



**BEVERLY HILLS  
UNIFIED SCHOOL DISTRICT**

---

**ANNUAL FINANCIAL REPORT**

---

**JUNE 30, 2006**

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**OF LOS ANGELES COUNTY**

**BEVERLY HILLS, CALIFORNIA**

**JUNE 30, 2006**

---

**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Myra Lurie	President	2007
John D. Millan	Vice President	2007
Myra Demeter, Ph.D.	Member	2009
Nooshin Meshkoty	Member	2009
Alissa Roston	Member	2007

**ADMINISTRATION**

Jeffrey Hubbard, Ph.D.	Superintendent
Mick McClatchey	Assistant Superintendent, Business Services
Susan Liberati	Assistant Superintendent, Educational Services K-12
Sal Gumina	Assistant Superintendent, Human Resources

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## TABLE OF CONTENTS JUNE 30, 2006

---

### ***FINANCIAL SECTION***

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

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

General Fund - Budgetary Comparison Schedule	47
--	----

### ***SUPPLEMENTARY INFORMATION***

Schedule of Expenditures of Federal Awards	49
Schedule of Average Daily Attendance	50
Schedule of Instructional Time	51
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	52
Schedule of Financial Trends and Analysis	53
Note to Supplementary Information	54

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

Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet - Unaudited	56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Unaudited	57
Note to Supplementary Information - Unaudited	58

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

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	62
Report on State Compliance	64

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

Summary of Auditors' Results	67
Financial Statement Findings	68
Federal Award Findings and Questioned Costs	70
State Award Findings and Questioned Costs	72
Summary Schedule of Prior Audit Findings	73

---

---

***FINANCIAL SECTION***

---

---





## INDEPENDENT AUDITORS' REPORT

Governing Board  
Beverly Hills Unified School District  
Beverly Hills, California

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2005-06*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 12 and budgetary comparison information on page 47, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*Vannud, Tim, Day & Co., LLP*

Rancho Cucamonga, California  
January 12, 2007



Beverly Hills Unified School District  
255 South Lasky Drive  
Beverly Hills, California 90212-3697  
(310) 551-5100

This section of Beverly Hills Unified School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2006, with comparative information from 2005. Please read it in conjunction with the District's financial statements, which immediately follow this section.

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

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the District-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short term*, as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year.

#### ***District-Wide Statements***

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets and liabilities with the exception of other post employment benefits. All of the current year's revenues and expenses are accounted for in the *Statement of Activities* regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's condition of school buildings and other facilities.

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

---

### *Governmental Activities*

Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term obligations) or to show that it is properly using certain revenues (like State grants for building projects).

The District has two kinds of funds:

***Governmental funds*** - Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

***Fiduciary funds*** - The District is the trustee, or *fiduciary*, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006**

---

***FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE***

***Net Assets***

The District's net assets were \$30,456,777 for the fiscal year ended June 30, 2006. Of this amount, \$(1,521,987) was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

**Table 1**

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Current and other assets	\$ 88,152,793	\$ 38,712,392
Capital assets	111,741,621	99,307,470
<b>Total Assets</b>	<u>199,894,414</u>	<u>138,019,862</u>
<b>Liabilities</b>		
Current liabilities	11,340,346	10,294,519
Long-term obligations	158,097,291	110,565,170
<b>Total Liabilities</b>	<u>169,437,637</u>	<u>120,859,689</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	14,515,197	4,993,647
Restricted	17,463,567	8,250,934
Unrestricted	(1,521,987)	3,915,592
<b>Total Net Assets</b>	<u>\$ 30,456,777</u>	<u>\$ 17,160,173</u>

The \$(1,521,987) in unrestricted net assets of governmental activities represents *accumulated* results of all past years' operations.

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

---

### *Changes in Net Assets*

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

**Table 2**

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 1,482,456	\$ 1,297,715
Operating grants and contributions	6,909,502	11,945,776
Capital grants and contributions	3,526,506	-
General revenues:		
Federal and State aid not restricted	9,799,216	8,114,090
Property taxes	31,523,778	30,805,159
Other general revenues	17,285,961	11,338,287
<b>Total Revenues</b>	<u>70,527,419</u>	<u>63,501,027</u>
<b>Expenses</b>		
Instruction related	39,679,992	37,048,342
Student support services	2,883,565	2,614,759
Administration	4,863,319	3,975,041
Maintenance and operations	7,824,027	5,899,784
Other	1,979,912	11,364,547
<b>Total Expenses</b>	<u>57,230,815</u>	<u>60,902,473</u>
<b>Change in Net Assets</b>	<u>\$ 13,296,604</u>	<u>\$ 2,598,554</u>

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006**

---

*Governmental Activities*

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$57.2 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes were \$31.5 million because the cost was paid by those who benefited from the programs (\$1.5 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$10.4 million). We paid for the remaining "public benefit" portion of our governmental activities, \$9.8 million in Federal and State funds and with other revenues, like interest, City JPA funds and general entitlements.

