

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

**AUDIT REPORT**  
June 30, 2007

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**TABLE OF CONTENTS**  
June 30, 2007

---

**FINANCIAL SECTION**

Independent Auditor's Report .....	1
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	3
Statement of Activities .....	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	9
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	10
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	13
Statement of Fund Net Assets – Proprietary Funds .....	14
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds .....	15
Statement of Cash Flows – Proprietary Funds .....	16
Statement of Fiduciary Net Assets – Fiduciary Funds .....	17
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds .....	18
Notes to Basic Financial Statements .....	21
Required Supplemental Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund .....	41
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Special Reserve Fund .....	42
Other Supplemental Information:	
Combining Statements and Individual Fund Schedules:	
Combining Statements – Nonmajor Funds:	
Nonmajor Special Revenue Funds:	
Combining Balance Sheet .....	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	45
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual .....	46
Nonmajor Debt Service Fund	
Balance Sheet .....	49
Statement of Revenues, Expenditures, and Changes in Fund Balance .....	50
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual .....	51
Nonmajor Capital Project Funds:	
Combining Balance Sheet .....	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	53
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual .....	54

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**TABLE OF CONTENTS**  
June 30, 2007

---

**SUPPLEMENTARY INFORMATION SECTION**

Organization.....	57
Schedule of Average Daily Attendance.....	58
Schedule of Instructional Time .....	59
Schedule of Excess Sick Leave .....	60
Schedule of Financial Trends and Analysis .....	61
Schedule of Expenditures of Federal Awards .....	62
Note to the Schedule of Expenditures of Federal Awards.....	63
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements .....	64
Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	66
Auditor's Report on State Compliance.....	68
Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	70

**FINDINGS AND RECOMMENDATION SECTIONS**

Schedule of Audit Findings and Questioned Costs .....	73
Schedule of Prior Audit Findings.....	79

## FINANCIAL SECTION



---

**MOSS, LEVY & HARTZHEIM LLP**

---

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS:**RONALD A. LEVY, C.P.A.  
CRAIG A. HARTZHEIM, C.P.A.  
HADLEY Y. HUI, C.P.A.**Consultant:**

ROBERT M. MOSS (Retired C.P.A.)

9107 WILSHIRE BLVD., STE 400  
BEVERLY HILLS, CA 90210  
PHONE: (310) 273-2745  
FAX: (310) 273-1689  
EMAIL: mlhbh@mlhpcpas.com**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Manhattan Beach Unified School District as of and for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Manhattan Beach Unified School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2007, on our consideration of the Manhattan Beach Unified School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Budgetary Comparison Schedules for the General and Special Reserve Funds on page 41 through 42 are not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting principally of inquires 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.

OFFICES: BEVERLY HILLS • SANTA MARIA

MEMBER AMERICAN INSTITUTE OF C.P.A.'S • CALIFORNIA SOCIETY OF C.P.A.'S • CALIFORNIA SOCIETY OF MUNICIPAL FINANCE OFFICERS • CALIFORNIA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

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

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

*Moss, Levy & Hartzheim*

MOSS, LEVY & HARTZHEIM, LLP  
Beverly Hills, California  
December 14, 2007

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
June 30, 2007

<b>Assets</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
Cash in county treasury	\$ 16,949,392	\$ 497,624	\$ 17,447,016
Revolving cash fund	13,609		13,609
Cash in bank and on hand	74,466		74,466
Cash and investments with fiscal agent	1,113,662		1,113,662
Accounts receivable	6,362,918	25,711	6,388,629
Inventories, at cost	73,007		73,007
Prepaid items	141,641		141,641
Deferred loss on refunding, net of accumulated amortization	1,149,868		1,149,868
Debt issuance costs, net of accumulated amortization	113,016		113,016
Land	3,909,383		3,909,383
Land improvements	3,547,297		3,547,297
Buildings	101,003,075		101,003,075
Equipment	3,725,348		3,725,348
Less accumulated depreciation	(29,263,975)		(29,263,975)
<b>Total Assets</b>	<b>108,912,707</b>	<b>523,335</b>	<b>109,436,042</b>
<b>Liabilities</b>			
Accounts payable	5,793,356	200,045	5,993,401
Interest payable	807,421		807,421
Deferred revenue	527,917	80,785	608,702
Long-term liabilities:			
Due within one year:			
General obligation bonds payable	2,403,680		2,403,680
Certificates of participation payable	715,000		715,000
Postemployment benefits	9,320		9,320
Early retirement incentives	95,804		95,804
Settlement agreement payable	166,667		166,667
Total due within one year	10,519,165	280,830	10,799,995
Due after one year:			
Interest payable	23,399,451		23,399,451
General obligation bonds payable	57,437,042		57,437,042
Certificates of participation payable	12,705,000		12,705,000
Postemployment benefits	26,813		26,813
Early retirement incentives	23,951		23,951
Settlement agreement payable	333,333		333,333
Compensated absences payable	457,880		457,880
Total due after one year	94,383,470		94,383,470
<b>Total Liabilities</b>	<b>104,902,635</b>	<b>280,830</b>	<b>105,183,465</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	11,289,296		11,289,296
Restricted for:			
Capital projects	1,733,780		1,733,780
Unrestricted	(9,013,004)	242,505	(8,770,499)
<b>Total net assets</b>	<b>\$ 4,010,072</b>	<b>\$ 242,505</b>	<b>\$ 4,252,577</b>

