

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

AUDIT REPORT
June 30, 2020

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

June 30, 2020

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Statement of Net Position – Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22
Statement of Fiduciary Net Position – Fiduciary Funds	23
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	24
Notes to Basic Financial Statements	25

REQUIRED SUPPLEMENTARY INFORMATION SECTION

Budgetary Comparison Schedule – General Fund	69
Schedule of Changes in Net OPEB Liability and Related Ratios.....	70
Schedule of the District's Proportionate Share of the Net OPEB Liability	71
Schedule of OPEB Contributions.....	72
Schedule of Proportionate Share of Net Pension Liability	73
Schedule of Pension Contributions	75
Notes to Required Supplementary Information.....	77

SUPPLEMENTARY INFORMATION SECTION

Combining and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet – Nonmajor Fundstoc.....	79
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Funds	80
Organization	81
Schedule of Average Daily Attendance	82
Schedule of Instructional Time	83
Schedule of Financial Trends and Analysis	84
Schedule of Expenditures of Federal Awards.....	85
Reconciliation of Unaudited Actuals with Audited Financial Statements.....	86
Note to the Supplementary Information	87

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

June 30, 2020

SUPPLEMENTARY INFORMATION SECTION (Continued)

Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*..... 88

Independent Auditor’s Report on State Compliance 90

Independent Auditor’s Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by Uniform Guidance..... 93

FINDINGS AND RECOMMENDATIONS SECTION

Schedule of Audit Findings and Questioned Costs 95

Schedule of Prior Year Audit Findings 97

FINANCIAL SECTION



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES

9465 WILSHIRE BLVD., 3RD FLOOR
BEVERLY HILLS, CA 90212
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES

5800 HANNUM AVENUE, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

INDEPENDENT AUDITOR'S REPORT

Governing Board
Manhattan Beach Unified School District
Manhattan Beach, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Manhattan Beach Unified School District ("the District") as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the *2019-2020 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations, Section 19810*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, the Budgetary Comparison Schedule – General Fund on page 69, the Schedule of Changes in Net OPEB Liability and the Related Ratios on page 70, the Schedule of the District's Proportionate Share of the Net OPEB Liability on page 71, the Schedule of OPEB Contributions on page 72, the Schedule of Proportionate Share of Net Pension Liability on pages 73 and 74, and the Schedule of Pension Contributions on pages 75 and 76, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2, U.S. Code of Federal Regulator (CFR) Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Require of Federal Awards, and is also not a required part of the basic financial statements of the District.

The supplementary information section, as listed in the table of contents, including the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information section, as listed in the table of contents, including the schedule of expenditures of federal awards, are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Moss, Levy & Hartzheim, LLP
Culver City, California
March 25, 2021

Michael Matthews, Ed.D.
Superintendent
Dawnalyn Murakawa-Leopard, Ed.D.
Deputy Superintendent
(310) 318-7345, Ext. 5943
FAX: (310) 303-3823



**Manhattan Beach
Unified School District**

Board of Trustees
Cathy Graves
Jennifer Cochran
Jason Boxer
Jen Fenton
Sally Peel

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

This section of Manhattan Beach Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

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

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

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

FINANCIAL HIGHLIGHTS

The Board of Trustees has increased the District's reserve in prior fiscal years for economic uncertainty (REU) from three percent to five percent. As a result, the District exceeds all State Department of Education requirements for maintenance of the REU.

The District has maintained a conservative approach to budgeting expenditures.

The District has expended approximately \$40.9 million on construction during fiscal year 2019-2020.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

THE DISTRICT AS A WHOLE

Net Position

The District's net position (deficit) was \$(44,342,559) for the fiscal year ended June 30, 2020. Of this amount, \$(18,380,108) was restricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use the net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental and business-type activities.

Table 1

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 67,245,874	\$ 111,261,389	\$ 1,207,949	\$ 1,482,780	\$ 68,453,823	\$ 112,744,169
Capital assets	184,318,513	146,886,970	-	-	184,318,513	146,886,970
Total Assets	251,564,387	258,148,359	1,207,949	1,482,780	252,772,336	259,631,139
Total Deferred Outflows of Resources	27,716,317	30,677,538	1,201,995	1,257,346	28,918,312	31,934,884
Liabilities						
Current liabilities	18,224,464	36,260,246	244,495	259,448	18,468,959	36,519,694
Non-current long-term obligations	292,946,551	283,350,257	4,141,165	3,756,792	297,087,716	287,107,049
Total Liabilities	311,171,015	319,610,503	4,385,660	4,016,240	315,556,675	323,626,743
Total Deferred Inflows of Resources	10,267,807	9,709,616	208,725	223,071	10,476,532	9,932,687
Net Position						
Net investment in capital assets	5,194,736	(13,427,509)	-	-	5,194,736	(13,427,509)
Restricted	18,380,108	28,406,427	-	-	18,380,108	28,406,427
Unrestricted	(65,732,962)	(55,473,140)	(2,184,441)	(1,499,185)	(67,917,403)	(56,972,325)
Total Net Position (Deficit)	\$ (42,158,118)	\$ (40,494,222)	\$ (2,184,441)	\$ (1,499,185)	\$ (44,342,559)	\$ (41,993,407)

The \$(67,917,403) in unrestricted net position (deficit) of governmental and business-type activities represents the accumulated results of all past fiscal years' operations.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Changes in Net Position

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

Table 2

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 3,176,334	\$ 2,311,404	\$ -	\$ -	\$ 3,176,334	\$ 2,311,404
Operating grants and contributions	17,169,368	17,913,191	85,405	150,486	17,254,773	18,063,677
General revenues:						
Property taxes	65,325,256	62,180,250	-	-	65,325,256	62,180,250
Federal and State aid not restricted	14,465,571	15,348,284	-	-	14,465,571	15,348,284
Other general revenues	4,831,821	7,932,747	4,193,161	4,836,863	9,024,982	12,769,610
Total Revenues	<u>104,968,350</u>	<u>105,685,876</u>	<u>4,278,566</u>	<u>4,987,349</u>	<u>109,246,916</u>	<u>110,673,225</u>
Expenses						
Instructional	68,963,421	65,077,576	-	-	68,963,421	65,077,576
Student support services	8,803,247	8,443,124	-	-	8,803,247	8,443,124
Administration	6,614,025	6,283,629	-	-	6,614,025	6,283,629
Maintenance and operations	7,955,734	9,745,029	-	-	7,955,734	9,745,029
Other	14,295,819	12,197,611	4,963,822	5,108,000	19,259,641	17,305,611
Total Expenses	<u>106,632,246</u>	<u>101,746,969</u>	<u>4,963,822</u>	<u>5,108,000</u>	<u>111,596,068</u>	<u>106,854,969</u>
Change in Net Position	<u>\$ (1,663,896)</u>	<u>\$ 3,938,907</u>	<u>\$ (685,256)</u>	<u>\$ (120,651)</u>	<u>\$ (2,349,152)</u>	<u>\$ 3,818,256</u>

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this fiscal year was \$106,632,246. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$65,325,256. Because the cost was paid by those who benefited from the programs (\$3,176,334) or by other governments and organizations who subsidized certain programs with grants and contributions (\$17,169,368), we paid for the remaining "public benefit" portion of our governmental activities with \$19,297,392 in Federal and State funds, and with other revenues, like interest and general entitlements.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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

Table 3

	Governmental Activities			
	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	\$ 68,963,421	\$ 65,077,576	\$ 51,156,998	\$ 48,507,290
Pupil transportation	221,515	302,411	146,565	201,629
Other pupil services	8,581,732	8,140,713	6,909,612	5,804,619
Administration	6,614,025	6,283,629	5,902,187	5,557,388
Maintenance and operations	7,955,734	9,745,029	7,891,633	9,453,218
Other outgo	14,295,819	12,197,611	14,279,549	11,998,230
Total	\$ 106,632,246	\$ 101,746,969	\$ 86,286,544	\$ 81,522,374

THE DISTRICT'S FUNDS

As the District completed this fiscal year, our governmental funds reported a combined fund balance of \$50,246,674, which is a decrease of \$44,238,782 from last fiscal year (Table 4).

Table 4

	Fund Balances and Activity			
	July 1, 2019	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2020
General Fund (includes Fund 14) Special Reserve Fund for Other Than Capital Outlays Projects	\$ 8,253,453	\$ 85,757,688	\$ 88,109,413	\$ 5,901,728
Building Fund	55,117,290	811,511	41,139,610	14,789,191
Bond Interest and Redemption Fund	24,254,310	19,353,481	21,254,977	22,352,814
Cafeteria Fund	1,948,759	1,751,699	2,258,976	1,441,482
Capital Facilities Fund	4,891,218	725,904	19,698	5,597,424
Special Reserve Fund for Capital Outlay Projects	20,426	153,097	9,488	164,035
Total	\$ 94,485,456	\$ 108,553,380	\$ 152,792,162	\$ 50,246,674

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had \$184,318,513, in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$37,431,543, or 25.48 percent, from last fiscal year (Table 5).

Table 5

	Governmental Activities	
	2020	2019
Land and construction in progress	\$ 53,094,457	\$ 28,621,742
Land improvement and Buildings and improvements, net of accumulated depreciation	130,464,099	117,500,903
Furniture and equipment, net of accumulated depreciation	759,957	764,325
Total	\$ 184,318,513	\$ 146,886,970

This fiscal year's additions included ovens for food service kitchens, roofing projects, school sites modernization, and fencing projects.

Long-Term Obligations

At the end of this fiscal year, the District had \$193,912,968 in bonds outstanding versus \$205,241,067 last fiscal year, a decrease of \$11,328,099 or 5.52 percent.

Table 6

	Governmental Activities	
	2020	2019
General obligation bonds	\$ 134,131,796	\$ 147,536,106
Premium on bonds	9,610,067	10,190,702
Accreted interest on bonds	59,781,172	57,704,961
Compensated absences	396,953	393,486
Supplemental retirement plan	265,462	530,925
Net OPEB liability	2,823,093	3,726,769
Net pension liability	85,938,008	81,401,978
Total	\$ 292,946,551	\$ 301,484,927

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2020-2021 fiscal year, the governing board and management used the State's Final Enacted Budget, plus the following criteria:

The key Average Daily Attendance (ADA) assumptions in our 2020-2021 revenue forecast under the new Local Control Funding Formula (LCFF) are: ADA or the number of students used to calculate revenue was 6,301.52. LCFF Entitlement/Target revenue projection was \$56,083,494. Unrestricted lottery revenue is projected at \$153 per ADA, with restricted lottery at \$54 per ADA.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

This page is intentionally left blank

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash in County Treasury	\$ 52,926,081	\$ 1,164,857	\$ 54,090,938
Revolving cash fund	12,452	-	12,452
Cash in bank and on hand	721,464	-	721,464
Accounts receivable	13,282,012	43,092	13,325,104
Inventories, at cost	39,355	-	39,355
Earned salary advance	264,510	-	264,510
Non depreciable:			
Land	3,909,383	-	3,909,383
Construction in progress	49,185,074	-	49,185,074
Depreciable:			
Land improvements	5,110,169	-	5,110,169
Buildings and improvements	182,256,386	-	182,256,386
Equipment	5,118,097	-	5,118,097
Less accumulated depreciation	(61,260,596)	-	(61,260,596)
Total assets	251,564,387	1,207,949	252,772,336
Deferred Outflow of Resources			
Deferred outflows related to net pension liability	27,537,780	1,201,995	28,739,775
Deferred outflows related to OPEB	178,537	-	178,537
Total Deferred Outflows of Resources	27,716,317	1,201,995	28,918,312
Liabilities			
Accounts payable	15,799,877	221,697	16,021,574
Interest payable	1,311,769	-	1,311,769
Unearned revenue	1,112,818	22,798	1,135,616
Long-term liabilities:			
Due within one year	19,103,039	-	19,103,039
Due in more than a year	273,843,512	4,141,165	277,984,677
Total liabilities	311,171,015	4,385,660	315,556,675
Deferred Inflow of Resources			
Deferred inflows related to net pension liability	8,925,750	208,725	9,134,475
Deferred inflows related to OPEB	1,342,057	-	1,342,057
Total Deferred Inflows of Resources	10,267,807	208,725	10,476,532
Net Position			
Net investment in capital assets	5,194,736	-	5,194,736
Restricted for:			
Education programs	782,227	-	782,227
Debt service	11,430,978	-	11,430,978
Capital projects	6,166,903	-	6,166,903
Unrestricted	(65,732,962)	(2,184,441)	(67,917,403)
Total net position (deficit)	\$ (42,158,118)	\$ (2,184,441)	\$ (44,342,559)