In Table 3, we have presented the cost of each of the District's eight largest functions - regular program instruction, instruction-related activities, other pupil services, general administration, maintenance and operations, ancillary services, interest on long-term obligations and other outgo, as well as each program's net cost (total cost less revenues generated by the activities). 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**

	2006		2005	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 33,785,060	\$ 24,710,505	\$ 31,890,727	\$ 25,623,415
Instruction-related activities	5,894,932	4,567,606	5,157,615	3,912,648
Other pupil services	2,883,565	1,505,427	2,614,759	1,327,502
General administration	4,863,319	4,749,179	3,975,041	3,780,038
Maintenance and operations	7,824,027	7,799,722	5,899,784	5,873,677
Ancillary services	457,518	457,518	356,226	356,226
Interest on long-term obligations	1,473,950	1,473,950	5,280,711	5,280,711
Other	48,444	48,444	5,727,610	1,504,765
<b>Totals</b>	<b>\$ 57,230,815</b>	<b>\$ 45,312,351</b>	<b>\$ 60,902,473</b>	<b>\$ 47,658,982</b>

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

---

### *FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS*

As the District completed the year, our governmental funds reported a combined fund balance of \$72.8 million, which is an increase of \$41.8 million from last year.

The General Fund reflects two areas of deficit spending:

- The expenditure of restricted carryovers to comply with grant requirements.
- The reduction of unrestricted revenues from the State of California due to mid-year cuts.

**Table 4**

	Fund Balance	
	June 30, 2006	June 30, 2005
General Fund	\$ 5,735,604	\$ 6,353,167
Building Fund	51,210,822	15,815,342
Bond Interest and Redemption Fund	6,303,151	4,744,762
Adult Education Fund	166,861	86,173
Cafeteria Fund	68,945	183,992
Deferred Maintenance Fund	828,530	1,022,055
Special Reserve Non-Capital Fund	5,288	5,083
Capital Facilities Fund	3,174,628	2,580,109
County School Facilities Fund	3,641,369	58
Special Reserve Capital Fund	1,653,272	213,531
<b>Totals</b>	<b>\$ 72,788,470</b>	<b>\$ 31,004,272</b>

The primary reasons for these changes are:

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund decreased \$6,353,167 to \$5,735,604. This decrease is due to:
  1. Expending prior year Restricted Fund Balances.
- b. The Building Fund shows an increase of \$35,395,480 due to the issuance of \$45,000,000 in Bonds authorized by Measure K.
- c. The Bond Interest and Redemption Fund increased \$1,558,389, because taxes collected exceeded annual payments on General Obligation Bond debt.

### ***General Fund Budgetary Highlights***

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on March 14, 2006. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 47).

- Significant revenue revisions made to the 2005-2006 Budget were due to increased categorical funding.



# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

---

### *CAPITAL ASSET AND DEBT ADMINISTRATION*

#### *Capital Assets*

By June 30, 2006, the District had invested \$111.7 million in a broad range of capital assets, including land, school buildings and other furniture and equipment valued over \$5,000. (See Table 5) (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year exceeded \$2.4 million, while the completion of the high school auditorium, modernization and acquisitions of equipment and furniture amounted to \$14.9 million in additions to Capital Assets.

**Table 5**

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Land	\$ 2,933,062	\$ 2,933,062
Construction in progress	22,325,412	12,107,152
Buildings and improvements	101,633,671	99,391,428
Site improvements	6,701,034	4,553,716
Furniture and equipment	3,518,754	3,261,608
Accumulated depreciation	(25,370,312)	(22,939,496)
<b>Totals</b>	<b><u>\$ 111,741,621</u></b>	<b><u>\$ 99,307,470</u></b>

This year's major additions included:

Horace Mann Elementary School Modernization	\$ 1,834,676
Elementary School Playgrounds	2,471,521
Equipment and other site improvements	340,510

The District's anticipates spending approximately \$38 million for capital projects, principally in four areas over next the three years:

Beverly Vista Building E	\$ 7,331,199
High School Science Building	10,219,953
HVAC System at the High School	968,251
Moderinization at three elementary schools	14,024,995
	<b><u>\$ 32,544,398</u></b>

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

---

### *Long-Term Obligations*

At year-end, the District had \$158.1 million in general obligation bonds and other long-term obligations outstanding – an increase of 43% from last year as shown in Table 6.