See notes to basic financial statements

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2007

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 33,202,055	\$ 106,255	\$ 7,745,066	\$ 70,517
Instruction-related services:				
Supervision of instruction	598,212	1,110	280,725	
Instructional library, media, and technology	627,182	4,880	299,876	
School site administration	2,249,584	1,330	78,204	
Pupil services:				
Home-to-school transportation	477,179		92,418	
Food services	1,672,917		105,682	
All other pupil services	2,830,689	13,340	1,084,849	
General administration:				
Data processing	424,170			
All other general administration	2,958,188	2,406	203,579	
Plant services	4,729,391	89	297,129	
Ancillary services	903,186	9,232	542,959	
Interest on long-term debt	5,703,802			
Other outgo	1,084,855	124,197	743,006	
Depreciation (unallocated)	2,172,426			
<b>Total governmental activities</b>	<b>59,633,836</b>	<b>262,839</b>	<b>11,473,493</b>	<b>70,517</b>
<b>Business-type Activities</b>				
Preschool	1,932,919			
<b>Total business-type activities</b>	<b>1,932,919</b>			
<b>Total primary government</b>	<b>\$ 61,566,755</b>	<b>\$ 262,839</b>	<b>\$ 11,473,493</b>	<b>\$ 70,517</b>

**General revenues and transfers:**

Taxes and subventions:

    Taxes levied for general purposes

    Taxes levied for debt service

    Tax levied for other specific purposes

Federal and state aid not restricted to specific purposes

Interest and investment earnings

Interagency revenues

Miscellaneous

Transfers

**Total general revenues and transfers**

**Change in net assets**

Net assets beginning of fiscal year

Prior year adjustments

Net assets beginning of fiscal year, restated

Net assets end of fiscal year

See notes to basic financial statements



Governmental Activities	Business-type Activities	Total
\$ (25,280,217)	\$ -	\$ (25,280,217)
(316,377)		(316,377)
(322,426)		(322,426)
(2,170,050)		(2,170,050)
(384,761)		(384,761)
(1,567,235)		(1,567,235)
(1,732,500)		(1,732,500)
(424,170)		(424,170)
(2,752,203)		(2,752,203)
(4,432,173)		(4,432,173)
(350,995)		(350,995)
(5,703,802)		(5,703,802)
(217,652)		(217,652)
(2,172,426)		(2,172,426)
<u>(47,826,987)</u>		<u>(47,826,987)</u>
	<u>(1,932,919)</u>	<u>(1,932,919)</u>
	<u>(1,932,919)</u>	<u>(1,932,919)</u>
<u>(47,826,987)</u>	<u>(1,932,919)</u>	<u>(49,759,906)</u>
19,467,039		19,467,039
4,092,529		4,092,529
117,190		117,190
20,847,409		20,847,409
531,338	25,417	556,755
769		769
4,893,864	2,117,948	7,011,812
50,314	(50,314)	
<u>50,000,452</u>	<u>2,093,051</u>	<u>52,093,503</u>
<u>2,173,465</u>	<u>160,132</u>	<u>2,333,597</u>
2,102,103		2,102,103
(265,496)	82,373	(183,123)
<u>1,836,607</u>	<u>82,373</u>	<u>1,918,980</u>
<u>\$ 4,010,072</u>	<u>\$ 242,505</u>	<u>\$ 4,252,577</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

	General Fund	Special Reserve Fund	Bond Interest and Redemption Fund	Other Governmental Funds
<b>Assets</b>				
Cash in county treasury	\$ 6,145,079	\$ 4,601,054	\$ 3,978,454	\$ 2,200,350
Revolving cash fund	10,000			3,609
Cash in bank and on hand				74,466
Cash and investments with fiscal agent				1,113,662
Accounts receivable:				
Federal and state governments	690,957			
Other	5,277,031	70,798		323,670
Inventory, at cost	44,150			28,857
Prepaid items	141,641			
Due from other funds		741,500		
<b>Total assets</b>	<b>\$ 12,308,858</b>	<b>\$ 5,413,352</b>	<b>\$ 3,978,454</b>	<b>\$ 3,744,614</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 5,298,854	\$ -	\$ -	\$ 494,094
Deferred revenue	527,917			
Due to other funds				741,500
<b>Total liabilities</b>	<b>5,826,771</b>			<b>1,235,594</b>
<b>Fund balances:</b>				
Reserved for revolving fund	10,000			3,609
Reserved for inventory	44,150			28,857
Reserved for prepaid items	141,641			
Reserved for debt service			3,978,454	
Reserved for legally restricted balance	2,131,401			
Unreserved:				
Undesignated	4,154,895	5,413,352		2,476,554
<b>Total fund balances</b>	<b>6,482,087</b>	<b>5,413,352</b>	<b>3,978,454</b>	<b>2,509,020</b>
<b>Total liabilities and fund balances</b>	<b>\$ 12,308,858</b>	<b>\$ 5,413,352</b>	<b>\$ 3,978,454</b>	<b>\$ 3,744,614</b>

