
Continuation education	10	Not applicable
Adult education	9	Not applicable
Regional occupational centers and programs	6	No, see below
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not applicable
Community day schools	9	Not applicable
Morgan-Hart Class Size Reduction	7	Yes
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Yes

	Procedures in Audit Guide	Procedures Performed
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not applicable
Gann limit calculation	1	Yes
School Construction Funds:		
School District bonds	3	Yes
State school facilities funds	1	Yes
Excess sick leave	2	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
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
Mathematics and Reading Professional Development	4	Not applicable
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not applicable
District or charter schools with only one school serving K-3	4	Not applicable
After School Education and Safety Program		
General requirements	4	Not applicable
After school	4	Not applicable
Before school	5	Not applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not applicable
Mode of instruction	1	Not applicable
Non classroom-based instruction/independent study	15	Not applicable
Determination of funding for non classroom-based instruction	3	Not applicable
Annual instruction minutes classroom based	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).

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 audit, for items not tested, nothing came to our attention to indicate that the Manhattan Beach Unified School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Manhattan Beach Unified School District compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, 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.

*Vavrinek, Trine, Day & Co., LLP*  
Rancho Cucamonga, California  
December 12, 2008

---

---

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

---

---

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2008**

---

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.027A, 84.173</u>	<u>Individuals with Disabilities Education Act</u>
<u>84.173A</u>	<u>Special Education Program Cluster</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

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

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None Reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

---

None reported.

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

---

None reported.

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

---

None reported.



# MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

---

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

### *Financial Statement Findings*

**2007-1     30000**

#### ***PAYROLL SYSTEM***

##### **Finding**

An examination of the payroll documentation disclosed that one out of 25 employees' timesheets was incorrectly calculated. Because of this, the salary was calculated incorrectly as well.

##### **Recommendation**

It was recommended that the District correctly calculate the employees' timesheets and salaries.

##### **Current Status**

Implemented.

**2007-2     30000**

#### ***PAYROLL SYSTEM***

##### **Finding**

An examination of the payroll documentation disclosed that four out of 25 employees' action forms were missing from the personnel files.

##### **Recommendation**

It was recommended that the District retain a copy of the most recent form in the employees' personnel files.

##### **Current Status**

Implemented.

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

---

**2007-3     30000**

***PAYROLL SYSTEM***

**Finding**

An examination of the payroll documentation disclosed that 15 out of 25 employees' action forms were missing an approval signature.

**Recommendation**

It was recommended that the District ensure that all action forms have approval signatures from either the Director of Human Resources or the Superintendent.

**Current Status**

Implemented.

**2007-4     30000**

***STUDENT BODY ACCOUNTS***

**Finding**

An examination of the Manhattan Beach Middle School ASB account showed that five out of 23 disbursements were not for direct students' benefits.

**Recommendation**

It was recommended that the District ensure that all ASB transactions are for direct students' benefits.

**Current Status**

Implemented.

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

---

**2007-5     30000**

***STUDENT BODY ACCOUNTS***

**Finding**

An examination of the Manhattan Beach Middle School ASB account showed that the council minutes are not being signed by the secretary of the student council.

**Recommendation**

It was recommended that only ASB council minutes are signed by the secretary of the student council.

**Current Status**

Implemented.

**2007-6     30000**

***STUDENT BODY ACCOUNTS***

**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 the ASB staff, it was noted that the revenue for payments from this "Principal Fund" come from the fee charges by the office to replace Snap Identification Cards when cards are lost.

**Recommendation**

It was recommended that only ASB money should be kept with ASB accounts.

**Current Status**

Implemented.

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

---

**2007-7     30000**

***STUDENT BODY ACCOUNTS***

**Finding**

An examination of the Manhattan Beach Middle School disclosed that the three out of ten cash receipts in the ASB account did not have adequate supporting documents to support the amount submitted to the ASB office.

**Recommendation**

It was recommended that all supporting documents be attached to ASB cash receipts.

**Current Status**

Implemented.

**2007-8     30000**

***STUDENT BODY ACCOUNTS***

**Finding**

An examination of the cash receipts at Mira Costa High School disclosed that there were deposits that were over five days old during the month of March, for the March 19<sup>th</sup> and 20<sup>th</sup> deposits, respectively.

**Recommendation**

It was recommended that all cash and/or checks received be deposited within a reasonable period of time.

**Current Status**

Implemented.

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

---

**2007-9 30000**

***STUDENT BODY ACCOUNTS***

**Finding**

An examination of the cash receipt system disclosed at the Human Resources Department collects fingerprinting for background checks, but a receipt book is not kept.

**Recommendation**

It was recommended that a receipt log be kept for all money received. The receipt numbers that correspond to the money collected should be recorded and submitted with the money to the employee that handles cash receipts.

**Current Status**

Implemented.

***Federal Award Findings***

**2007-10 50000**

***DEPARTMENT OF EDUCATION PASS-THROUGH COE SPECIAL EDUCATION - GRANTS  
TO STATES (IDEA, PART B) - CFDA 84.027***

**Finding**

A single audit review of the payroll system disclosed that one out of 20 employees' timecards examined did not have the hour recorded correctly.

**Recommendation**

It was recommended that the District ensure that all employee timecards are recorded correctly.

**Current Status**

Implemented.

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

---

*State Awards Findings*

**2007-11 40000**

***STATE COMPLIANCE***

**Finding**

The Morgan Hart form J-9MH-A was filed late.

**Recommendation**

It was recommended that the District ensure the Morgan Hart form be filed on time.

**Current Status**

Implemented.

**2007-12 40000**

***STATE COMPLIANCE***

**Finding**

An examination of the Grand View Elementary School disclosed that the kindergarten retention agreement for two students were neither retained, nor completed timely.