See notes to basic financial statements

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2020

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
Instruction	\$ 61,570,356	\$ 2,283,148	\$ 14,859,314
Instruction-related services:			
Supervision of instruction	1,858,106	122,367	241,524
Instructional library, media, and technology	1,248,541	9,508	175,225
School site administration	4,286,418	4,824	110,513
Pupil services:			
Home-to-school transportation	221,515	35,099	39,851
Food services	2,211,862	-	170,609
All other pupil services	6,369,870	446,093	1,055,418
General administration:			
Data processing	1,322,074	-	-
All other general administration	5,291,951	265,305	446,533
Plant services	7,955,734	3,886	60,215
Ancillary services	450,139	14	3,252
Enterprise activities	320,166	-	-
Interest on long-term debt	9,220,988	-	-
Other outgo	470,831	6,090	6,914
Depreciation (unallocated)	3,833,695	-	-
Total Governmental activities	106,632,246	3,176,334	17,169,368
Business-type activities			
Enterprise activities	4,963,822	-	85,405
Total business-type activities	4,963,822	-	85,405
Total government	\$ 111,596,068	\$ 3,176,334	\$ 17,254,773

General revenues:

Taxes and subventions:

Taxes levied for general purposes

Taxes levied for debt service

Taxes levied for other specific purposes

Federal and state aid not restricted to specific purposes

Interest and investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position (deficit) beginning of fiscal year

Net position (deficit), end of fiscal year

See notes to basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (44,427,894)	\$ -	\$ (44,427,894)
(1,494,215)	-	(1,494,215)
(1,063,808)	-	(1,063,808)
(4,171,081)	-	(4,171,081)
(146,565)	-	(146,565)
(2,041,253)	-	(2,041,253)
(4,868,359)	-	(4,868,359)
(1,322,074)	-	(1,322,074)
(4,580,113)	-	(4,580,113)
(7,891,633)	-	(7,891,633)
(446,873)	-	(446,873)
(320,166)	-	(320,166)
(9,220,988)	-	(9,220,988)
(457,827)	-	(457,827)
(3,833,695)	-	(3,833,695)
(86,286,544)	-	(86,286,544)
-	(4,878,417)	(4,878,417)
-	(4,878,417)	(4,878,417)
(86,286,544)	(4,878,417)	(91,164,961)
43,816,278	-	43,816,278
19,011,842	-	19,011,842
2,497,136	-	2,497,136
14,465,571	-	14,465,571
603,202	21,472	624,674
4,228,619	4,171,689	8,400,308
84,622,648	4,193,161	88,815,809
(1,663,896)	(685,256)	(2,349,152)
(40,494,222)	(1,499,185)	(41,993,407)
\$ (42,158,118)	\$ (2,184,441)	\$ (44,342,559)

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total
Assets					
Cash in County Treasury	\$ 3,937,806	\$ 20,795,223	\$ 22,352,814	\$ 5,753,633	\$ 52,839,476
Cash in bank and on hand	-	-	-	721,464	721,464
Revolving cash fund	10,000	-	-	2,452	12,452
Accounts receivable	11,561,399	201,517	-	1,518,837	13,281,753
Due from other funds	-	-	-	5,000	5,000
Stores inventories	9,440	-	-	29,915	39,355
Other current assets	264,510	-	-	-	264,510
Total assets	\$ 15,783,155	\$ 20,996,740	\$ 22,352,814	\$ 8,031,301	\$ 67,164,010
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 9,041,879	\$ 6,207,549	\$ -	\$ 550,090	\$ 15,799,518
Due to other funds	-	-	-	5,000	5,000
Unearned revenue	839,548	-	-	273,270	1,112,818
Total liabilities	9,881,427	6,207,549	-	828,360	16,917,336
Fund balances:					
Nonspendable					
Revolving cash	10,000	-	-	2,452	12,452
Store inventories	9,440	-	-	29,915	39,355
Restricted					
Lottery: instructional materials	84,278	-	-	-	84,278
Special Ed: mental health services	436,918	-	-	-	436,918
Classified school employee professional development block grant	32,843	-	-	-	32,843
College readiness block grant	34,636	-	-	-	34,636
SB117 COVID-19 LEA Response Funds	110,466	-	-	-	110,466
Low-Performing students block grant	83,086	-	-	-	83,086
Capital projects	405,444	14,789,191	-	5,761,459	20,956,094
Debt service	-	-	22,352,814	-	22,352,814
Assigned					
Nutrition	-	-	-	1,409,115	1,409,115
Unassigned					
Unassigned	4,694,617	-	-	-	4,694,617
Total fund balances	5,901,728	14,789,191	22,352,814	7,202,941	50,246,674
Total liabilities and fund balances	\$ 15,783,155	\$ 20,996,740	\$ 22,352,814	\$ 8,031,301	\$ 67,164,010

See notes to basic financial statements

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2020**

Total fund balances - governmental funds \$ 50,246,674

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

Capital assets at historical cost	\$	245,579,109	
Accumulated depreciation		(61,260,596)	
		Net	184,318,513

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of net position, it is recognized in the period that it is incurred. (1,311,769)

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

General obligation bonds payable	\$	(134,131,796)	
Accreted bond interest payable		(59,781,172)	
Bond premiums		(9,610,067)	
Compensated absences payable		(396,953)	
Net OPEB obligation		(2,823,093)	
Supplemental retirement plan		(265,462)	
Net pension liability		(85,938,008)	
		Total	(292,946,551)

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources	\$	27,716,317	
Deferred inflows of resources		(10,267,807)	17,448,510

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:

		86,505	
Total net position (deficit), governmental activities	\$	(42,158,118)	

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, 2020

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total
Revenues:					
LCFF Sources:					
State apportionments	\$ 11,323,935	\$ -	\$ -	\$ -	\$ 11,323,935
Education protection state aid	1,275,204	-	-	-	1,275,204
Local sources	43,816,278	-	-	-	43,816,278
Federal	2,109,891	-	-	271,400	2,381,291
Other state	11,151,335	-	45,046	5,392	11,201,773
Other local	16,081,045	811,511	19,308,435	2,353,908	38,554,899
Total revenues	85,757,688	811,511	19,353,481	2,630,700	108,553,380
Expenditures:					
Certificated salaries	36,196,705	-	-	-	36,196,705
Classified salaries	14,675,721	18,246	-	1,012,903	15,706,870
Employee benefits	23,407,559	1,255	-	394,532	23,803,346
Books and supplies	1,898,802	161,992	-	633,266	2,694,060
Contracted services and other operating expenditures	11,808,062	121,617	-	81,429	12,011,108
Capital outlay	23,899	40,836,500	-	64,478	40,924,877
Other outgo	98,665	-	-	101,554	200,219
Debt service					
Principal	-	-	13,404,310	-	13,404,310
Interest	-	-	7,850,667	-	7,850,667
Total expenditures	88,109,413	41,139,610	21,254,977	2,288,162	152,792,162
Excess of revenues over (under) expenditures	(2,351,725)	(40,328,099)	(1,901,496)	342,538	(44,238,782)
Fund balances - beginning	8,253,453	55,117,290	24,254,310	6,860,403	94,485,456
Fund balances - ending	<u>\$ 5,901,728</u>	<u>\$ 14,789,191</u>	<u>\$ 22,352,814</u>	<u>\$ 7,202,941</u>	<u>\$ 50,246,674</u>

See notes to basic financial statements

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, 2020**

Total net change in fund balances - governmental funds \$ (44,238,782)

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$ 41,265,238	
Depreciation expense	<u>(3,833,695)</u>	37,431,543

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. For the fiscal year ended June 30, 2020, the District has following repayments of long-term debt:

General obligation bonds:		
Principal	\$ <u>13,404,310</u>	13,404,310

In government funds, if debt is issued at a premium, the premium is recognized as an other financing source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of the debt issue premium for the period is: 580,635

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: (1,950,959)

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). (3,467)

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis OPEB costs and actual employer contributions was: (13,022)

In government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Example included special termination benefits such as retirement incentives financed over time. 265,463

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pensions costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (7,138,744)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: (873)

Changes in net position of governmental activities \$ (1,663,896)

See notes to basic financial statements

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 June 30, 2020

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Community Preschool	
Assets		
Cash in County Treasury	\$ 1,164,857	\$ 86,605
Accounts receivable	43,092	259
Total assets	<u>1,207,949</u>	<u>86,864</u>
Deferred Outflow of Resources		
Deferred outflows related to net pension liability	<u>1,201,995</u>	<u>-</u>
Liabilities		
Accounts payable	221,697	359
Unearned revenue	22,798	-
Long-term liabilities:		
Net pension liability	<u>4,141,165</u>	<u>-</u>
Total liabilities	<u>4,385,660</u>	<u>359</u>
Deferred Inflow of Resources		
Deferred inflows related to net pension liability	<u>208,725</u>	<u>-</u>
Net position (Deficit)		
Unrestricted	<u>(2,184,441)</u>	<u>86,505</u>
Total net position (deficit)	<u>\$ (2,184,441)</u>	<u>\$ 86,505</u>

See notes to basic financial statements

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 For the Fiscal Year Ended June 30, 2020

	Business-Type Activities	Governmental Activities
	Enterprise Fund	Internal Service Fund
	Community Preschool	
Operating Revenues:		
Other local revenue	\$ 4,171,689	\$ -
Total revenues	<u>4,171,689</u>	<u>-</u>
Operating Expenses:		
Certificated salaries	1,465,858	-
Classified salaries	935,454	-
Employee benefits	1,537,771	-
Books and supplies	219,027	2,354
Contracted services and other operating expenses	<u>805,712</u>	<u>-</u>
Total expenses	<u>4,963,822</u>	<u>2,354</u>
Operating income (loss)	<u>(792,133)</u>	<u>(2,354)</u>
Non-Operating Revenues (Expenses):		
Other state revenue	85,405	-
Interest income	<u>21,472</u>	<u>1,481</u>
Total non-operating revenues	<u>106,877</u>	<u>1,481</u>
Change in net position	(685,256)	(873)
Net position (deficit) - beginning	<u>(1,499,185)</u>	<u>87,378</u>
Net position (deficit) - ending	<u>\$ (2,184,441)</u>	<u>\$ 86,505</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, 2020

	Business-Type Activities Enterprise Fund	Governmental Activities Internal Service Fund
	Community Preschool	
Cash flows from operating activities:		
Cash received from customers	\$ 4,128,961	\$ -
Cash paid for salaries and benefits	(3,524,736)	-
Cash paid for other goods and services	(1,025,212)	(1,995)
Net cash provided (used) by operating activities	(420,987)	(1,995)
Cash flow from noncapital financing activities:		
Nonoperating State contribution received	85,405	-
Net cash provided by noncapital financing activities	85,405	-
Cash flows from investing activities:		
Interest received	20,493	1,698
Net cash provided by investing activities	20,493	1,698
Net increase (decrease) in cash and cash equivalents	(315,089)	(297)
Cash and cash equivalents - beginning	1,479,946	86,902
Cash and cash equivalents - ending	<u>\$ 1,164,857</u>	<u>\$ 86,605</u>
Reconciliation to Statement of Net Position:		
Cash in County Treasury	\$ 1,164,857	\$ 86,605
Cash and cash equivalents at June 30, 2020	<u>\$ 1,164,857</u>	<u>\$ 86,605</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	\$ (792,133)	\$ (2,354)
(Increase) decrease in operating assets and deferred outflows of resources:		
Accounts receivable	(39,279)	-
Deferred outflows of resources	55,351	-
Increase (decrease) in operating liabilities and deferred inflows of resources:		
Accounts payable	(11,504)	359
Deferred revenue	(3,449)	-
Net pension liability	384,373	-
Deferred inflows of resources	(14,346)	-
Net cash provided (used) by operating activities	<u>\$ (420,987)</u>	<u>\$ (1,995)</u>