See notes to basic financial statements

---

Total  
Governmental  
Funds

---

\$ 16,924,937  
13,609  
74,466  
1,113,662  
  
690,957  
5,671,499  
73,007  
141,641  

---

741,500  
  
\$ 25,445,278

---

\$ 5,792,948  
527,917  

---

741,500  
  

---

7,062,365

13,609  
73,007  
141,641  
3,978,454  
2,131,401  
  

---

12,044,801  
  

---

18,382,913  
  
\$ 25,445,278

---

This Page Intentionally Left Blank

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2007**

---

Total fund balances - governmental funds \$ 18,382,913

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

Capital assets at historical cost	\$	112,185,103
Accumulated depreciation		<u>(29,263,975)</u>

Net 82,921,128

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred. (24,206,872)

In governmental funds, debt issuance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issuance costs are capitalized and amortized over the life of the debt. 113,016

Deferred losses on refunding, net of accumulated amortization have not been reported in the governmental funds. These are capitalized and amortized over the life of the new debt or old debt whichever is shorter in the statement of net assets. 1,149,868

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

General obligation bonds payable	\$	(59,840,722)
Certificates of participation payable		(13,420,000)
Postemployment benefits		(36,133)
Early retirement incentives		(119,755)
Settlement agreement payable		(500,000)
Compensated absences payable		<u>(457,880)</u>

Total (74,374,490)

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

24,509

Total net assets, governmental activities

\$ 4,010,072

See notes to basic financial statements

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended June 30, 2007

	General Fund	Special Reserve Fund	Bond Interest and Redemption Fund	Other Governmental Funds
<b>Revenues:</b>				
Revenue limit sources:				
State apportionments	\$ 16,468,255	\$ -	\$ -	\$ -
Local sources	19,668,536			
Federal	1,358,853			105,682
Other state	9,898,397		21,235	258,481
Other local	6,722,754	155,231	4,188,484	2,911,079
<b>Total revenues</b>	<b>54,116,795</b>	<b>155,231</b>	<b>4,209,719</b>	<b>3,275,242</b>
<b>Expenditures:</b>				
Certificated salaries	24,450,035			8,169
Classified salaries	7,223,612			828,816
Employee benefits	7,289,374			210,815
Books and supplies	2,726,212			567,718
Contracted services and other operating expenses	6,892,127			446,127
Capital outlay				304,592
Other outgo	1,084,855			
Debt service			3,640,243	1,290,259
<b>Total expenditures</b>	<b>49,666,215</b>		<b>3,640,243</b>	<b>3,656,496</b>
Excess of revenues over (under) expenditures	4,450,580	155,231	569,476	(381,254)
<b>Other Financing Sources (Uses):</b>				
Transfers in	250,000			663,064
Transfers out	(250,000)	(250,000)		(362,750)
<b>Total other financing sources (uses)</b>		<b>(250,000)</b>		<b>300,314</b>
Excess of revenues and other sources over (under) expenditures and other uses	4,450,580	(94,769)	569,476	(80,940)
Fund balances, July 1, 2006	1,994,631	5,508,121	3,408,978	2,892,332
Prior year adjustments	36,876			(302,372)
Fund balances, July 1, 2006, restated	2,031,507	5,508,121	3,408,978	2,589,960
Fund balances, June 30, 2007	<b>\$ 6,482,087</b>	<b>\$ 5,413,352</b>	<b>\$ 3,978,454</b>	<b>\$ 2,509,020</b>

See notes to basic financial statements

---

Total Governmental Funds	
\$	16,468,255
	19,668,536
	1,464,535
	10,178,113
	<u>13,977,548</u>
	<u>61,756,987</u>
	24,458,204
	8,052,428
	7,500,189
	3,293,930
	7,338,254
	304,592
	1,084,855
	<u>4,930,502</u>
	<u>56,962,954</u>
	<u>4,794,033</u>
	913,064
	<u>(862,750)</u>
	<u>50,314</u>
	<u>4,844,347</u>
	13,804,062
	<u>(265,496)</u>
	<u>13,538,566</u>
\$	<u><u>18,382,913</u></u>

**This Page Intentionally Left Blank**



**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2007**

Total net change in fund balances - governmental funds	\$	4,844,347
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:</p>		
Expenditures for capital outlay	\$	316,191
Depreciation expense		<u>(2,172,426)</u>
Net		(1,856,235)
<p>In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.</p>		
		3,419,460
<p>In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:</p>		
		(4,434,520)
<p>Internal service funds are used by the District to charge the costs of service to individual funds. The net income of internal service funds is reported with governmental activities.</p>		
		1,852
<p>In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, the amounts earned exceeded vacation paid by \$39,498</p>		
		(39,498)
<p>In the statement of activities, post-employment benefits are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid).</p>		
Early retirement incentives	\$	95,804
Post-employment benefits		<u>(6,593)</u>
		89,211
<p>In the statement of activities, structure legal settlement must be accrued in the year incurred. In governmental funds, however, such settlement is recognized when paid.</p>		
		248,617
<p>In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. This represents the net amount.</p>		
		(5,259)
<p>In governmental funds, deferred losses on refundings are recognized as expenditures in the period they are incurred. In the government-wide statements, deferred losses on refundings are amortized over the life of the debt. This is the amortization for the period.</p>		
		<u>(94,510)</u>
Changes in net assets of governmental activities	<u>\$</u>	<u>2,173,465</u>