- The District continued to pay down its debt, retiring \$4.5 million of outstanding bonds.
- The District refinanced two prior bond issuances and issued the remaining \$45,000,000 of the Measure K authorized bonds.

**Table 6**

	Governmental Activities	
	2006	2005
General obligation bonds (net of premium)	\$154,757,333	\$107,234,765
Energy lease	2,843,554	2,894,400
Accumulated vacation-net	496,404	436,005
<b>Totals</b>	<b>\$158,097,291</b>	<b>\$110,565,170</b>

More detailed information about the District's long-term obligations is presented in Note 8 to the financial statements.

### ***SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2005-2006 ARE NOTED BELOW:***

- Continued the \$92 million Bond projects which includes renovating.
- The HVAC system at the High School is completed.
- The construction of Beverly Vista Building B is expected to be completed September 2007.
- The construction of the High School Science building is expected to be completed September 2007.
- Modernization of the Horace Mann, Hawthorne and El Rodeo is anticipated to begin summer 2007.

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

In considering the District Budget for the 2006-2007 year, the Governing Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Revenue limit income
2. State income will increase by 3.46% for Revenue Limit and categoricals by 3.93%

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006**

---

Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through third	20:1	947
Grades four through eight	29:1	1,976
Grades nine through twelve	29:1	2,230

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

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office, 255 South Lasky Dr., Beverly Hills, California 90212.

*This page left blank intentionally.*

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2006

---

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 71,702,676
Receivables	10,080,456
Prepaid expenses	1,563,663
Stores inventories	33,538
Other current assets	4,772,460
Capital assets	
Land and construction in process	25,258,474
Other capital assets	111,853,459
Less: Accumulated depreciation	<u>(25,370,312)</u>
Total Capital Assets, Net	<u>111,741,621</u>
<b>Total Assets</b>	<u><u>199,894,414</u></u>
<b>LIABILITIES</b>	
Accounts payable	8,910,808
Interest payable	2,157,335
Deferred revenue	272,203
Long-term obligations	
Current portion of long-term obligations	10,224,276
Noncurrent portion of long-term obligations	<u>147,873,015</u>
Total Long-Term Obligations	<u>158,097,291</u>
<b>Total Liabilities</b>	<u><u>169,437,637</u></u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	14,515,197
Restricted for:	
Debt service	6,303,151
Capital projects	8,469,269
Educational programs	1,621,523
Other activities	1,069,624
Unrestricted	<u>(1,521,987)</u>
<b>Total Net Assets</b>	<u><u>\$ 30,456,777</u></u>

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

*This page left blank intentionally.*

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Instruction	\$ 33,785,060	\$ 461,335	\$ 5,086,714	\$ 3,526,506	\$ (24,710,505)
Instruction-related activities:					
Supervision of instruction	1,641,378	48,079	712,680	-	(880,619)
Instructional library, media, and technology	1,005,995	7,402	6,011	-	(992,582)
School site administration	3,247,559	150,210	402,944	-	(2,694,405)
Pupil services:					
Home-to-school transportation	157,496	-	59,447	-	(98,049)
Food services	1,115,501	808,012	107,478	-	(200,011)
All other pupil services	1,610,568	-	403,201	-	(1,207,367)
General administration:					
Data processing	121,526	-	-	-	(121,526)
All other general administration	4,741,793	-	114,140	-	(4,627,653)
Plant services	7,824,027	7,418	16,887	-	(7,799,722)
Ancillary services	457,518	-	-	-	(457,518)
Community services	48,444	-	-	-	(48,444)
Interest on long-term liabilities	1,473,950	-	-	-	(1,473,950)
<b>Total Governmental Activities</b>	<b>\$ 57,230,815</b>	<b>\$ 1,482,456</b>	<b>\$ 6,909,502</b>	<b>\$ 3,526,506</b>	<b>(45,312,351)</b>
General revenues and subventions:					
Property taxes, levied for general purposes					22,186,786
Property taxes, levied for debt service					9,336,992
Taxes levied for other specific purposes					37,105
Federal and State aid not restricted to specific purposes					9,799,216
Interest and investment earnings					2,793,819
Miscellaneous					14,455,037
<b>Subtotal, General Revenues</b>					<b>58,608,955</b>
<b>Change in Net Assets</b>					<b>13,296,604</b>
Net Assets - Beginning					17,160,173
Net Assets - Ending					<b>\$ 30,456,777</b>