See notes to basic financial statements

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2020

	Retiree Benefits Trust Fund	Agency Funds		Total Agency Funds
		Student Body Funds	Payroll Clearance Fund	
Assets				
Cash in County Treasury	\$ 34,415	\$ -	\$ 153,799	\$ 153,799
Cash in bank and on hand	-	232,170	-	232,170
Deposit	-	5,000	-	5,000
Accounts receivable	126	-	-	-
Total assets	<u>34,541</u>	<u>\$ 237,170</u>	<u>\$ 153,799</u>	<u>\$ 390,969</u>
Liabilities:				
Accounts payable	-	\$ 1,973	\$ 153,799	\$ 155,772
Due to student groups	-	235,197	-	235,197
Total liabilities	<u>-</u>	<u>\$ 237,170</u>	<u>\$ 153,799</u>	<u>\$ 390,969</u>
Net Position:				
Unrestricted	<u>\$ 34,541</u>			

See notes to basic financial statements

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2020**

	Retiree Benefits Trust Fund
Additions:	
Other local	\$ 1,087
Deductions:	
Other expenditures	56,907
Change in net position	(55,820)
Net position - beginning	90,361
Net position - ending	\$ 34,541

See notes to basic financial statements

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Related Entity

The Manhattan Beach Education Foundation Inc. (the Foundation) is a legally separate, tax-exempt entity. The Foundation's sole purpose is to provide financial support for Manhattan Beach Unified School District. Although the District does not control the timing or the amount of receipts of the Foundation, the majority of the resources held by the Foundation can only be used by, or for the benefit, of the District. The Foundation is not considered a component unit of the District. During the fiscal year ended June 30, 2020, the Foundation contributed approximately \$6,164,424 to the District.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

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

Capital Project Funds The Capital Project funds are used to account for and report financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

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

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District's trust fund is a Retiree Benefits Trust Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency funds account for payroll clearance and associated student body activities (ASB).

Basis of Accounting - Measurement Focus

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

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

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

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

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

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District. Agency funds have no measurement focus.

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 2020, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County and State investment pools are determined by the program sponsor.

Stores Inventories and Prepaid Items

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

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Capital Assets and Depreciation

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

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

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

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

Premiums

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Fund Balances - Governmental Funds

As of June 30, 2020, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$18,380,108 of restricted net position.

Operating Revenues and Expenses

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Interfund Activity

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

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

Statement No. 84	"Fiduciary Activities"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.
Statement No. 87	"Leases"	The provision of this statement is effective for fiscal years beginning after June 15, 2021.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provision of this statement is effective for fiscal years beginning after December 15, 2020.
Statement No. 90	"Majority Equity Interest-an Amendment of GASB Statements No. 14 and No. 61"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.
Statement No. 91	"Conduit Debt Obligations"	The provision of this statement is effective for fiscal years beginning after December 15, 2021.
Statement No. 92	"Omnibus 2020"	The provision of this statement is effective for fiscal years beginning after June 15, 2021.
Statement No. 93	"Replacement of Interbank Offered Rates"	The provision of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. Paragraph 11b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021.
Statement No. 94	"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"	The provision of this statement is effective for fiscal years beginning after June 15, 2022.
Statement No. 96	"Subscription-Based Information Technology Arrangements"	The provision of this statement is effective for fiscal years beginning after June 15, 2022.
Statement No. 97	"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 53,659,997
Business-type activities	1,164,857
Fiduciary funds	420,384
Total Deposits and Investments	<u>\$ 55,245,238</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Deposits and investments as of June 30, 2020, consist of the following:

Cash in bank and on hand	\$ 953,634
Cash in revolving	12,452
Investments	<u>54,279,152</u>
Total Deposits and Investments	<u><u>\$ 55,245,238</u></u>

Policies and Practices

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

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

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Marker Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75 Million
Joint Powers Authority Pools	N/A	None	None

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the county pool 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.

Specific Identification

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Days to Maturity</u>
Los Angeles County Investment Pool	<u>\$ 54,279,152</u>	590

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2020.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, the District's bank balance of \$6,009,500 was exposed to custodial credit risk because it was uninsured, but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 – FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Los Angeles County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2020:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
Los Angeles County Investment Pool	<u>\$ 54,279,152</u>	<u>\$ 54,279,152</u>

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2020, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Internal Service Fund</u>	<u>Total Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>
Federal Government							
Categorical aid	\$ 2,503,338	\$ -	\$ -	\$ -	\$ 2,503,338	\$ -	\$ -
State Government							
Categorical aid	3,070,034	-	-	-	3,070,034	-	-
Lottery	333,211	-	-	-	333,211	-	-
Local Government							
Interest	23,432	76,012	7,139	259	106,842	3,813	126
Other local	5,631,384	125,505	1,511,698	-	7,268,587	39,279	-
	<u>\$ 11,561,399</u>	<u>\$ 201,517</u>	<u>\$ 1,518,837</u>	<u>\$ 259</u>	<u>\$ 13,282,012</u>	<u>\$ 43,092</u>	<u>\$ 126</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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.

Transfers

For the fiscal year ended June 30, 2020, there were no transfers made between funds.

Due to / from other funds

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The following is a summary of interfund balances as of June 30, 2020.

<u>Funds</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Non-major Governmental Funds:		
Capital Facilities Fund	\$ 5,000	\$ -
Cafeteria Fund	-	5,000
Totals	<u>\$ 5,000</u>	<u>\$ 5,000</u>

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers/ Adjustments</u>	<u>Balance June 30, 2020</u>
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 3,909,383	\$ -	\$ -	\$ -	\$ 3,909,383
Construction in progress	24,712,359	41,181,339	-	(16,708,624)	49,185,074
Total Capital Assets, Not Being Depreciated	<u>28,621,742</u>	<u>41,181,339</u>	<u>-</u>	<u>(16,708,624)</u>	<u>53,094,457</u>
Capital Assets Being Depreciated:					
Land improvements	3,758,135	-	-	1,352,034	5,110,169
Buildings and improvements	166,899,796	-	-	15,356,590	182,256,386
Furniture and equipment	5,034,198	83,899	-	-	5,118,097
Total Capital Assets Being Depreciated	<u>175,692,129</u>	<u>83,899</u>	<u>-</u>	<u>16,708,624</u>	<u>192,484,652</u>
Total Capital Assets	<u>204,313,871</u>	<u>41,265,238</u>	<u>-</u>	<u>-</u>	<u>245,579,109</u>
Less Accumulated Depreciation:					
Land improvements	3,405,901	122,938	-	-	3,528,839
Buildings and improvements	49,751,127	3,622,490	-	-	53,373,617
Furniture and equipment	4,269,873	88,267	-	-	4,358,140
Total Accumulated Depreciation	<u>57,426,901</u>	<u>3,833,695</u>	<u>-</u>	<u>-</u>	<u>61,260,596</u>
Governmental Activities Capital Assets, Net	<u>\$ 146,886,970</u>	<u>\$ 37,431,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,318,513</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

Governmental Activities

Unallocated \$ 3,833,695

NOTE 7 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2020, consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities	Business-Type Activities	Agency Funds
Salaries and benefits	\$ 5,522,157	\$ -	\$ -	\$ 55,108	\$ -	\$ 5,577,265	\$ 221,499	\$ 155,772
Vendors payable	2,882,504	6,207,549	-	494,982	359	9,585,394	198	-
State principal apportionment	637,218	-	-	-	-	637,218	-	-
Totals accounts payable	<u>\$ 9,041,879</u>	<u>\$ 6,207,549</u>	<u>\$ -</u>	<u>\$ 550,090</u>	<u>\$ 359</u>	<u>\$ 15,799,877</u>	<u>\$ 221,697</u>	<u>\$ 155,772</u>

NOTE 8 – UNEARNED REVENUE

Unearned revenue at June 30, 2020, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities	Business-Type Activities
Local sources	<u>\$ 839,548</u>	<u>\$ 273,270</u>	<u>\$ 1,112,818</u>	<u>\$ 22,798</u>
Total unearned revenue	<u>\$ 839,548</u>	<u>\$ 273,270</u>	<u>\$ 1,112,818</u>	<u>\$ 22,798</u>

NOTE 9 – LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due within One Year
Governmental Activities					
General obligation bonds	\$ 147,536,106	\$ -	\$ (13,404,310)	\$ 134,131,796	\$ 12,365,384
Premium on bonds	10,190,702	-	(580,635)	9,610,067	580,635
Accreted interest on bonds	57,704,961	5,746,901	(3,670,690)	59,781,172	5,693,082
Compensated absences	393,486	268,861	(265,394)	396,953	198,476
Supplementary retirement plan	530,925	-	(265,463)	265,462	265,462
Net OPEB liability	3,726,769	319,043	(1,222,719)	2,823,093	-
Net pension liability	81,401,978	20,147,220	(15,611,190)	85,938,008	-
Totals Governmental Activities	<u>\$ 301,484,927</u>	<u>\$ 26,482,025</u>	<u>\$ (35,020,401)</u>	<u>\$ 292,946,551</u>	<u>\$ 19,103,039</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due within One Year
Business-Type Activities					
Net pension liability	\$ 3,756,792	\$ 1,267,755	\$ (883,382)	\$ 4,141,165	\$ -
Totals Business-Type Activities	<u>\$ 3,756,792</u>	<u>\$ 1,267,755</u>	<u>\$ (883,382)</u>	<u>\$ 4,141,165</u>	<u>\$ -</u>

- Payments for General Obligation Bonds are made in the Bond Interest and Redemption Fund.
- Payments for Compensated Absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.
- Payments for Net OPEB liability are typically made in the General Fund.
- Payments for equipment lease/purchase agreement are made in the General Fund.
- Payments for supplementary retirement plan are made in the General Fund.
- Payments for pension liability are typically liquidated in the General Fund, the Non-Major Governmental Funds and the Proprietary Funds.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Bond Issue	Maturity Date	Interest Rate %	Amount of Original Issue	Balance		Issued Current Year	Redeemed	Balance Outstanding June 30, 2020	Due Within One Year
				Outstanding July 1, 2019	Accreted				
95 - 1996A	9/1/2020	3.60 - 5.65%	\$ 25,184,723	\$ 1,607,797	\$ -	\$ -	\$ (808,591)	\$ 799,206	\$ 799,206
95 - 1996A*				4,302,700	195,788	-	(2,191,410)	2,307,078	2,307,078
95 - 1998B	9/1/2023	4.50 - 5.25%	6,000,501	4,251,378	-	-	(284,193)	3,967,185	296,814
95 - 1998B*				9,023,942	694,163	-	(570,806)	9,147,299	635,243
95 - 1999C	9/1//2024	3.50 - 5.87%	5,000,040	2,184,425	-	-	(135,908)	2,048,517	130,917
95 - 1999C*				4,922,129	414,996	-	(309,092)	5,028,033	319,628
95 - 2001D	9/1/2025	3.00 - 5.33%	5,148,769	2,902,380	-	-	(214,094)	2,688,286	225,058
95 - 2001D*				5,024,348	416,903	-	(375,907)	5,065,344	424,067
00 - 2001A	9/1/2026	4.00 - 5.69%	21,513,829	4,628,829	-	-	-	4,628,829	816,130
00 - 2001A*				9,423,192	887,894	-	-	10,311,086	1,822,034
00 - 2002B	9/1/2026	3.00 - 5.57%	4,485,101	1,634,304	-	-	(82,312)	1,551,992	62,450
00 - 2002B*				2,892,907	261,225	-	(147,687)	3,006,445	120,774
95 - 2002E	9/1/2026	3.10 - 5.57%	5,940,925	4,136,527	-	-	(44,212)	4,092,315	34,809
95 - 2002E*				7,003,615	646,200	-	(75,788)	7,574,027	64,258
08 - 2009A	9/1/2031	6.39 - 6.73%	7,651,589	7,651,589	-	-	-	7,651,589	-
08 - 2009A*				7,300,001	1,039,791	-	-	8,339,792	-
08 - 2010B	9/1/2045	6.33 - 6.71%	9,738,877	9,738,877	-	-	-	9,738,877	-
08 - 2010B*				7,812,127	1,189,941	-	-	9,002,068	-
08 - 2011C	9/1/2024	2.00 - 5.00%	12,270,000	6,770,000	-	-	(995,000)	5,775,000	1,085,000
08 - 2012D	9/1/2019	0.59 - 2.61%	5,260,000	790,000	-	-	(790,000)	-	-
08 - 2012E	9/1/2024	2.00 - 4.50%	9,930,000	8,310,000	-	-	(445,000)	7,865,000	1,380,000
08 - 2013F	9/1/2024	2.00 - 4.00%	22,625,000	14,295,000	-	-	(1,875,000)	12,420,000	2,035,000
2013	9/1/2019	0.44 - 2.01%	11,255,000	2,430,000	-	-	(2,430,000)	-	-
16 - 2018A (Measure C)	9/1/2043	1.70-5.00%	42,000,000	38,500,000	-	-	(3,900,000)	34,600,000	4,050,000
16 - 2018A (Measure EE)	9/1/2046	1.70-5.00%	39,000,000	37,705,000	-	-	(1,400,000)	36,305,000	1,450,000
				<u>\$ 205,241,067</u>	<u>\$ 5,746,901</u>	<u>\$ -</u>	<u>\$ (17,075,000)</u>	<u>\$ 193,912,968</u>	<u>\$ 18,058,466</u>

* Balance represents accreted interest.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

1995 Election, 1996 Series A Capital Appreciation Bonds

On February 20, 1996, the District issued \$12,165,000, Series A Current Interest Bonds, and \$13,019,723, Series A Capital Appreciation Bonds. Proceeds from the bonds will be used for the purpose to modernize facilities within the District. The bonds mature on September 1, 2020 and yield an interest rate of 3.60 percent to 5.65 percent. At June 30, 2020, the principal and accreted interest balance outstanding were \$799,206 and \$2,307,078, respectively.