See notes to basic financial statements

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
 June 30, 2007

	Enterprise Fund	Governmental Activities
	Community Preschool Fund	Internal Service Fund Self-Insurance Fund
<b>Assets</b>		
Cash in county treasury	\$ 497,624	\$ 24,455
Accounts receivable:		
Other	25,711	462
Total assets	<u>523,335</u>	<u>24,917</u>
<b>Liabilities</b>		
Accounts payable	200,045	408
Deferred revenue	80,785	
Total liabilities	<u>280,830</u>	<u>408</u>
<b>Net assets</b>		
Unrestricted	<u>242,505</u>	<u>24,509</u>
Total net assets	<u>\$ 242,505</u>	<u>\$ 24,509</u>

See notes to basic financial statements

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
For the Fiscal Year Ended June 30, 2007

	Enterprise Fund	Governmental Activities
	Community Preschool Fund	Internal Service Fund Self-Insurance Fund
<b>Operating Revenues:</b>		
Other local revenue	\$ 2,117,948	\$ 1,852
Total operating revenues	<u>2,117,948</u>	<u>1,852</u>
<b>Operating Expenses:</b>		
Certificated salaries	606,151	
Classified salaries	540,361	
Employee benefits	371,797	
Books and supplies	138,346	1,258
Contracted services and other operating expenses	<u>276,264</u>	
Total operating expenses	<u>1,932,919</u>	<u>1,258</u>
Operating income (loss)	185,029	594
<b>Non-operating Revenues (Expenses)</b>		
Interest	25,417	1,258
Transfers out	<u>(50,314)</u>	
Change in net assets	<u>160,132</u>	<u>1,852</u>
Net assets, July 1, 2006		22,657
Prior period adjustment	82,373	
Net assets restated, July 1, 2006	<u>82,373</u>	<u>22,657</u>
Net assets, June 30, 2007	<u>\$ 242,505</u>	<u>\$ 24,509</u>

See notes to basic financial statements

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2007

	Enterprise Fund	Governmental Activities
	Community Preschool Fund	Internal Service Fund Self-Insurance Fund
Cash Flows from Operating Activities:		
Cash received from other local sources	\$ 2,255,395	\$ 1,741
Cash paid for salaries and benefits	(1,518,309)	
Cash paid for books and supplies	61,699	(850)
Cash paid for contracted services and other operating expenses	(276,264)	
Net cash provided (used) by operating activities	522,521	891
Cash Flows from Non-Capital Financing Activities		
Cash transfers to other funds	(50,314)	
Cash Flows from Investing Activities:		
Interest received	25,417	1,258
Net increase (decrease) in cash and cash equivalents	497,624	2,149
Cash and cash equivalents at July 1, 2006		22,306
Cash and cash equivalents at June 30, 2007	\$ 497,624	\$ 24,455

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

Operating income (loss)	\$ 185,029	\$ 594
(Increase) decrease in operating assets		
Accounts receivable	56,662	(111)
Increase (decrease) in operating liabilities		
Accounts payable	200,045	408
Deferred revenue	80,785	
Net cash provided (used) by operating activities	\$ 522,521	\$ 891

See notes to basic financial statements

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
 June 30, 2007

	Pension Trust Fund	Agency Funds		Totals
	Retiree Benefits Fund	Payroll Clearance Fund	Student Body Funds	
<b>Assets</b>				
Cash in county treasury	\$ 860,848	\$ (364,465)	\$ -	\$ 496,383
Cash on hand and in banks			341,381	341,381
Accounts receivable:				
Other	16,628			16,628
Prepaid items		364,465		364,465
<b>Total assets</b>	<b>877,476</b>		<b>341,381</b>	<b>1,218,857</b>
<b>Liabilities</b>				
Accounts payable	487,398			487,398
Due to student groups			341,381	341,381
<b>Total liabilities</b>	<b>487,398</b>		<b>341,381</b>	<b>828,779</b>
<b>Net Assets</b>				
Unrestricted	390,078			390,078
<b>Total net assets</b>	<b>\$ 390,078</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 390,078</b>

See notes to basic financial statements

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
For the Fiscal Year Ended June 30, 2007

---

	Pension Trust Fund
	<u>Retiree Benefits Fund</u>
Additions	
Other local	\$ 47,922
Deductions	
Services and other operating expenses	<u>84,233</u>
Changes in net assets	<u>(36,311)</u>
Net assets, July 1, 2006	255,733
Prior period adjustment	<u>170,656</u>
Net assets, July 1, 2006, restated	<u>426,389</u>
Net assets, June 30, 2007	<u>\$ 390,078</u>