**Recommendation**

It was recommended that all kindergarten retention agreements be retained and completed in a timely manner.

**Current Status**

Implemented.

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008**

---

**2007-13 40000**

***STATE COMPLIANCE***

**Finding**

An examination of the Grand View Elementary School disclosed that one student did not use an approved kindergarten retention agreement.

**Recommendation**

It was recommended that the District ensure that students use only approved kindergarten retention agreements.

**Current Status**

Implemented.

Governing Board  
Manhattan Beach Unified School District  
Manhattan Beach, California

In planning and performing our audit of the financial statements of Manhattan Beach Unified School District, for the year ended June 30, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 12, 2008, on the financial statements of Bassett Unified School District.

### ***CURRENT YEAR FINDINGS AND RECOMMENDATIONS***

#### ***INVENTORY***

##### **Finding**

During our testing of stores inventory, we noted that the inventory listing was not accurately updated as of June 30, 2008.

##### **Recommendation**

A physical inventory should be taken quarterly under supervision of the warehouse supervisor. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze inventory activity and to determine if merchandise has been lost or stolen or if any adjustments need to be made to inventory. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the District.

#### ***ASSOCIATED STUDENT BODY (ASB) ACCOUNTS***

##### ***Manhattan Beach Middle School***

During our review of the ASB's internal controls over disbursements, we noted the following issues:

- 1) Eight of the nine disbursements reviewed had an invoice date prior to the approval date, noting the purchase was made prior to approval. Purchase requests are not utilized to pre-approve purchases prior to initiating the transaction.
- 2) Only one signature is required for checks issued.



**Recommendation**

All expenditures, prior to the items being purchased, should be approved by the student council to ensure that the proper funding is available. This will ensure that deficit spending is not performed, and that items being purchased are student approved items. The District should aide the site in constructing a purchase request form that can be submitted to the student council to ensure approval is attained prior to the transaction being initiated from the vendor. Two signatures are required on all checks written from ASB funds. One signature is usually the principal or designee, and the other is a staff member from the school, e.g., the student council advisor, or from the District Office. Students should never sign checks.

***SITE CASH***

***Manhattan Beach Middle School, Mira Costa High School***

**Finding**

When monies are remitted to the District Office for lost or damaged books, it is not accompanied by a transmittal document which explains what the monies were collected for. This is necessary so that the proper revenue and budget accounts get updated.

**Recommendation**

A document should be developed and used to summarize the monies collected and transmitted to the District Office. This form would provide an explanation of what the monies were collected for and allow the District to properly account for the funds once they are received at the District Office.

***REVOLVING CASH ACCOUNT***

**Finding**

During our testing of District's revolving account reconciliation, we noted that no review of the reconciliation is performed.

**Recommendation**

The District Office should implement proper internal control procedures over reconciliations of bank accounts. Proper internal controls are designed to ensure that all balances are reported accurately and to ensure that all reconciling items are clearly identified.

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



Governing Board  
Manhattan Beach Unified School District  
Manhattan Beach, California

In planning and performing our audit of the financial statements of Manhattan Beach Unified School District, for the year ended June 30, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 12, 2008, on the financial statements of Bassett Unified School District.

### *CURRENT YEAR FINDINGS AND RECOMMENDATIONS*

#### *INVENTORY*

##### **Finding**

During our testing of stores inventory, we noted that the inventory listing was not accurately updated as of June 30, 2008.

##### **Recommendation**

A physical inventory should be taken quarterly under supervision of the warehouse supervisor. The inventory listing should contain a description, unit cost, quantity, and extended value. This information is necessary in order to analyze inventory activity and to determine if merchandise has been lost or stolen or if any adjustments need to be made to inventory. The June 30 inventory report would also be used in the preparation of the financial statements prepared for the District.

#### *ASSOCIATED STUDENT BODY (ASB) ACCOUNTS*

##### *Manhattan Beach Middle School*

During our review of the ASB's internal controls over disbursements, we noted the following issues:

- 1) Eight of the nine disbursements reviewed had an invoice date prior to the approval date, noting the purchase was made prior to approval. Purchase requests are not utilized to pre-approve purchases prior to initiating the transaction.
- 2) Only one signature is required for checks issued.

**Recommendation**

All expenditures, prior to the items being purchased, should be approved by the student council to ensure that the proper funding is available. This will ensure that deficit spending is not performed, and that items being purchased are student approved items. The District should aide the site in constructing a purchase request form that can be submitted to the student council to ensure approval is attained prior to the transaction being initiated from the vendor. Two signatures are required on all checks written from ASB funds. One signature is usually the principal or designee, and the other is a staff member from the school, e.g., the student council advisor, or from the District Office. Students should never sign checks.

*SITE CASH*

*Manhattan Beach Middle School, Mira Costa High School*

**Finding**

When monies are remitted to the District Office for lost or damaged books, it is not accompanied by a transmittal document which explains what the monies were collected for. This is necessary so that the proper revenue and budget accounts get updated.

**Recommendation**

A document should be developed and used to summarize the monies collected and transmitted to the District Office. This form would provide an explanation of what the monies were collected for and allow the District to properly account for the funds once they are received at the District Office.

*REVOLVING CASH ACCOUNT*

**Finding**

During our testing of District's revolving account reconciliation, we noted that no review of the reconciliation is performed.

**Recommendation**

The District Office should implement proper internal control procedures over reconciliations of bank accounts. Proper internal controls are designed to ensure that all balances are reported accurately and to ensure that all reconciling items are clearly identified.

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

*Kavrinck, Trine, Day & Co., LLP*

Rancho Cucamonga, California  
December 12, 2008