The bonds mature through 2021 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Total
2021	\$ 3,106,284	\$ 28,716	\$ 3,135,000
Total	\$ 3,106,284	\$ 28,716	\$ 3,135,000

1995 Election, 1998 Series B Capital Appreciation Bonds

On February 27, 1998, the District issued \$6,000,501, Series B Capital Appreciation Bonds. Proceeds from the bonds will be used for the purpose to modernize facilities within the District. The bonds mature on September 1, 2023 and yield an interest rate of 4.50 percent to 5.25 percent. At June 30, 2020, the principal and accreted interest balance outstanding were \$3,967,185 and \$9,147,299, respectively.

The bonds mature through 2024 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Total
2021	\$ 932,057	\$ 7,943	\$ 940,000
2022	4,622,258	287,742	4,910,000
2023	4,835,746	574,254	5,410,000
2024	2,724,423	485,577	3,210,000
Total	\$ 13,114,484	\$ 1,355,516	\$ 14,470,000

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

1995 Election, 1999 Series C Current Interest, and Capital Appreciation Bonds

On September 23, 1999, the District issued \$990,000, Series C Current Interest Bonds, and \$4,010,040, Series C Capital Appreciation Bonds. Proceeds from the bonds will be used for the purpose to modernize facilities within the District. The bonds mature on September 1, 2024 and yield an interest rate of 3.50 percent to 5.87 percent. At June 30, 2020, the principal and accreted interest balance outstanding were \$2,048,517 and \$5,028,033, respectively.

The bonds mature through 2025 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Total
2021	\$ 450,545	\$ 4,455	\$ 455,000
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	6,626,005	1,873,995	8,500,000
Total	<u>\$ 7,076,550</u>	<u>\$ 1,878,450</u>	<u>\$ 8,955,000</u>

1995 Election, 2001 Series D Current Interest, and Capital Appreciation Bonds

On January 23, 2001, the District issued \$885,000, Series D Current Interest Bonds, and \$4,263,769, Series D Capital Appreciation Bonds. Proceeds from the bonds will be used for the purpose to modernize facilities within the District. The bonds mature on September 1, 2025 and yield an interest rate of 3.00 percent to 5.33 percent. At June 30, 2020, the principal and accreted interest balance outstanding were \$2,688,286 and \$5,065,344, respectively.

The bonds mature through 2026 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Total
2021	\$ 649,125	\$ 5,875	\$ 655,000
2022	417,595	27,405	445,000
2023	248,807	31,193	280,000
2024	433,333	81,667	515,000
2025	768,864	196,136	965,000
2026	5,235,906	1,704,094	6,940,000
Total	<u>\$ 7,753,630</u>	<u>\$ 2,046,370</u>	<u>\$ 9,800,000</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

2000 Election, Series A Current Interest and Capital Appreciation Bonds

On May 3, 2001, the District issued \$16,885,000, Series A Current Interest Bonds, and \$4,628,829, Series A Capital Appreciation Bonds. Proceeds from the bonds were used for the purpose to modernize the high school within the District. The bonds have a final maturity date of September 1, 2026 and yield an interest rate of 4.00 percent to 5.69 percent. On March 2004, the District issued \$18,400,000 of General Obligation Refunding Bonds to advance refund the \$16,885,000 Current Interest Bonds. As a result, the \$16,885,000 Series A Current Interest Bonds are considered to be defeased and the liability for these bonds has been removed from the accompanying financial statements. At June 30, 2020, the principal and accreted interest balance outstanding for the Bonds were \$4,628,829 and \$10,311,086, respectively.

The bonds mature through 2027 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Total
2021	\$ 2,638,164	\$ 26,836	\$ 2,665,000
2022	2,262,630	167,370	2,430,000
2023	2,250,814	319,186	2,570,000
2024	2,236,517	478,483	2,715,000
2025	2,219,859	645,141	2,865,000
2026-2027	3,331,931	1,288,069	4,620,000
Total	<u>\$ 14,939,915</u>	<u>\$ 2,925,085</u>	<u>\$ 17,865,000</u>

2000 Election, 2002 Series B Current Interest and Capital Appreciation Bonds

On January 23, 2002, the District issued \$2,545,000, Series B Current Interest Bonds, and \$1,940,101, Series B Capital Appreciation Bonds. Proceeds from the bonds will be used for the purpose to modernize one of the elementary schools within the District. The bonds mature on September 1, 2026 and yield an interest rate of 3.00 percent to 5.57 percent. At June 30, 2020, the principal and accreted interest balance outstanding were \$1,551,992 and \$3,006,445, respectively.

The bonds mature through 2027 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Total
2021	\$ 183,224	\$ 1,776	\$ 185,000
2022	537,152	37,848	575,000
2023	528,690	71,310	600,000
2024	519,458	105,542	625,000
2025	513,284	141,716	655,000
2026-2027	2,276,629	983,371	3,260,000
Total	<u>\$ 4,558,437</u>	<u>\$ 1,341,563</u>	<u>\$ 5,900,000</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

1995 Election, 2002 Series E Current Interest, and Capital Appreciation Bonds

On January 23, 2002, the District issued \$1,415,000, Series E Current Interest Bonds, and \$4,525,925, Series E Capital Appreciation Bonds. Proceeds from the bonds will be used to modernize one of the elementary schools within the District. The bonds mature on September 1, 2026 and yield an interest rate of 3.10 percent to 5.57 percent. At June 30, 2020, the principal and accreted interest balance outstanding were \$4,092,315 and \$7,574,027, respectively.

The bonds mature through 2027 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Total
2021	\$ 99,067	\$ 933	\$ 100,000
2022	98,277	6,723	105,000
2023	176,861	23,139	200,000
2024	167,098	32,902	200,000
2025	157,873	42,127	200,000
2026-2027	10,967,166	4,167,834	15,135,000
Total	<u>\$ 11,666,342</u>	<u>\$ 4,273,658</u>	<u>\$ 15,940,000</u>

2008 Election, 2009 Series A Capital Appreciation Bonds

On June 23, 2009, the District issued \$7,651,589 in 2009 Series A, Capital Appreciation Bonds. Proceeds from the bonds will be used for the purpose to finance the rehabilitation of District buildings, and prepayment of certain lease payments related to Certificates of Participation. The bonds mature on September 1, 2031 and yield an interest rate of 6.39 percent to 6.73 percent. At June 30, 2020, the principal and accreted interest balance outstanding were \$7,651,589 and \$8,339,792, respectively.

The bonds mature through 2032 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Total
2021	\$ -	\$ -	\$ -
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026-2030	9,696,232	7,183,768	16,880,000
2031-2032	6,295,149	6,409,851	12,705,000
Total	<u>\$ 15,991,381</u>	<u>\$ 13,593,619</u>	<u>\$ 29,585,000</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

2008 Election, 2010 Series B Capital Appreciation Bonds

On June 23, 2010, the District issued \$9,738,877 in 2010 Series B, Capital Appreciation Bonds. Proceeds from the bonds will be used for the purpose to finance the rehabilitation of District buildings and prepayment of certain lease payments related to Certificates of Participation. The bonds mature on September 1, 2045 and yield an interest rate of 6.33 percent to 6.71 percent. At June 30, 2020, the principal and accreted interest balance outstanding were \$9,738,877 and \$9,002,068, respectively.

The bonds mature through 2046 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Current Interest to Maturity	Accreted Interest	Total
2021	\$ -	\$ -	\$ -	\$ -
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026-2030	-	3,139,500	-	3,139,500
2031-2035	2,511,110	5,232,500	3,398,890	11,142,500
2036-2040	3,861,184	5,232,500	8,778,816	17,872,500
2041-2045	1,515,319	4,557,150	4,864,681	10,937,150
2046	10,853,332	310,375	5,246,668	16,410,375
Total	\$ 18,740,945	\$ 18,472,025	\$ 22,289,055	\$ 59,502,025

2008 Election, 2011 Series C Current Interest Bonds

On June 30, 2011, the District issued \$12,270,000, Series C Current Interest Bonds. Proceeds from the bonds will be used for the purpose to finance the rehabilitation of District's High School and the payment of certain lease payments to the Certificate of Participation Series A of 2011. The bonds mature on September 1, 2024 and yield an interest rate of 2.00 percent to 5.00 percent. At June 30, 2020 the principal balance outstanding was \$5,775,000.

The bonds mature through 2025 as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 1,085,000	\$ 202,663	\$ 1,287,663
2022	1,185,000	165,650	1,350,650
2023	1,295,000	120,631	1,415,631
2024	1,415,000	68,050	1,483,050
2025	795,000	19,875	814,875
Total	\$ 5,775,000	\$ 576,869	\$ 6,351,869

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

2008 Election, 2012 Series D Current Interest Bonds

On February 29, 2012, the District issued \$5,260,000, Series D Current Interest Bonds. Proceeds from the bonds will be used for the purpose to finance improvements to the District's high school and to defease the District's outstanding Certificate of Participation Series A of 2011. The bonds mature on September 1, 2019 and yield an interest rate of 0.59 percent to 2.61 percent. During the fiscal year, the principal balance outstanding was paid in full in the amount of \$790,000.

2008 Election, 2012 Series E Current Interest Bonds

On February 29, 2012, the District issued \$9,930,000, Series E Current Interest Bonds. Proceeds from the bonds will be used for the purpose to finance improvements to the District's high school and to defease the District's outstanding Certificate of Participation Series A of 2011. The bonds mature on September 1, 2024 and yield an interest rate of 2.00 percent to 4.50 percent. At June 30, 2020, the principal balance outstanding was \$7,865,000.

The bonds mature through 2025 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,380,000	\$ 215,550	\$ 1,595,550
2022	1,425,000	187,500	1,612,500
2023	1,370,000	152,700	1,522,700
2024	1,430,000	99,975	1,529,975
2025	2,260,000	33,900	2,293,900
Total	<u>\$ 7,865,000</u>	<u>\$ 689,625</u>	<u>\$ 8,554,625</u>

2008 Election, Series F Current Interest Bonds

On May 23, 2013, the District issued \$22,625,000, Series F Current Interest Bonds. Proceeds from the bonds will be used for the purpose to finance improvements to the District's high school. The bonds mature on September 1, 2024 and yield an interest rate of 2.00 percent to 4.00 percent. At June 30, 2020, the principal balance outstanding was \$12,420,000.

