

MANHATTAN BEACH ELEMENTARY SCHOOL DISTRICT

GENERAL OBLIGATION BONDS

**FINANCIAL AUDIT
AND
PERFORMANCE AUDIT**

JUNE 30, 2010

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
ELECTION 2008, 2009 SERIES A GENERAL OBLIGATION BONDS**

JUNE 30, 2010

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MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

**BUILDING FUND
(PROPOSITION 39)**

FINANCIAL STATEMENT AUDIT

JUNE 30, 2010



INDEPENDENT AUDITORS' REPORT

Governing Board and Citizens' Oversight Committee
Manhattan Beach Unified School District
Montebello, California

We have audited the accompanying financial statements of the Building Fund of the Manhattan Beach Unified School District (the District), as of the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements present only the Building Fund and do not purport to, and do not, present fairly the financial position of the District as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund of the District at June 30, 2010, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Vavrinek, Trine, Day & Co., LLP
Rancho Cucamonga, California
December 20, 2010

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
BUILDING FUND (PROPOSITION 39)**

**BALANCE SHEET
JUNE 30, 2010**

ASSETS

Cash and investments	\$ 2,946,583
Accounts receivable	11,327
Total Assets	<u>\$ 2,957,910</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	<u>\$ 455,112</u>
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Fund Balance:

Fund balance	
Undesignated	<u>2,502,798</u>
Total Liabilities and Fund Balance	<u>\$ 2,957,910</u>

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

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
BUILDING FUND (PROPOSITION 39)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
JUNE 30, 2010**

REVENUES

Other local revenues \$ 99,092

EXPENDITURES

Site Acquisition and Development 966,859
Debt Service - Principal 4,250,000
Debt Service - Interest 160,878
Total Expenditures 5,377,737

EXCESS OF EXPENDITURES OVER REVENUES (5,278,645)

OTHER FINANCING SOURCES

Other Sources - Bond Proceeds 7,781,443
Total Other Financing Sources 7,781,443

**EXCESS OF REVENUES AND OTHER FINANCING SOURCES
OVER EXPENDITURES** 2,502,798

FUND BALANCE, BEGINNING OF YEAR -

FUND BALANCE, END OF YEAR \$ 2,502,798

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

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
BUILDING FUND (PROPOSITION 39)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The audited financial statements include only the Building Fund of the Manhattan Beach Unified School District that was established to account for the expenditures of the general obligation bonds issued in June 2009. These financial statements are not intended to present fairly the financial position and the changes in financial position of the Manhattan Beach Unified School District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Building Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

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

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on long-term debt, which is recognized when due.

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30, 2010, since they do not constitute expenditures or liabilities.

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
BUILDING FUND (PROPOSITION 39)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on September 1 and March 1 and become delinquent on October 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 for the District. The District recognizes tax revenues when received.

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - INVESTMENTS

Investments at June 30, 2010, held on behalf of the Building Fund of the Manhattan Beach Unified School District consist of deposits in the County of Los Angeles Treasury:

	<u>Reported Amount</u>	<u>Fair Value</u>
Uncategorized		
Deposits with county treasurer	<u>\$ 2,946,583</u>	<u>\$ 2,963,673</u>

Deposits with county treasurer are an external investment pool sponsored by the County of Los Angeles. School districts are required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 15146(b)).

Therefore, the District is considered to be an involuntary participant in an external investment pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits.

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
BUILDING FUND (PROPOSITION 39)**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 - LONG-TERM OBLIGATIONS

Summary

Under the modified accrual basis of accounting, liabilities for long-term obligations are reported in the long-term obligations rather than the Building or other funds. A schedule of changes in long-term obligations for the year ended June 30, 2010, is shown below:

General Obligation Bonds (Proposition 39 Only)

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
General obligation bonds	\$ -	\$ 7,990,658	\$ -	\$ 7,990,658

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Beginning of Year	Additions	Redeemed	Bonds End of Year
2009	2031	6.39 - 6.73%	\$ 7,651,589	\$ -	\$ 7,990,658	\$ -	\$ 7,990,658

Debt Service Requirements

The general obligation bonds mature through 2032 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Current Interest to Maturity	Total
2011	\$ -	\$ -	\$ -
2012	-	-	-
2013	-	-	-
2014	-	-	-
2015	-	-	-
2016-2020	-	-	-
2021-2025	-	-	-
2026-2030	4,801,606	12,078,394	16,880,000
2031-2032	3,189,052	9,515,948	12,705,000
Total	\$ 7,990,658	\$ 21,594,342	\$ 29,585,000