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

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2006**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>
<b>ASSETS</b>			
Deposits and investments	\$ 2,854,154	\$ 54,363,016	\$ 6,303,151
Receivables	7,385,187	880,405	-
Due from other funds	-	-	-
Stores inventory	510	-	-
Other current assets	154,811	-	-
<b>Total Assets</b>	<u>\$ 10,394,662</u>	<u>\$ 55,243,421</u>	<u>\$ 6,303,151</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	4,382,116	4,032,599	-
Due to other funds	19,565	-	-
Deferred revenue	257,377	-	-
<b>Total Liabilities</b>	<u>4,659,058</u>	<u>4,032,599</u>	<u>-</u>
<b>FUND BALANCES</b>			
Reserved	3,001,254	-	-
Unreserved:			
Designated	2,734,350	-	-
Undesignated, reported in:			
Special revenue funds	-	-	-
Debt service funds	-	-	6,303,151
Capital projects funds	-	51,210,822	-
<b>Total Fund Balance</b>	<u>5,735,604</u>	<u>51,210,822</u>	<u>6,303,151</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 10,394,662</u>	<u>\$ 55,243,421</u>	<u>\$ 6,303,151</u>

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



---

<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 8,182,355	\$ 71,702,676
1,814,864	10,080,456
19,565	19,565
33,028	33,538
-	154,811
<u>\$ 10,049,812</u>	<u>\$ 81,991,046</u>
496,093	8,910,808
-	19,565
14,826	272,203
<u>510,919</u>	<u>9,202,576</u>
33,028	3,034,282
-	2,734,350
1,036,596	1,036,596
-	6,303,151
8,469,269	59,680,091
<u>9,538,893</u>	<u>72,788,470</u>
<u>\$ 10,049,812</u>	<u>\$ 81,991,046</u>

*This page left blank intentionally.*

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006**

---

<b>Total Fund Balance - Governmental Funds</b>		\$ 72,788,470
<b>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$137,111,933	
Accumulated depreciation is	<u>(25,370,312)</u>	
Net Capital Assets		111,741,621
The District refunded portions of its 1998 and 2002 General Obligation Bonds. The difference between the amount that was sent to the trustee of the escrow account and the amount of the principal outstanding on the refunded obligations is amortized as an adjustment to interest expense over the remaining life of the refunded bonds. This balance represents the unamortized deferred charges on refunding remaining balance at June 30, 2006.		4,617,649
Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but should not be recognized in accrual basis.		1,563,663
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.		(2,157,335)
Long-term obligations, including general obligation bonds and other long-term obligations, are not due and payable in the current period and, therefore, are not reported as obligations in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	(145,593,692)	
Energy lease	(2,843,554)	
Compensated absences	(496,404)	
Unamortized premium	<u>(9,163,641)</u>	
Total Long-Term Obligations		<u>(158,097,291)</u>
<b>Total Net Assets - Governmental Activities</b>		<u><u>\$ 30,456,777</u></u>

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

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Building Fund	Bond Interest and Redemption Fund
<b>REVENUES</b>			
Revenue limit sources	\$ 30,044,994	\$ -	\$ -
Federal sources	2,078,655	-	-
Other State sources	6,958,820	-	22,412
Other local sources	11,064,792	2,255,981	9,535,619
<b>Total Revenues</b>	<u>50,147,261</u>	<u>2,255,981</u>	<u>9,558,031</u>
<b>EXPENDITURES</b>			
Current			
Instruction	30,920,442	-	-
Instruction-related activities:			
Supervision of instruction	1,641,021	-	-
Instructional library, media and technology	1,005,995	-	-
School site administration	2,754,087	-	-
Pupil services:			
Home-to-school transportation	157,496	-	-
Food services	-	-	-
All other pupil services	1,610,568	-	-
General administration:			
Data processing	121,526	-	-
All other general administration	4,493,272	-	-
Plant services	7,152,445	-	-
Facility acquisition and construction	176,385	14,193,629	-
Ancillary services	457,309	-	-
Community services	48,444	-	-
Debt service			
Principal	50,846	-	7,962,390
Interest and other	115,243	-	3,961,906
<b>Total Expenditures</b>	<u>50,705,079</u>	<u>14,193,629</u>	<u>11,924,296</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(557,818)</u>	<u>(11,937,648)</u>	<u>(2,366,265)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	220,000	-	-
Other sources	-	47,553,128	91,791,911
Transfers out	(279,745)	(220,000)	-
Other uses	-	-	(87,867,257)
<b>Net Financing Sources (Uses)</b>	<u>(59,745)</u>	<u>47,333,128</u>	<u>3,924,654</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(617,563)</u>	<u>35,395,480</u>	<u>1,558,389</u>
<b>Fund Balance - Beginning</b>	<u>6,353,167</u>	<u>15,815,342</u>	<u>4,744,762</u>
<b>Fund Balance - Ending</b>	<u>\$ 5,735,604</u>	<u>\$ 51,210,822</u>	<u>\$ 6,303,151</u>