The bonds mature through 2025 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,035,000	\$ 331,000	\$ 2,366,000
2022	2,245,000	262,050	2,507,050
2023	2,490,000	203,900	2,693,900
2024	2,695,000	131,838	2,826,838
2025	2,955,000	42,338	2,997,338
Total	<u>\$ 12,420,000</u>	<u>\$ 971,126</u>	<u>\$ 13,391,126</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

2013 General Obligation Refunding Bonds

On May 23, 2013, the District issued \$11,255,000, 2013 General Obligation Refunding Bonds. Proceeds from the bonds will be used for the purpose to finance improvements to the District's high school. The bonds mature on September 1, 2019 and yield an interest rate of 0.44 percent to 2.01 percent. During the fiscal year, the principal balance outstanding was paid in full in the amount of \$2,430,000.

2016 Election, Series A (Measure C) General Obligation Bonds

On May 9, 2018, the District issued \$42,000,000, Series A General Obligation Bonds. Proceeds from the bonds will be used for the purpose to finance improvements to and the acquisition of equipment for one or more schools within the District and the repayment of a prior loan that financed energy improvements. The bonds mature on September 1, 2043 and yield an interest rate of 1.70 percent to 5.00 percent. At June 30, 2020, the principal balance outstanding was \$34,600,000.

The bonds mature through 2043 as follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 4,050,000	\$ 1,448,952	\$ 5,498,952
2022	660,000	1,342,092	2,002,092
2023	175,000	1,334,294	1,509,294
2024	240,000	1,329,106	1,569,106
2025	310,000	1,322,231	1,632,231
2026-2030	2,755,000	6,412,472	9,167,472
2031-2035	5,525,000	5,567,655	11,092,655
2036-2040	9,375,000	4,061,475	13,436,475
2041-2044	11,510,000	1,217,250	12,727,250
Total	<u>\$ 34,600,000</u>	<u>\$ 24,035,527</u>	<u>\$ 58,635,527</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

2016 Election, Series A (Measure EE) General Obligation Bonds

On May 9, 2018, the District issued \$39,000,000, Series A General Obligation Bonds. Proceeds from the bonds will be used for the replacement of Mira Costa High School gymnasium, by constructing and equipping a new gymnasium, physical education and activities center, including adding instructional space and bathrooms, air conditioning, heating, electrical, and plumbing systems. The bonds mature on September 1, 2046 and yield an interest rate of 1.70 percent to 5.00 percent. At June 30, 2020, the principal balance outstanding was \$36,305,000.

The bonds mature through 2047 as follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,450,000	\$ 1,588,072	\$ 3,038,072
2022	180,000	1,550,292	1,730,292
2023	-	1,548,762	1,548,762
2024	35,000	1,548,325	1,583,325
2025	100,000	1,545,388	1,645,388
2026-2030	1,700,000	7,545,690	9,245,690
2031-2035	4,350,000	6,867,845	11,217,845
2036-2040	7,950,000	5,626,350	13,576,350
2041-2045	13,310,000	3,094,725	16,404,725
2046-2047	7,230,000	295,000	7,525,000
Total	<u>\$ 36,305,000</u>	<u>\$ 31,210,449</u>	<u>\$ 67,515,449</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2020, amounted to \$396,953.

PARS Supplemental Retirement Plan

The District offered an early retirement incentive to qualified employees under a qualified plan of Section 403(b) of the Internal Revenue Code. Currently, there are 27 employees participating in this plan and the District's obligation to those retirees as of June 30, 2020, is \$265,462.

<u>Fiscal Year</u>	<u>Repayment</u>
2021	\$ 265,462
Total	<u>\$ 265,462</u>

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District follows GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. The ending net OPEB liability balance at June 30, 2020 was \$2,823,093. See Notes 11 and 12 for additional information regarding the net OPEB Obligation and the postemployment benefit plan.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

PENSION LIABILITY

The District's beginning net pension liability was \$85,158,770 and increased by \$4,920,403 during the fiscal year ended June 30, 2020. The ending net pension liability at June 30, 2020 was \$90,079,173. See Note 14 for additional information regarding the net pension liability.

NOTE 10- FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 10,000	\$ -	\$ -	\$ 2,452	\$ 12,452
Stores inventories	9,440	-	-	29,915	39,355
Total Nonspendable	<u>19,440</u>	<u>-</u>	<u>-</u>	<u>32,367</u>	<u>51,807</u>
Restricted					
Legally restricted programs	782,227	-	-	-	782,227
Capital projects	405,444	14,789,191	-	5,761,459	20,956,094
Debt service	-	-	22,352,814	-	22,352,814
Total Restricted	<u>1,187,671</u>	<u>14,789,191</u>	<u>22,352,814</u>	<u>5,761,459</u>	<u>44,091,135</u>
Assigned					
Nutrition	-	-	-	1,409,115	1,409,115
Total Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,409,115</u>	<u>1,409,115</u>
Unassigned					
Unassigned	4,694,617	-	-	-	4,694,617
Total Unassigned	<u>4,694,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,694,617</u>
Total	<u>\$ 5,901,728</u>	<u>\$ 14,789,191</u>	<u>\$ 22,352,814</u>	<u>\$ 7,202,941</u>	<u>\$ 50,246,674</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 11- POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

At June 30, 2020, net OPEB liability and related deferred outflows of resources are as follows:

	District OPEB Plan	MPP Program OPEB Plan	Total
Deferred outflows of resources:			
Contribution made subsequent to the measurement date	\$ 178,537	\$ -	\$ 178,537
Total deferred outflows of resources	<u>\$ 178,537</u>	<u>\$ -</u>	<u>\$ 178,537</u>
Net OPEB liabilities:			
Total net OPEB liabilities	<u>\$ 2,449,628</u>	<u>\$ 373,465</u>	<u>\$ 2,823,093</u>
Deferred inflows of Resources:			
Changes of assumptions	\$ 1,243,573	\$ -	\$ 1,243,573
Difference between expected and actual experience	98,484		98,484
Total deferred inflows of resources	<u>\$ 1,342,057</u>	<u>\$ -</u>	<u>\$ 1,342,057</u>

Plan Description

OPEB provided: The District reports offering the following OPEB: retiree medical, dental and vision.

Access to coverage: This coverage is available for employees who retire from the District with PERS or STRS at age 55 or older having completed at least 15 years of District service. If a retiree does not meet these requirements, he or she is not eligible for continuation of healthcare through the District beyond what COBRA or Cal-COBRA offers. Upon eligibility for Medicare, coverage under the plans available to active employees and pre-Medicare retirees ends and, instead, retirees have the option to join a Secure Horizons plan made available through the District. Dependents and/or survivors of eligible retirees are also eligible for coverage.

Benefits provided: The District provides an annual contribution of \$400 to eligible retirees who elect coverage on the District’s medical plan. The benefit continues for 5 years, but not beyond the earlier of the retiree’s death or age 65. When the subsidy ends, the retiree may elect to continue his or her medical coverage as described under “Access to Coverage”.

There are 11 current retirees entitled to a different subsidy from the District:

- 9 retirees from South Bay Union High School receive lifetime benefits of (a) fully paid District dental and/or vision coverage and (b) up to \$3,186.50 per year toward medical coverage.
- 2 others receive higher benefits: one is receiving a benefit up to \$5,500 per year and the other is entitled to \$6,000 per year for life.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Employees Covered

As of June 30, 2019, actuarial valuation, the following current and former employees were covered by the benefit terms under the District's Plan:

Active plan members	663
Inactive employees or beneficiaries currently receiving benefit payments	<u>27</u>
Total	<u><u>690</u></u>

Contribution Information

The District does not have an actuarially determined contribution. Contributions to the OPEB plan are determined by the Board of Trustees and District's, management. For the fiscal year ended June 30, 2020, the District contributed \$172,717 using the pay-as-you-go method of funding, all of which was used for current premiums and no prefunded benefits has been made.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 based on the following actuarial methods and assumptions.

Valuation Date	June 30, 2019
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets (\$0; no OPEB trust has been established)
Discount Rate	3.62% as of June 30, 2018 3.13% as of June 30, 2019
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.0% per year, used only to allocate the cost of benefits between service years
Assumed Wage Inflation	3.25% per year; used to determine amortization payments if developed on a level percent of pay basis
General Inflation Rate	2.50% per year

Except for mortality, the demographic actuarial assumptions used in this valuation are the same as those used for the most recent valuations of the retirement plans covering District employees.

Mortality (pre and post retirement):	MacLeod Watts Scale 2020 applied generationally, from 2015 for CalPERS members and from 2016 for CalSTRS members.
Healthcare Trend	Medical plan premiums and claims costs by age are assumed to increase once each year. 5.4% initially reduced by decrements to an ultimate of 4.0%.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Discount Rate

The District is currently financing its OPEB liability on pay-as-you-go basis. The discount rates used in the valuation are based on the Fidelity Municipal Bond AA 20 Year Maturity Yield Index. As of beginning and end of the measurement period, this index requires use of discount rates of 3.62% as of June 30, 2018 and 3.13% as of June 30, 2019.

Changes in the OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) Liability/(Asset) (c) = (a) - (b)
Balance at fiscal year ending 6/30/19			
Measurement date 6/30/18	\$ 3,343,981	\$ -	\$ 3,343,981
Changes recognized for the measurement period:			
Service Cost	194,091	-	194,091
Interest on the total OPEB liability	124,952	-	124,952
Difference between expected and actual experience	(106,938)	-	(106,938)
Changes of assumptions	(933,741)	-	(933,741)
Contributions from the employer	-	172,717	(172,717)
Benefit payments	(172,717)	(172,717)	-
Net Changes in fiscal year 2019-2020	(894,353)	-	(894,353)
Balance at fiscal year ending 6/30/20			
Measurement date 6/30/19	<u>\$ 2,449,628</u>	<u>\$ -</u>	<u>\$ 2,449,628</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13 percent) or 1-percentage-point higher (4.13 percent) than the current discount rate:

Plan's Net OPEB Liability (Asset)		
Current Discount Rate - 1%	Current Discount Rate	Current Discount Rate + 1%
\$ 2,631,862	\$ 2,449,628	\$ 2,279,382

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trends Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.40 percent decreasing to 3.0 percent) or 1-percentage-point higher (6.40 percent decreasing to 5.0 percent) than the current healthcare cost trend rates:

Plan's Net OPEB Liability (Asset)		
Current Trend Rate - 1%	Current Healthcare Cost Trend Rate	Current Trend Rate + 1%
\$ 2,223,998	\$ 2,449,628	\$ 2,716,793

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss. Changes in assumptions on OPEB plan investments are recognized over 12.80 years. All other amounts are recognized over the Expected average remaining lifetime (EARSLS).

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$200,558. As of fiscal year ended June 30, 2020, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ 1,243,573
Difference between expected and actual experience	-	98,484
Contribution made subsequent to the measurement date	178,537	-
Total	<u>\$ 178,537</u>	<u>\$ 1,342,057</u>

\$178,537 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

For the Fiscal Year Ended June 30,	Recognized Net Deferred Outflows (Inflows) of
2021	\$ (118,485)
2022	(118,485)
2023	(118,485)
2024	(118,485)
2025	(118,485)
Thereafter	<u>(749,632)</u>
Total	<u>\$ (1,342,057)</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS MEDICARE PREMIUMS PAYMENT PROGRAM (OPEB)

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California Education Code Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the District reported a liability of \$373,465 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school. At June 30, 2019, the District's proportion was 0.1003%.

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$(11,795).

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Actuarial Assumptions

The District's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2018 that was rolled forward to determine the June 30, 2019 total OPEB liability, based on the following actuarial methods and assumptions:

Discount Rate	3.50%
Investment Rate of Return	3.50%
Mortality Rate	Custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries
Medicare Part A Premium Costs Trend Rate	3.70%
Medicare Part B Premium Costs Trend Rate	4.10%

In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as a member's age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.50 percent. The MPP Program is funded on a pay-as-you-go basis and under this method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Net OPEB Liability	\$ 407,536	\$ 373,465	\$ 342,139

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2019:

	1% Decrease (2.7% Part A and 3.1 Part B)	Current Healthcare Cost Trend Rates (3.7% Part A and 4.1% Part B)	1% Increase (4.7% Part A and 5.1% Part B)
Net OPEB Liability	\$ 340,313	\$ 373,465	\$ 411,460

Payables to the OPEB Plan

At June 30, 2020, the District had no amount outstanding for contributions to the OPEB plan required for the fiscal year ended June 30, 2020.