See notes to basic financial statements

**NOTES TO BASIC FINANCIAL STATEMENTS**

**This Page Intentionally Left Blank**



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

A. Accounting Policies

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

B. Reporting Entity

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

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

C. Basis of Presentation

Government-wide Financial Statements:

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

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

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

*Fund Financial Statements:*

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Basis of Presentation (Continued)

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

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

*Revenues – exchange and non-exchange transactions:*

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

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

*Deferred revenue:*

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Accounting (Continued)**

*Expenses/expenditures:*

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

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

**E. Fund Accounting**

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

*Major Governmental Funds:*

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

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

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

*Nonmajor Governmental Funds:*

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

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

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. Fund Accounting (Continued)

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

1. The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under the provisions of the California Environmental Quality Act (CEQA).
2. The County School Facilities Fund is used to account for State apportionment provided by SB 50, Proposition 1A bond money.
3. The Building Fund is used to account for the acquisition of governmental capital facilities and buildings from the sale of bonds and certificates of participation issued by the Manhattan Beach School Facilities Corporation.

*Proprietary Fund:*

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

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

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

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

*Fiduciary Funds:*

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

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

F. Budgets and Budgetary Accounting

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

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

G. Encumbrances

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

H. Assets, Liabilities, and Equity

1. Deposits and Investments

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

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

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

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

2. Inventories and Prepaid Items

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

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

3. Amortization of Deferred Charges

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

4. Deferred Loss on Refunding

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

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

H. Assets, Liabilities, and Equity (Continued)

5. Capital Assets

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

H. Assets, Liabilities, and Equity (Continued)

6. Deferred Revenue

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

7. Compensated Absences

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

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

8. Long-Term Obligations

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

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

9. Net Assets

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

10. Fund Balance Reserves and Designations

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

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

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2007

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

H. Assets, Liabilities, and Equity (Continued)

11. Revenue Limit/Property Tax

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

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

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

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

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

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

I. Estimates

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

**NOTE 2 - CASH AND INVESTMENTS**

The District's cash and investments at June 30, 2007, consisted of the following:

Cash in banks	\$	429,456
Cash and investments with County Treasurer		17,943,399
Cash and investments with fiscal agent		<u>1,113,662</u>
Total cash and investments	\$	<u>19,486,517</u>



**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

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

Cash in County Treasury, statement of net assets	\$ 17,447,016
Cash in revolving fund, statement of net assets	13,609
Cash on hand and in bank, statement of net assets	74,466
Cash and investments with fiscal agent, statement of net assets	1,113,662
Cash in County Treasury, statement of fiduciary net assets	496,383
Cash on hand and in bank, statement of fiduciary net assets	341,381
	<hr/>
Total cash and investments	<u>\$ 19,486,517</u>

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool (\$17,943,399 as of June 30, 2007). The fair value of this pool as of that date, as provided by the plan sponsor, was \$17,943,399. The District is considered to be an involuntary participant in the external pool. Interest is deposited in the participating funds. The County is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks, and in Revolving Fund

Cash balance on hand and in banks (\$415,847 as of June 30, 2007) and in the revolving fund (\$13,609) are insured up to \$100,000 by the Federal Depository Insurance Corporation. All cash held by financial institutions is fully insured or collateralized.

Investments Authorized by the District's Investment Policy

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

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Certificates of Deposit with Bank of Savings & Loans	360 days	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Mortgage Backed Security, Prime Quality	None	None	None
Municipal Obligations	None	None	None
Commercial Paper, Prime Quality	270 days	None	None

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2007

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Investments Authorized by Debt Agreements (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund (State Pool)	None	None	None
Guaranteed Investment Contract	N/A	None	None

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	Carrying Amount	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
Los Angeles County Investment Pool	\$ 17,943,399	\$ 17,943,399	\$ -	\$ -	\$ -
Held by COP Trustees: Money Market Funds	1,113,662	1,113,662			
<b>Total</b>	<b>\$ 19,057,061</b>	<b>\$ 19,057,061</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Disclosures Relating to Credit Risk

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

<u>Investment Type</u>	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
Los Angeles County Investment Pool	\$ 17,943,399	N/A	\$ -	\$ -	\$ -	\$ -	\$ 17,943,399
Held by COP Trustees: Money Markets Funds	1,113,662						1,113,662
<b>Total</b>	<b>\$ 19,057,061</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,057,061</b>

Concentration of Credit Risk

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

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2007

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

Custodial Credit Risk

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

As of June 30, 2007, none of the District's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

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

**NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

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

<u>Fund</u>	<u>Excess Expenditures</u>
Nonmajor Funds:	
Cafeteria Fund	\$ 6,912
Building Fund	15,323
Corporate Debt Service Fund	362,441

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2007, consist of the following:

	<u>General Fund</u>	<u>Special Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Internal Service Fund Self- Insurance Fund</u>	<u>Pension Trust Fund Retiree Benefits Fund</u>	<u>Proprietary Fund Community Preschool Fund</u>
Federal Government:						
Federal programs	\$ 690,957	\$ -	\$ -	\$ -	\$ -	\$ -
State Government:						
Apportionment	1,349,362					
Categorical aid programs	1,458,250					
Lottery	352,861					
Local Sources:						
Interest	95,769	70,798	45,444	462	16,628	25,711
Miscellaneous	2,020,789		278,226			
Totals	<u>\$ 5,967,988</u>	<u>\$ 70,798</u>	<u>\$ 323,670</u>	<u>\$ 462</u>	<u>\$ 16,628</u>	<u>\$ 25,711</u>

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2007

---

**NOTE 5 - INTERFUND TRANSACTIONS**

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

Due From/Due To Other Funds

Individual fund interfund receivable and payable balances at June 30, 2007 are as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
<u>Major Fund:</u>		
Special Reserve Fund	\$ 741,500	\$ -
<u>Nonmajor Fund:</u>		
Building Fund	_____	741,500
Totals	<u>\$ 741,500</u>	<u>\$ 741,500</u>

Interfund Transfers

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

Interfund transfers for the 2006-2007 fiscal year are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Major Funds:</u>		
General Fund	\$ 250,000	\$ 250,000
Special Reserve Fund		250,000
<u>Major Enterprise Fund:</u>		
Community Preschool Fund		50,314
<u>Nonmajor Funds:</u>		
Deferred Maintenance Fund	250,000	
Corporate Debt Service Fund	362,750	
Capital Facilities Fund	50,314	
Totals	<u>\$ 913,064</u>	<u>\$ 913,064</u>

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007, is shown below:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 3,909,383	\$ -	\$ -	\$ 3,909,383
Total capital assets, not being depreciated	<u>\$ 3,909,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,909,383</u>
Capital assets, being depreciated:				
Land improvements	\$ 3,538,928	\$ 8,369	\$ -	\$ 3,547,297
Buildings	100,699,713	303,362		101,003,075
Equipment	3,720,888	4,460		3,725,348
Total capital assets, being depreciated	<u>107,959,529</u>	<u>316,191</u>		<u>108,275,720</u>
Less accumulated depreciation:				
Land improvements	2,047,494	118,066		2,165,560
Buildings	21,897,819	1,836,669		23,734,488
Equipment	3,146,236	217,691		3,363,927
Total accumulated depreciation	<u>27,091,549</u>	<u>2,172,426</u>		<u>29,263,975</u>
Total capital assets, being depreciated, net	<u>\$ 80,867,980</u>	<u>\$ (1,856,235)</u>	<u>\$ -</u>	<u>\$ 79,011,745</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Unallocated	\$ 2,172,426

**NOTE 7 – BONDED DEBT**

The outstanding general obligation bonded debt of the Manhattan Beach Unified School District at June 30, 2007, is:

Date of Issue	Interest Rate	Maturity Date	Amount of Original Issue	Amount of Capital Appreciation Bonds Included in Original Issue	Balance Outstanding July 1, 2006	Issued Current Fiscal Year	Redeemed Current Fiscal Year	Balance Outstanding June 30, 2007
1996A	3.60%-5.65%	2020	\$ 25,184,723	\$ 13,019,723	\$ 14,829,723	\$ -	\$ 1,810,000	\$ 13,019,723
1998B	4.50%-5.25%	2023	6,000,501	6,000,501	5,971,795		54,460	5,917,335
1999C	3.50%-5.87%	2024	5,000,040	4,010,039	4,470,040		170,000	4,300,040
2001D	3.00%-5.33%	2025	5,148,769	4,263,769	4,983,769		90,000	4,893,769
2001A	4.00%-5.69%	2026	21,513,829	4,628,829	4,628,829			4,628,829
2002B	3.00%-5.57%	2026	4,485,101	1,940,101	3,755,101		340,000	3,415,101
2002E	3.10%-5.57%	2026	5,940,925	4,525,925	5,940,925			5,940,925
2004	2.00%-4.00%	2019	18,400,000		17,985,000		260,000	17,725,000
			<u>\$ 91,673,888</u>	<u>\$ 38,388,887</u>	<u>\$ 62,565,182</u>	<u>\$ -</u>	<u>\$ 2,724,460</u>	<u>\$ 59,840,722</u>

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2007

**NOTE 7 – BONDED DEBT (Continued)**

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

Defeased Debt

In March 2004, the District issued \$18,400,000 of general obligation refunding bonds to advance refund the \$16,885,000 2001A general obligation bonds (serial current interest bonds portion). As a result, the 2001A general obligation bonds are considered to be defeased and the liability for these bonds had been removed from the accompanying financial statements. The outstanding principal amount of the defeased debt as of June 30, 2007 was \$16,515,000.