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
PROPOSITION 39**

REVIEW OF

**ELECTION 2008, 2009 SERIES A
GENERAL OBLIGATION BONDS**

WITH

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2010

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
ELECTION 2008, 2009 SERIES A GENERAL OBLIGATION BONDS**

JUNE 30, 2010

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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Governing Board
Manhattan Beach Unified School District
Manhattan Beach, California

The Election 2008, 2009 Series A General Obligation Citizens' Bond Oversight Committee

We have performed the agreed-upon procedures enumerated in Exhibit A, which were agreed to by Manhattan Beach Unified School District of Los Angeles County, solely to assist the users in identifying findings and recommendations in the areas with respect to the Manhattan Beach Unified School District (County of Los Angeles, California) General Obligation Bonds 2008 Election, 2009 Series A, for the period ended June 30, 2010. This engagement to perform agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants and meets the compliance requirements to perform an "audit" as outlined in subparagraph (C) of paragraph (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated results are described in this report as Exhibit A.

We were not engaged to, and did not, perform an audit of all financial statements of the District, the objective of which would be the expression of an opinion relating to the matters included in the agreed-upon procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Vavrinek, Trine, Day & Co., LLP
Rancho Cucamonga, California
December 20, 2010

**ELECTION 2008, 2009 SERIES A GENERAL OBLIGATION BONDS
AGREED-UPON PROCEDURES
JUNE 30, 2010**

The Manhattan Beach Unified School District requested that the following agreed-upon procedures be performed:

Procedures Performed

1. Verify that the expenditure of funds was accounted for separately in the accounting records to allow for accountability.
2. Verify that the net funds from the sale of the General Obligation Bonds were deposited in total into the District's accounts by obtaining settlement statement for the new bond issue and verifying amounts deposited into the Building Fund.
3. Select the expenditures at each location and verify that the funds expended complied with the purpose that was specified to the registered voters of the District through election materials and District resolutions that were distributed.

Results of Procedures

1. The General Obligation Bond fund expenditures were accounted for separately in the Building Fund of the District.
2. The net proceeds from the sale of the General Obligation Bonds were deposited into the appropriate accounts within the Building Fund and the Bond Interest and Redemption Fund.
3. Our review of the expenditures for the period ended June 30, 2010, did not reveal any items that were paid from the General Obligation Bond Funds that did not comply with the purpose of the Bonds that were approved by the registered voters of the District on November 4, 2008.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

(County of Los Angeles, California)

ELECTION 2008, 2009 SERIES A GENERAL OBLIGATION BONDS

THE BONDS

Authority for Issuance

The \$7,651,589.45 principal amount of Bonds of the District are general obligation bonds to be issued under California law, including the Smaller Classes, Safer School and Financial Accountability Act, of which Article XIII A (b)(3) of the State of California Constitution is part, and related California law, provisions of Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the State of California Government Code, commencing with Section 53506, and provisions of Title 1, Division 1, Part 10, Chapter 1 and 1.5 of the State of California *Education Code*, commencing with Section 15100, and pursuant to the Bond Resolution. The Bonds are the first series of an authorization of \$67,480,000 approved by district voters on November 4, 2008. After the issuance of the Bonds, the District will have \$59,828,410.55 of the authorized but unissued bonds.

Terms of Sale

The Bonds were sold at public sale pursuant to the terms of sale contained in the Official Notice of Sale adopted by the Governing Board of the District on June 23, 2009.

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
ELECTION 2008, 2009 SERIES A GENERAL OBLIGATION BONDS**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE
JUNE 30, 2010**

Receipts

Proceeds from the Bond Issuance	\$ 7,651,589
Interest	51,960
Other Revenue	176,986
Total Receipts	<u>7,880,535</u>

Disbursements

Site Expenditures	966,859
Debt Service - Principal	4,250,000
Debt Service - Interest	160,878
Total Site Expenditures	<u>5,377,737</u>

Increase in Fund Balance 2,502,798

Fund Balance, Beginning of Year -

Fund Balance, End of Year \$ 2,502,798

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
ELECTION 2008, 2009 SERIES A GENERAL OBLIGATION BONDS**

**SCHEDULE OF DISBURSEMENTS BY SITE
FOR THE YEAR ENDED JUNE 30, 2010**

Disbursements	Mira Costa High School
Advertisement	\$ 1,410
Architect Fees	813,810
Building Construction	46,466
Other Planning Cost	32,813
Test on Building Improvements	72,360
Total Site Expenditures	<u>\$ 966,859</u>