NOTE 13 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2020, the District contracted with Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior fiscal year.

Workers' Compensation

For fiscal year 2020, the District participated in the Schools' Excess Liability Fund (SELF), an insurance purchasing pool. The intent of SELF is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SELF. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in SELF. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of SELF. Participation in SELF is limited to districts that can meet SELF's selection criteria. The third party administrator provides administrative, cost control and actuarial services to the JPA.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 14- PENSION PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certified employees are members of California State Teachers’ Retirement System (CalSTRS), and classified employees are members of California Public Employees’ Retirement System (CalPERS).

As of June 30, 2020, the District’s proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans are as follows:

Pension Plan	Proportionate Share of Net Pension	Deferred Outflows of Resources	Deferred Inflows of Resources	Proportionate Share of Pension Expense
CalSTRS	\$ 58,604,125	\$ 20,251,005	\$ 8,694,112	\$ 9,101,664
CalPERS	31,475,048	8,488,770	440,363	7,392,908
Total	<u>\$ 90,079,173</u>	<u>\$ 28,739,775</u>	<u>\$ 9,134,475</u>	<u>\$ 16,494,572</u>

State Teachers’ Retirement System (CalSTRS)

A. General Information about the Pension Plan

Plan Descriptions – All qualified California full-time and part-time public school teachers from pre-kindergarten through community college and certain other employees of the public school system are eligible to participate in the CalSTRS Pension Plans, multiple-employer, cost-sharing defined benefit plans administered by the California State Teacher’s Retirement System (CalSTRS). Benefit provisions under the Plans are established by the Teachers’ Retirement Law (California Education Code Section 22000 et seq), as enacted and amended by the California Legislature. The benefit terms of the plans may be amended through legislation CalSTRS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalSTRS website.

Benefits Provided – The CALSTRS Defined Benefit Program has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform services that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS

The Defined Benefit Program provides retirement benefits based on members’ final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and on survivors/beneficiaries upon death of eligible members.

After earning five years of credited service, members become 100 percent vested in retirement benefits.

After five years of credited service, a member (prior to age 60 if under Coverage A, no age limit if under Coverage B, as defined in Education Code Sections 24001 and 24101, respectively) is eligible for disability benefits of up to 50.0 percent of final compensation plus 10.0 percent of final compensation for each eligible child, up to a maximum addition of 40.0 percent. The member must have a disability that will exceed a period of 12 or more months to qualify for benefits.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Any compensation for service in excess of one year in a school year due to overtime or working additional assignments is credited to the Defined Benefit Supplement Program so long as it is under the creditable compensation limit. Other compensation, such as allowances, bonuses, cash in-lieu of fringe benefits, limited-period compensation or compensation determined to have been paid to enhance a benefit, are not creditable to any CalSTRS benefit program.

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	CalSTRS	
	Before January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-63	55-65
Monthly benefits, as a % of eligible compensation	2.0% to 2.4%	2.00%
Required employee contribution rates (Average)	10.250%	10.205%
Required employer contribution rates	17.100%	17.100%
Required state contribution rates	10.328%	10.328%

Specific details for the retirement, disability or death benefit calculations for each of the pension plans are available in the CalSTRS Comprehensive Annual Financial Report (CAFR). The CalSTRS' CAFR is available online at <http://www.calstrs.com/comprehensive-annual-financial-report>.

Contributions – Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

On-Behalf Payments – The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions to CalSTRS.

For the fiscal year ended June 30, 2020, the contributions recognized as part of pension expense was as follows:

	CalSTRS
Contribution - employer	\$ 5,833,189
Contribution - state	\$ 2,367,067
Contribution – state on-behalf payments	\$ 4,459,770

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2020 the District reported net pension liability for its proportionate share of the net pension liability in the amount of \$58,604,125.

District's proportionate share of the net pension liability	\$	58,604,125
State's proportionate share of the net pension liability associated with the District		<u>54,840,216</u>
Total	\$	<u><u>113,444,341</u></u>

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was 0.06489%, which increased by 0.00156%, its proportion measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$9,101,664. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 147,942	\$ 1,650,256
Changes of assumptions	7,411,177	-
Changes in proportions	5,054,705	4,654,545
Net difference between projected and actual earning on pension plan investments	-	2,256,889
Differences between District contributions and proportionate share of contributions	1,371,642	132,422
District contributions subsequent to the measurement date	<u>6,265,539</u>	<u>-</u>
Total	<u><u>\$ 20,251,005</u></u>	<u><u>\$ 8,694,112</u></u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

\$6,265,539 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Amount
2021	\$ 1,884,950
2022	320,009
2023	628,294
2024	2,488,386
2025	(19,352)
Thereafter	(10,933)
Total	\$ 5,291,354

Actuarial Assumptions – The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry age normal
Discount Rate	7.10%
Investment Rate of Return ¹	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB (annually) Maintain 85% purchasing power level for DB Not applicable for DBS/CBB

¹Net of investment expenses but gross of administrative expenses.

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS’ general investment consultant (Pension Consulting Alliance–PCA) as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>CalSTRS</u>	
	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.80%
Fixed Income	12%	1.30%
Real Estate	13%	3.60%
Private Equity	13%	6.30%
Absolute Return	9%	1.80%
Inflation Sensitive	4%	3.00%
Cash/Liquidity	2%	-0.40%
Total	<u>100%</u>	

*20-year geometric average

Discount Rate – The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the CalSTRS fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability, calculated using the discount rate, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease		6.10%
Net Pension Liability	\$	87,266,392
Current Discount Rate		7.10%
Net Pension Liability	\$	58,604,125
1% Increase		8.10%
Net Pension Liability	\$	34,837,646

Pension Plan Fiduciary Net Position —Detailed information about pension plan's fiduciary net position is available in the separately issued CalSTRS financial reports.

C. Payable to the Pension Plan

At June 30, 2020, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2020.

D. On Behalf Payments

During the fiscal year 2020, the State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$4,459,770. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments (\$4,459,770) have been excluded from the calculation of general fund available reserves.

California Public Employees’ Retirement System (CalPERS)

A. General Information About the Pension Plan

Plan Description - The District contributes to the School Employer Pool under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Plan membership consists of non-teaching and non-certificated employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Benefits Provided—The CalPERS Defined Benefit Program has two benefit formulas:

CalPERS 2% at 55: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalPERS.

CalPERS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalPERS.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members.

After earning five years of credited service, members become 100 percent vested in retirement benefits.

A family benefit is available if an active member dies and has at least one year of credited service.

Members' accumulated contributions are refundable with interest upon separation from CalPERS. The Board determines the credited interest rate each fiscal year. For the fiscal year ended June 30, 2020, the rate of interest credited to members' accounts was 6 percent.

The member's benefit is reduced dollar for dollar, regardless of age, for the first 180 days after retirement if the member performs activities in the public schools that could be creditable to CalPERS, unless the governing body of the school district takes specified actions with respect to a member who is above normal retirement age.

The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	CalPERS	
	Before January 1, 2013	On or After January 1, 2013
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.17 - 2.5%	1.0 - 2.5%
Required employee contribution rates (Average)	7.000%	7.000%
Required employer contribution rates	19.721%	19.721%

Specific details for retirement, disability or death benefit calculations for each of the pension plans are available in the CalPERS' Comprehensive Annual Financial Report (CAFR). The CalPERS' CAFR is available online at <https://www.calpers.ca.gov/page/forms-publications>.

Contributions – Section 20814 (c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employees be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Local Government is required to contribute the difference between the actuarially determined rate of employees.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

On-Behalf Payments – The District was the recipient of on-behalf payments made by the State of California to CalPERS for K-12 education. These payments consist of state general fund contributions to CalPERS.

For the fiscal year ended June 30, 2020, the contributions recognized as part of pension expense was as follows:

	<u>CalPERS</u>	
Contribution - employer	\$	2,722,751
Contribution - state	\$	1,095,170

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2020, the District reported net pension liability for its proportionate share of the net pension liability in the amount of \$31,475,048.

The District’s net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District’s proportion was 0.10800%, which increased by 0.00693% from its proportion measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$7,392,908. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,286,351	\$ -
Changes of assumptions	1,498,310	-
Changes in proportions	1,550,871	129,808
Net difference between projected and actual earning on pension plan investments	-	291,936
Differences between District contributions and proportionate share of contributions	-	18,619
District contributions subsequent to the measurement date	3,153,238	-
Total	<u>\$ 8,488,770</u>	<u>\$ 440,363</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

\$3,153,238 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Amount
2021	\$ 3,108,198
2022	978,683
2023	725,554
2024	82,734
Total	\$ 4,895,169

Actuarial Assumptions – The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	CalPERS
Investment Rate of Return	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post-retirement Benefit Increases	2.00% until PPPA floor on purchasing power applies, 2.50% thereafter

¹the Mortality table used developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Change of Assumptions – In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the Public Employees’ Retirement Fund (PERF). The mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90 percent of scale MP 2016 published by the Society of Actuaries. The inflation assumption was reduced from 2.75 percent to 2.50 percent. The assumptions for individual salary increases and overall payroll growth were reduced from 3.00 percent to 2.75 percent.

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF B), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Base on the testing the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent is applied to all plans in the Public Employees Retirement Fund, including PERF B. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at CalPERS’ website under the GASB No 68 section.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed February 2022. Any changes to the discount rate will require Board action and proper stockholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2021-22 fiscal years. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectation's as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates are net of administrative expenses.

CalPERS			
	Assumed		
<u>Asset Class (a)</u>	<u>Asset Allocation</u>	<u>Real Return Years 1 - 10 (b)</u>	<u>Real Return Years 11+(c)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	<u>100%</u>		

(a) In the CalPERS's system, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.0% was used for this period

(c) An expected inflation of 2.92% was used for this period

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability, calculated using the discount rate, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease		6.15%
Net Pension Liability	\$	45,369,213
Current Discount Rate		7.15%
Net Pension Liability	\$	31,475,048
1% Increase		8.15%
Net Pension Liability	\$	19,948,880

Pension Plan Fiduciary Net Position —Detailed information about pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

At June 30, 2020, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2020.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

Litigation

District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2020.

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

NOTE 17 - DEFICIT FUND BALANCE/NET POSITION

As of June 30, 2020, deficit fund balances/net position was recorded in the following funds:

Major Proprietary Fund:

Community Preschool Fund \$ 2,184,441

NOTE 18 - RISKS AND UNCERTAINTIES

The World Health Organization has declared the outbreak of Novel Coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The Coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact. Nonetheless, the outbreak presents uncertainty and risk with respect to the District’s performance, and financial results.