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2007, are as follows:

Fiscal Years Ending June 30,	1996A Issue		1998B Issue	
	Principal	Interest	Principal	Interest
2008	\$ 1,102,235	\$ 916,615	\$ 6,445	\$ 3,555
2009	1,069,535	1,016,634	27,405	17,595
2010	1,037,197	1,122,705	54,866	40,134
2011	1,007,394	1,228,575	79,341	65,659
2012	980,456	1,332,611	105,477	99,523
2013-2017	4,546,426	8,313,901	886,552	1,183,448
2018-2022	3,276,480	7,575,353	2,542,939	5,567,061
2023-2024			2,214,310	6,405,690
	<u>\$ 13,019,723</u>	<u>\$ 21,506,394</u>	<u>\$ 5,917,335</u>	<u>\$ 13,382,665</u>

Fiscal Years Ending June 30,	1999C Issue		2001D Issue	
	Principal	Interest	Principal	Interest
2008	\$ 290,000	\$ 72,215	\$ 120,000	\$ 21,030
2009	197,258	145,665	140,000	16,345
2010	191,413	160,311	170,000	10,645
2011	182,966	174,856	200,000	56,452
2012	177,322	190,586	134,597	116,017
2013-2017	792,758	1,170,739	827,520	1,007,037
2018-2022	587,947	1,213,490	983,210	1,675,785
2023-2026	1,880,376	6,234,942	2,318,442	6,284,689
	<u>\$ 4,300,040</u>	<u>\$ 9,362,804</u>	<u>\$ 4,893,769</u>	<u>\$ 9,188,000</u>

Fiscal Years Ending June 30,	2001A Issue		2002B Issue	
	Principal	Interest	Principal	Interest
2008	\$ -	\$ -	\$ 395,000	\$ 44,433
2009			420,000	31,380
2010			305,000	19,113
2011			85,000	12,203
2012			85,000	9,015
2013-2017			344,633	253,675
2018-2022	816,130	1,848,870	474,012	1,050,080
2023-2027	3,812,699	11,387,301	1,306,456	3,623,642
	<u>\$ 4,628,829</u>	<u>\$ 13,236,171</u>	<u>\$ 3,415,101</u>	<u>\$ 5,043,541</u>

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2007

**NOTE 7 – BONDED DEBT (Continued)**

The annual requirements to amortize general obligation bonds payable, outstanding as of June 30, 2007, are as follows (Continued):

Years Ending June 30,	2002E Issue		2004 Issue	
	Principal	Interest	Principal	Interest
2008	\$ 195,000	\$ 48,407	\$ 295,000	\$ 694,965
2009	195,000	42,168	360,000	688,415
2010	205,000	35,363	590,000	677,440
2011	205,000	27,983	1,010,000	657,440
2012	205,000	20,295	1,110,000	628,165
2013-2017	676,816	371,565	7,635,000	2,284,725
2018-2022	236,135	415,811	6,725,000	412,673
2023-2027	4,022,974	11,643,098		
	<u>\$ 5,940,925</u>	<u>\$ 12,604,690</u>	<u>\$ 17,725,000</u>	<u>\$ 6,043,823</u>

  

Fiscal Years Ending June 30,	Totals	
	Principal	Interest
2008	\$ 2,403,680	\$ 1,801,220
2009	2,409,198	1,958,202
2010	2,553,476	2,065,711
2011	2,769,701	2,223,168
2012	2,797,852	2,396,212
2013-2017	15,709,705	14,585,090
2018-2022	15,641,853	19,759,123
2023-2027	15,555,257	45,579,362
	<u>\$ 59,840,722</u>	<u>\$ 90,368,088</u>

**NOTE 8 – CERTIFICATES OF PARTICIPATION PAYABLE**

2001A Issue

In June of 2001, the Manhattan Beach School Facilities Corporation (Corporation Debt Service Fund) issued Certificates of Participation with an original principal amount of \$12,020,000 with interest ranging from 4.00 to 5.00 percent. The maturity date of the Certificates is August, 2020. At June 30, 2007, the principal outstanding was \$9,265,000.

2002B Issue

In May of 2002, the Manhattan Beach School Facilities Corporation (Corporation Debt Service Fund) issued Certificates of Participation with an original principal amount of \$5,000,000 with a variable interest rate. The maturity date of the Certificates is September, 2022. At June 30, 2007, the principal outstanding was \$4,155,000.

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2007

**NOTE 8 – CERTIFICATES OF PARTICIPATION PAYABLE (Continued)**

The annual requirements to amortize certificates of participation payable, outstanding as of June 30, 2007, are as follows:

Fiscal Years Ending June 30,	2001A Issue		2002B Issue	
	Principal	Interest	Principal	Interest
2008	\$ 495,000	\$ 421,025	\$ 220,000	\$ 140,359
2009	510,000	400,925	225,000	132,437
2010	540,000	379,655	230,000	124,338
2011	555,000	356,930	235,000	116,062
2012	580,000	332,805	240,000	107,610
2013-2017	3,315,000	1,231,998	1,275,000	405,085
2018-2022	3,270,000	337,250	1,425,000	164,773
2023			305,000	1,796
	<u>\$ 9,265,000</u>	<u>\$ 3,460,588</u>	<u>\$ 4,155,000</u>	<u>\$ 1,192,460</u>

  