**REQUIRED SUPPLEMENTARY
INFORMATION**

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State apportionments	\$ 13,976,557	\$ 13,976,557	\$ 11,323,935	\$ (2,652,622)
Education protection state aid	1,282,118	1,282,118	1,275,204	(6,914)
Local sources	41,295,515	41,295,515	43,816,278	2,520,763
Federal	2,090,521	2,090,521	2,109,891	19,370
Other state	8,556,321	8,556,321	11,151,335	2,595,014
Other local	14,816,645	14,816,645	16,081,045	1,264,400
Total revenues	<u>82,017,677</u>	<u>82,017,677</u>	<u>85,757,688</u>	<u>3,740,011</u>
Expenditures:				
Certificated salaries	36,220,474	36,196,706	36,196,705	1
Classified salaries	15,108,414	14,675,722	14,675,721	1
Employee benefits	21,643,604	23,407,559	23,407,559	-
Books and supplies	1,654,482	1,898,803	1,898,802	1
Contracted services and other operating expenditures	10,686,172	11,808,062	11,808,062	-
Capital outlay	82,442	23,900	23,899	1
Other outgo	393,948	98,665	98,665	-
Total expenditures	<u>85,789,536</u>	<u>88,109,417</u>	<u>88,109,413</u>	<u>4</u>
Net change in fund balance	(3,771,859)	(6,091,740)	(2,351,725)	3,740,015
Fund balance - beginning	<u>8,253,453</u>	<u>8,253,453</u>	<u>8,253,453</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,481,594</u>	<u>\$ 2,161,713</u>	<u>\$ 5,901,728</u>	<u>\$ 3,740,015</u>

See Notes to Required Supplementary Information

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS*
AS OF JUNE 30, 2020**

Employer Fiscal Year End Measurement Period	2019-20 2018-19 ¹	2018-19 2017-18 ¹	2017-18 2016-17 ¹
Total OPEB Liability			
Service Cost	\$ 194,091	\$ 198,537	\$ 216,525
Interest on the Total OPEB Liability	124,952	127,878	104,044
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(106,938)	-	-
Changes of Assumptions	(933,741)	(283,577)	(186,890)
Benefit Payments	(172,717)	(184,816)	(163,712)
Net Change in Total OPEB Liability	(894,353)	(141,978)	(30,033)
Total OPEB Liability - Beginning	3,343,981	3,485,959	3,515,992
Total OPEB Liability - Ending	<u>\$ 2,449,628</u>	<u>\$ 3,343,981</u>	<u>\$ 3,485,959</u>
OPEB Fiduciary Net Position			
Contributions from the Employer	\$ 172,717	\$ 184,816	\$ 163,712
Net Investment Income	-	-	-
Administrative Expenses	-	-	-
Benefit Payments	(172,717)	(184,816)	(163,712)
Net Change in Plan Fiduciary Net Position	-	-	-
Plan Fiduciary Net Position - Beginning	-	-	-
Plan Fiduciary Net Position - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan Net OPEB Liability - Ending	<u>\$ 2,449,628</u>	<u>\$ 3,343,981</u>	<u>\$ 3,485,959</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered-Employee Payroll	\$ 45,728,527	\$ 42,262,468	\$ 46,206,711
Net OPEB Liability as a Percentage of Covered-Employee Payroll	5.36%	7.91%	7.54%

* Historical information is required only for measurement periods for which GASB 75 is applicable.

See Notes to Required Supplementary Information

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 LAST 10 YEARS*
 AS OF JUNE 30, 2020

Employer Fiscal Year End Measurement Period	2019-20 2018-19 ¹	2018-19 2017-18 ¹	2017-18 2016-17 ¹
District's proportion of the net OPEB liability	0.1003%	0.1000%	0.1030%
District's proportionate share of the net OPEB liability	\$ 273,465	\$ 382,788	\$ 433,072
District's covered payroll ¹	N/A	N/A	N/A
District's proportionate share of the net OPEB liability as a percentage of covered payroll	N/A	N/A	N/A
Plan's total OPEB liability	\$ 369,413,000	\$ 381,228,000	\$ 420,749,000
Plan's fiduciary net position	\$ (2,984,000)	\$ (1,542,000)	\$ 41,000
Plan fiduciary net position as a percentage of the total OPEB liability	-0.807768%	-0.404482%	0.009745%

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively.
 Years will be added to this schedule in future fiscal years until 10 years of information is available

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP program, therefore, the covered payroll disclosure is not applicable.

See notes to required supplementary information

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF OPEB CONTRIBUTIONS

LAST 10 YEARS*

AS OF JUNE 30, 2020

The District did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2020, therefore the District does not need to comply with GASB 75's Required Supplementary Information requirements.

See Notes to Required Supplementary Information

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY - CALPERS

Last 10 Fiscal Years*

For the Fiscal Year Ended June 30, 2020

The following table provides required supplementary information regarding the District's CALPERS Pension Plan.

Fiscal Year	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered payroll	Proportionate share of the net pension liability as percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.09590%	\$ 10,892,622	\$ 8,937,808	121.87%	83.38%
2016	0.09760%	14,380,466	9,620,495	149.48%	79.43%
2017	0.10005%	19,759,781	10,593,053	186.54%	73.90%
2018	0.09689%	23,129,918	12,347,667	187.32%	71.87%
2019	0.10107%	26,949,048	13,349,263	201.88%	70.85%
2020	0.10800%	31,475,048	15,074,471	208.80%	70.05%

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule:

- 1) Benefit Changes: There were no changes in benefit terms since the previous valuations.
- 2) Changes in Assumptions: In 2015 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65% to correct for an adjustment to exclude administrative expense. In 2018, the discount rate was lowered to 7.15%.

See Notes to Required Supplementary Information

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY - CALSTRS

Last 10 Fiscal Years*

For the Fiscal Year Ended June 30, 2020

The following table provides required supplementary information regarding the District's CALSTRS Pension Plan.

Fiscal Year	Proportion of the net pension liability	Proportionate share of the net pension liability	State's proportionate share of the net pension liability associated with the District	Total	Covered payroll	Proportionate share of the net pension liability as percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.06170%	\$ 36,053,713	\$ 21,770,788	\$ 57,824,501	\$ 27,479,891	131.20%	76.52%
2016	0.07350%	49,516,734	31,719,583	81,236,317	31,719,583	156.11%	74.02%
2017	0.06126%	49,543,841	30,641,912	80,185,753	30,148,276	164.33%	70.04%
2018	0.06468%	59,813,137	37,741,914	97,555,051	33,420,660	178.97%	69.46%
2019	0.06333%	58,209,722	34,430,643	92,640,365	33,958,136	171.42%	70.99%
2020	0.06489%	58,604,125	54,840,216	113,444,341	35,830,399	163.56%	72.56%

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule:

- 1) Benefit Changes: There were no changes in benefit terms since the previous valuations.
- 2) Changes in Assumptions: The assumptions used in determining the Total Pension Liability of the STRP changed as a result of the actuarial experience study for the period starting July 1, 2010 and ending June 30, 2015. The assumption changes were to price price inflation, wage growth, discount rate and the mortality tables.

See Notes to Required Supplementary Information

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS - CALPERS

Last 10 Fiscal Years*

For the Fiscal Year Ended June 30, 2020

The following table provides required supplementary information regarding the District's CALPERS Pension Plan.

Fiscal Year	Contractually Required Contribution - District	Contributions - District	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2015	\$ 1,132,332	\$ (1,132,332)	\$ -	\$ 9,619,675	11.771%
2016	1,254,959	(1,254,959)	-	10,593,053	11.847%
2017	1,714,844	(1,714,844)	-	12,347,667	13.888%
2018	2,073,274	(2,073,274)	-	13,349,263	15.531%
2019	2,722,751	(2,722,751)	-	15,074,471	18.062%
2020	3,153,238	(3,153,238)	-	15,989,240	19.721%

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See Notes to Required Supplementary Information

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF PENSION CONTRIBUTIONS - CALSTRS

Last 10 Fiscal Years*

For the Fiscal Year Ended June 30, 2020

The following table provides required supplementary information regarding the District's CALSTRS Pension Plan.

Fiscal Year	Contractually Required Contribution - District	Contribution in relation to the actuarially determined contributions	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2015	\$ 2,816,699	\$ (2,816,699)	\$ -	\$ 30,719,583	9.17%
2016	3,234,910	(3,234,910)	-	30,148,276	10.73%
2017	4,204,319	(4,204,319)	-	33,420,660	12.58%
2018	4,900,159	(4,900,159)	-	33,958,136	14.43%
2019	5,833,189	(5,833,189)	-	35,830,399	16.28%
2020	6,265,539	(6,265,539)	-	36,640,579	17.10%

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See Notes to Required Supplementary Information

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2020

NOTE 1- PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Net OPEB Liability and Related Ratios

The schedule presents the beginning balances of the total OPEB liability, the OPEB plan's fiduciary net position, the Net OPEB liability, the effects during the period, the ending balances of the total OPEB liability, the OPEB plan's fiduciary net position, and the Net OPEB liability, the covered-employee payroll, and the net OPEB liability as a percentage of covered-employee payroll. In the future, as data becomes available, 10 years of information will be presented.

Schedule of the District's Proportionate Share of the Net OPEB Liability

The schedule presents the District's proportion (percentage) of the collective net OPEB liability, the employer's proportionate share (amount) of the collective net OPEB liability, the District's covered-employee payroll, the District's proportionate share (amount) of the collective net OPEB liability as a percentage of the total OPEB liability. In the future, as data becomes available, 10 years of information will be presented.

Schedule of OPEB Contributions

The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the OPEB plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll. In the future, as data becomes available, 10 years of information will be presented.

Schedule of the District's Proportionate Share of the Net Pension Liability

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered-employee payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2020

Schedule of Pension Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered-employee payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered-employee payroll.

NOTE 2- EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2020, the District incurred no excess of expenditures over appropriations of in the General Fund as presented in the Budgetary Comparison Schedule by major object code.

**SUPPLEMENTARY
INFORMATION**

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2020**

	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Nonmajor Governmental Funds
Assets				
Cash in County Treasury	\$ 2,031	\$ 5,586,683	\$ 164,919	\$ 5,753,633
Cash in bank and on hand	721,464	-	-	721,464
Revolving cash fund	2,452	-	-	2,452
Accounts receivable	1,512,720	5,741	376	1,518,837
Due from other funds	-	5,000	-	5,000
Stores inventories	29,915	-	-	29,915
Total assets	<u>\$ 2,268,582</u>	<u>\$ 5,597,424</u>	<u>\$ 165,295</u>	<u>\$ 8,031,301</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 548,830	\$ -	\$ 1,260	\$ 550,090
Due to other funds	5,000	-	-	5,000
Unearned revenue	273,270	-	-	273,270
Total liabilities	<u>827,100</u>	<u>-</u>	<u>1,260</u>	<u>828,360</u>
Fund balances:				
Nonspendable				
Revolving cash	2,452	-	-	2,452
Store inventories	29,915	-	-	29,915
Restricted				
Capital projects	-	5,597,424	164,035	5,761,459
Assigned				
Nutrition	1,409,115	-	-	1,409,115
Total fund balances	<u>1,441,482</u>	<u>5,597,424</u>	<u>164,035</u>	<u>7,202,941</u>
Total liabilities and fund balances	<u>\$ 2,268,582</u>	<u>\$ 5,597,424</u>	<u>\$ 165,295</u>	<u>\$ 8,031,301</u>

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended June 30, 2020

	Cafeteria Fund	Capital Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Nonmajor Governmental Funds
Revenues:				
Federal	\$ 271,400	\$ -	\$ -	\$ 271,400
Other state	5,392	-	-	5,392
Other local	1,474,907	725,904	153,097	2,353,908
Total revenues	1,751,699	725,904	153,097	2,630,700
Expenditures:				
Classified salaries	1,012,903	-	-	1,012,903
Employee benefits	394,532	-	-	394,532
Books and supplies	633,266	-	-	633,266
Contracted services and other operating expenditures	52,243	19,698	9,488	81,429
Capital outlay	64,478	-	-	64,478
Other outgo	101,554	-	-	101,554
Total expenditures	2,258,976	19,698	9,488	2,288,162
Net change in fund balances	(507,277)	706,206	143,609	342,538
Fund balances - beginning	1,948,759	4,891,218	20,426	6,860,403
Fund balances - ending	\$ 1,441,482	\$ 5,597,424	\$ 164,035	\$ 7,202,941

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2020

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

BOARD OF EDUCATION

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Jen Fenton	President	November, 2022
Sally Peel	Vice President	November, 2022
Jennifer Cochran	Clerk	November, 2022
Cathy Graves	Member	November, 2024
Jason Boxer	Member	November, 2024

SUPERINTENDENT

Michael D. Matthews, EdD

ADMINISTRATION

Dawnalyn Murakawa-Leopard, EdD, Deputy Superintendent

Katherine Whittaker Stopp, EdD, Assistant Superintendent, Educational Services

Dr. Irene Gonzalez-Castillo, Assistant Superintendent, Student Services

Suzanne Webb, EdD, Assistant Superintendent, Human Resources

See accompanying note to supplementary information.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

For Fiscal Year Ended June 30, 2020

SCHOOL DISTRICT	Second Period Report	Revised Second Period Report	Annual Report
TK/K through Third			
Regular ADA	1,583.65	1,584.15	1,584.15
Extended Year Special Education	3.44	3.44	3.44
Total TK/K through Third	1,587.09	1,587.59	1,587.59
Fourth through Sixth			
Regular ADA	1,292.98	1,293.85	1,293.85
Extended Year Special Education	1.92	1.92	1.92
Special Education - Nonpublic Schools	4.29	3.40	3.40
Extended Year Special Education - Nonpublic Schools	0.45	0.31	0.31
Total Fourth through Sixth	1,299.64	1,299.48	1,299.48
Seventh and Eighth			
Regular ADA	924.42	924.62	924.62
Extended Year Special Education	0.71	0.71	0.71
Special Education - Nonpublic Schools	2.59	0.07	0.07
Extended Year Special Education - Nonpublic Schools	0.23	-	-
Total Seventh and Eighth	927.95	925.40	925.40
Ninth through Twelfth			
Regular ADA	2,459.39	2,466.66	2,466.66
Extended Year Special Education	3.09	3.09	3.09
Special Education - Nonpublic Schools	22.65	17.96	17.96
Extended Year Special Education - Nonpublic Schools	1.71	2.07	2.07
Total Ninth through Twelfth	2,486.84	2,489.78	2,489.78
TOTAL SCHOOL DISTRICT	6,301.52	6,302.25	6,302.25

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

There were no audit findings which resulted in necessary revisions to attendance. The revised second period report was completed by the District prior to the audit completion.