Fiscal Years Ending June 30,	Totals	
	Principal	Interest
2008	\$ 715,000	\$ 561,384
2009	735,000	533,362
2010	770,000	503,993
2011	790,000	472,992
2012	820,000	440,415
2013-2017	4,590,000	1,637,083
2018-2022	4,695,000	502,023
2023	305,000	1,796
	<u>\$ 13,420,000</u>	<u>\$ 4,653,048</u>

**NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

Postemployment benefits

In addition to the pension benefits described in Note 13, the District provides postemployment health care benefits to all employees who retire from the District on or after attaining age of 55 with at least 15 years of service. These postemployment health care benefits will be paid through age of 65 to a maximum of \$400 per year. On June 30, 2007, 39 retirees met these eligibility requirements and a total of \$36,133 is expected to be paid for these future benefits.

Early retirement incentives

On May 21, 2003, the District adopted and implemented an Early Retirement Incentive Program (ERIP) for full-time certificated personnel for the 2002/2003 school year only. To be able to participate in the ERIP, employees must be current full-time certificated district employees, and: 1) be at least 55 years old, and 2) have accumulated at least ten years of service with the Manhattan Beach Unified School District at the time of ratification of this agreement. Eligible employees shall be entitled to receive health, dental, and vision insurance coverage up to the existing 2002/2003 cap for five years at the employee's current level of coverage (single party or two-party plan only). An equivalent amount of cash in lieu of health benefits at the employee's current level of coverage (single party or two-party plan only) can be selected at the option of the employee. On June 30, 2003, 19 retirees met these eligibility requirements and a total of \$468,819 will be paid for these future benefits. For the fiscal year ended June 30, 2007, \$95,804 was paid by the District under this program.



**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2007

**NOTE 10 - SETTLEMENT AGREEMENT PAYABLE**

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

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

**NOTE 11 – CHANGES IN LONG-TERM DEBT**

A schedule of changes in long-term debt for the fiscal year ended June 30, 2007, is shown below:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due within One Year
Compensated absences	\$ 418,382	\$ 39,498	\$ -	\$ 457,880	\$ -
Postemployment benefits	29,540	6,593		36,133	9,320
Early retirement incentives	215,559		95,804	119,755	95,804
General obligation bonds	62,565,182		2,724,460	59,840,722	2,403,680
Certificates of participation	14,115,000		695,000	13,420,000	715,000
Settlement agreement payable	748,617		248,617	500,000	166,667
Unmatured interest payable (Capital appreciation bonds)	18,978,794	4,420,657		23,399,451	
<b>Totals</b>	<b>\$ 97,071,074</b>	<b>\$ 4,466,748</b>	<b>\$ 3,763,881</b>	<b>\$ 97,773,941</b>	<b>\$ 3,390,471</b>

**NOTE 12 – JOINT POWER AUTHORITIES**

Manhattan Beach Unified School District participated in three joint ventures under joint powers agreements (JPA) entities: the Los Angeles County Alliance of Schools of Co-operative Insurance programs – “ASCIP”, the Schools Excess Liability Fund – “SELF”, and the Centinela South Bay Self Insurance Authority – “CSBSIA”. The District pays premiums commensurate with the level of coverage requested or compensation of employees where payroll is a determining factor, and shares surpluses and deficits proportionate to its participation in the JPA.

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

The relationships between the Manhattan Beach Unified School District and the JPAs is such that the JPAs are not a component unit of the Manhattan Beach Unified School District for financial reporting purposes.

Alliance of Schools for Co-operative Insurance (ASCIP)

The ASCIP arranges for and provides property and liability insurance for its members, all of whom are Southern California School Districts.

Schools Excess Liability Fund (SELF)

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

**MANHATTAN BEACH UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2007

---

**NOTE 12 – JOINT POWER AUTHORITIES (Continued)**

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

	ASCIP (Unaudited) <u>June 30, 2007</u>	SELF (Audited) <u>June 30, 2007</u>
Total assets	\$ 187,300,436	\$ 215,903,000
Total liabilities	<u>122,434,181</u>	<u>185,793,000</u>
Total Net Assets	\$ <u>64,866,255</u>	\$ <u>30,110,000</u>
Total revenue	\$ 162,002,583	\$ 47,931,000
Total expenditures	<u>135,225,055</u>	<u>45,867,000</u>
Change in Net Assets	\$ <u>26,777,528</u>	\$ <u>2,064,000</u>

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

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

**State and Federal Allowances, Awards and Grants**

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

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

**Postemployment Health Benefit Programs**

On July 1, 1993, the District unified with the South Bay Union High School District and assumed its early retirement incentive and postemployment health benefit programs. Contracts were assumed with eligible retirees whereby retirement and health benefits will be paid for varying lengths of time. Based on an actuarial study conducted in 2002, the estimated remaining liability for these retirees is \$658,054. This liability is reflected in the self funded Retiree Benefits Fund. On June 30, 2007, 30 retirees were eligible and a total of \$487,398 in benefits was paid under this program.

**NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS**

**State Teachers' Retirement System (STRS)**

Plan Description

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