See accompanying note to supplementary information.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For Fiscal Year Ended June 30, 2020

Grades	1986-87 Minutes Requirement	2019-20 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	48,890	180	In Compliance
Grade 1	50,400	54,250	180	In Compliance
Grade 2	50,400	54,250	180	In Compliance
Grade 3	50,400	54,250	180	In Compliance
Grade 4	54,000	58,270	180	In Compliance
Grade 5	54,000	58,270	180	In Compliance
Grade 6	54,000	62,610	180	In Compliance
Grade 7	54,000	62,610	180	In Compliance
Grade 8	54,000	62,610	180	In Compliance
Grade 9	64,800	65,521	180	In Compliance
Grade 10	64,800	65,521	180	In Compliance
Grade 11	64,800	65,521	180	In Compliance
Grade 12	64,800	65,521	180	In Compliance

Districts must maintain their instructional minutes as defined in Education Code Section 46207.

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

See accompanying note to supplementary information.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

For Fiscal Year Ended June 30, 2020

	(Budget) 2021 ¹	2020	2019	2018
General Fund - Budgetary Basis				
Revenues And Other Financing Sources	\$ 83,694,275	\$ 85,757,688	\$ 85,707,344	\$ 74,666,874
Expenditures	83,620,234	88,109,413	88,629,639	76,967,435
Other Uses and Transfers Out	-	-	-	-
Total Expenditures and Other Uses and Transfers out	83,620,234	88,109,413	88,629,639	76,967,435
Net Change in Fund Balance	74,041	(2,351,725)	(2,922,295)	(2,300,561)
Prior period adjustment	-	-	26,330	-
Ending Fund Balance	\$ 5,975,769	\$ 5,901,728	\$ 8,253,453	\$ 11,149,418
Available Reserves ²	\$ 4,729,579	\$ 4,694,617	\$ 7,556,517	\$ 8,401,032
Available Reserves As A Percentage of Outgo ³	5.66%	5.61%	8.91%	11.33%
Long-term Debt	\$ 277,984,677	\$ 297,087,716	\$ 305,241,719	\$ 314,269,122
Average Daily Attendance At P-2	6,070	6,302	6,371	6,409

The General Fund fund balance has decreased by \$5,247,690 over the past two fiscal years. The fiscal year 2020-21 budget projects an increase of \$74,041. For a district this size, the State recommends available reserves of at least three percent of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in each the past three fiscal years and anticipates incurring an operating surplus during the 2020-21 fiscal year. Total long-term obligations have decreased by \$17,181,406 over the past two fiscal years.

Average daily attendance (ADA) has decreased by 107 over the past two fiscal years. A decrease of 232 ADA is anticipated during the 2020-21 fiscal year.

¹ Budget 2021 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ On behalf payments of \$4,459,770, \$3,794,261, and \$2,817,004 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2020, 2019, and 2018, respectively.

See accompanying note to supplementary information.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2020

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Catalog (CFDA) Number	Pass-through Entity Identifying Number	Federal Expenditures
Federal Programs:			
U.S. Department of Education:			
Passed through the California Department of Education:			
Every Student Succeeds Act (ESSA)			
Title I, Part A, Improving Basic Programs Operated by State and LEA	84.010	14329	\$ 104,146
Title II, Part A, Supporting Effective Instruction	84.367	14341	38,055
Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	10,282
Individuals with Disabilities Education Act (IDEA)			
Special Education (IDEA) State Grants Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,473,284
Local Assistance Entitlement, Part B, Section 611 Private School ISP's	84.027	10115	47,251
Preschool Grants, Part B, Section 619	84.173A	13430	71,038
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	346,421
Preschool Staff Development, Part B, Sec 619	84.173A	13431	289
Total Special Education Cluster			* <u>1,938,283</u>
Total U.S. Department of Education			<u>2,090,766</u>
U.S Department of Treasury			
Passed through the California Department of Education:			
Coronavirus Relief Fund: Learning Loss Mitigation	21.019	10149	<u>96,069</u>
Total U.S Department of Treasury			<u>96,069</u>
U.S. Department of Agriculture:			
Passed through the California Department of Education:			
Child Nutrition Cluster			
School Programs (NSL Sec 4)	10.555	13523	83,502
School Programs (NSL Sec 11)	10.555	13524	50,101
School Programs (School Breakfast Basic)	10.553	13525	31,614
Food Distribution	10.555	13524	106,183
Total Child Nutrition Cluster			<u>271,400</u>
Total U.S. Department of Agriculture			<u>271,400</u>
Total Expenditures of Federal Awards			<u>\$ 2,458,235</u>
Reconciliation to Federal Revenues			
Total Federal Program Expenditures			\$ 2,458,235
Revenue in excess of expenditures related to Federal Entitlements:			
Emergency Impact Aid for Displaced Students			19,125
Expenditures in excess of revenues related to Federal Entitlements:			
Coronavirus Relief Fund: Learning Loss Mitigation			<u>(96,069)</u>
Total Federal Program Revenues			<u>\$ 2,381,291</u>

* Denotes major program

The accompanying note is an integral part of this schedule.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF UNAUDITED ACTUALS WITH
AUDITED FINANCIAL STATEMENTS**

June 30, 2020

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund
June 30, 2020, unaudited actual fund balances	\$ 5,997,797	\$ 1,441,482	\$ 14,789,191	\$ 5,597,424
Overstatement of accounts receivable	(96,069)			
June 30, 2020, audited financial statements fund balances	<u>\$ 5,901,728</u>	<u>\$ 1,441,482</u>	<u>\$ 14,789,191</u>	<u>\$ 5,597,424</u>
	Special Reserve Fund for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	Community Preschool Fund	Internal Service Fund
June 30, 2020, unaudited actual fund balances/net position	<u>\$ 164,035</u>	<u>\$ 22,352,814</u>	\$ 963,454	<u>\$ 86,505</u>
Undertstatement of deferred outflows related to net pension liability			1,201,995	
Understatement of net pension liability			(4,141,165)	
Undertstatement of deferred inflows related to net pension liability			<u>(208,725)</u>	
June 30, 2020, audited financial statements fund balances/net position	<u>\$ 164,035</u>	<u>\$ 22,352,814</u>	<u>\$ (2,184,441)</u>	<u>\$ 86,505</u>

This schedule provides the information necessary to reconcile the fund balances/net position of all funds as reported on the unaudited actual to the audited financial statements.

See accompanying note to the supplementary information

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT

NOTE TO THE SUPPLEMENTARY INFORMATION For Fiscal Year Ended June 30, 2020

NOTE 1 – PURPOSE OF SCHEDULES

Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208.

Schedule of Financial Trends and Analysis

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

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Manhattan Beach Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

For the fiscal year ended June 30, 2020, the District did not have payments passed through to other agencies.

Reconciliation of Unaudited Actuals with Audited Financial Statements

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



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES
9465 WILSHIRE BLVD., 3RD FLOOR
BEVERLY HILLS, CA 90212
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES
5800 HANNUM AVENUE, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

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

Governing Board
Manhattan Beach Unified School District
Manhattan Beach, California

We have audited, in accordance with the 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, the 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 (the "District"), as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 25, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Moss, Levy & Hartzheim, LLP
Culver City, CA
March 25, 2021



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES
9465 WILSHIRE BLVD., 3RD FLOOR
BEVERLY HILLS, CA 90212
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES
5800 HANNUM AVENUE, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Governing Board
Manhattan Beach Unified School District
Manhattan Beach, California

Report on State Compliance

We have audited the Manhattan Beach Unified School District’s (the “District”) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting, prescribed by Title 5, California Code of Regulations, Section 19810*, that could have a direct and material effect on each of the District’s state programs identified below for the fiscal year ended June 30, 2020.

Management’s Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the District’s state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *2019-2020 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting, prescribed by Title 5, California Code of Regulations, Section 19810*. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District’s compliance with those requirements.

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the fiscal year ended June 30, 2020.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items:

Description	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOL:	
Attendance accounting	
Attendance reporting	Yes
Teacher certification and misassignments	Yes
Kindergarten continuance	Yes
Independent study	No, see below
Continuation education	No, see below
Instructional time	Yes
Instructional materials	Yes
Ratios of administrative employees to teachers	Yes
Classroom teacher salaries	Yes
Early retirement incentive	No, see below
Gann limit calculation	Yes
School accountability report card	Yes
Juvenile court schools	No, see below
Middle or early college high schools	No, see below
K-3 grade span adjustment	Yes
Transportation maintenance of effort	Yes
Apprenticeship, related and supplemental instruction	No, see below
Comprehensive school safety plan	Yes
District of choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
California clean energy jobs act	Yes
After school education and safety program	
After school	No, see below
Before school	No, see below
General requirements	No, see below
Proper expenditures of education protection account funds	Yes
Unduplicated local control funding pupil counts	Yes
Local control and accountability plan	Yes
Independent study-course based	No, see below

The District's Independent Study Program is below the level required for testing; therefore, we did not perform procedures related to the Independent Study Program.

The District does not offer a Continuation Education Attendance Program; therefore, we did not perform procedures related to the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District did not offer Apprenticeship, Related and Supplemental Instruction Program; therefore, we did not perform the remaining procedures

The District did not elect to operate as a School District of Choice; therefore, we did not perform any procedures related to School District of Choice.

The District does not offer an After-School Education and Safety Program; therefore, we did not perform any procedures related to the After School Education and Safety Program.

The District does not offer an Independent Study - Course Based Program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, not to provide an opinion of all the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with *2019-2020 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting, prescribed by Title 5, California Code of Regulations, Section 19810*, in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim
Moss, Levy & Hartzheim, LLP
Culver City, California
March 25, 2021



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES
9465 WILSHIRE BLVD., 3RD FLOOR
BEVERLY HILLS, CA 90212
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES
5800 HANNUM AVENUE, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

Governing Board
Manhattan Beach Unified School District
Manhattan Beach, California

Report on Compliance for Each Major Federal Program

We have audited the Manhattan Beach Unified School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the fiscal year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the fiscal year ended June 30, 2020.

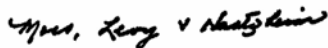
Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify and deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Moss, Levy & Hartzheim, LLP
Culver City, CA
March 25, 2021

FINDINGS AND RECOMMENDATIONS SECTION

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified Yes X No

Significant deficiencies identified not considered to be material weaknesses Yes X None reported

Noncompliance material to financial statements noted Yes X No

Federal Awards

Internal control over major programs:

Material weaknesses identified Yes X No

Significant deficiencies identified not considered to be material weaknesses Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, 2 CFR 200.516 (a) Yes X No

Identification of major programs

CFDA Number (s) Name of Federal Program/Cluster

84.027, 84.173, 84.027A, 84.173A Special Education (IDEA) Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee: X Yes No

State Awards

Any audit findings disclosed that are required to be reported in accordance with Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting Yes X No

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

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2020

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – Schedule of State Award Findings and Questioned Costs

None reported.

MANHATTAN BEACH UNIFIED SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2020

Section II – Financial Statement Findings

There were no financial statement findings in the prior year.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings in the prior year.

Section IV – Schedule of State Award Findings and Questioned Costs

There were no State award findings in the prior year.