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

---

<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 783,692	\$ 30,828,686
177,005	2,255,660
3,789,913	10,771,145
<u>3,815,535</u>	<u>26,671,927</u>
<u>8,566,145</u>	<u>70,527,418</u>
676,212	31,596,654
357	1,641,378
-	1,005,995
475,867	3,229,954
-	157,496
1,114,583	1,114,583
-	1,610,568
-	121,526
-	4,493,272
462,309	7,614,754
668,670	15,038,684
-	457,309
-	48,444
-	8,013,236
-	4,077,149
<u>3,397,998</u>	<u>80,221,002</u>
<u>5,168,147</u>	<u>(9,693,584)</u>
279,745	499,745
-	139,345,039
-	(499,745)
-	(87,867,257)
<u>279,745</u>	<u>51,477,782</u>
5,447,892	41,784,198
4,091,001	31,004,272
<u>\$ 9,538,893</u>	<u>\$ 72,788,470</u>

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

---

<b>Total Net Change in Fund Balances - Governmental Funds</b>		\$41,784,198
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.		
This is the amount by which capital outlays exceeds depreciation expense in the period.		
Capital outlays	\$14,864,967	
Depreciation expense	<u>(2,430,816)</u>	
		12,434,151
In the statement of activities, certain operating expense - compensated absences (vacation) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was less than the amounts earned by:		(60,399)
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the statement of net assets and does not affect the statement of activities:		
Sale of general obligation bonds		(45,000,000)
Refunding general obligation bonds		(83,739,964)
Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these related items:		
Premium on issuance	(10,605,074)	
Cost of issuance	1,757,646	
Deferred amount on refunding	<u>5,387,257</u>	
Combined adjustment		(3,460,171)
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities:		
General obligation bonds		90,442,390
Other long-term obligations - Equipment Lease		<u>50,846</u>

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

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2006**

---

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

Amortization of debt premium	\$ 1,441,433	
Amortization of cost of issuance	(193,983)	
Amortization of deferred amount on refunding	<u>(769,608)</u>	
Combined adjustment		\$ 477,842

Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the result of two factors. First, accrued interest on the general obligation bonds decreased by \$429,064 and second, \$61,353 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

**Change in Net Assets of Governmental Activities**

<u>367,711</u>
<u>\$13,296,604</u>

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

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2006**

---

	<u>Agency Funds</u>
<b>ASSETS</b>	
Deposits and investments	\$ 382,231
<b>LIABILITIES</b>	
Accounts payable	1,065
Due to student groups	<u>381,166</u>
<b>Total Liabilities</b>	<u>\$ 382,231</u>

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



# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Financial Reporting Entity**

The Beverly Hills Unified School District was unified in 1935 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 four elementary, one high school, and one adult school.

A reporting entity is comprised of the primary government, 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 Beverly Hills Unified School District, this includes general operations, food service, and student related activities of the District.

#### **Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of the taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes the component unit discussed below is not reported in the District's financial statements. The component unit meets the criteria established in Government Accounting Standards Board (GASB) 14 as amended by GASB 39 based on its significance and relationship to the District. However, based on the reasons indicated below the Beverly Hills Education Foundation is not included in this report.

**The Beverly Hills Education Foundation** The Beverly Hills Education Foundation (the "Foundation") is a legally separate, tax-exempt entity. The Foundation's sole purpose is to provide financial support for Beverly Hills 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 considered a component unit of the District. During the year ended June 30, 2006, the Foundation contributed \$416,398 to the District.

**Financial Statement Presentation** For financial statement purposes, the Foundation's financial activity should be discretely presented in the District's financial statements. However, current audited financial information was not available at the time of the District's audit.

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

---

### Other Related Entities

**Joint Powers Agencies and Public Entity Risk Pools** The District is associated with four joint powers agencies, which are also public entity risk pools. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 14 to the financial statements. These organizations are:

- Schools Linked for Insurance Management (SLIM)
- Alliance of Schools for Cooperative Insurance Programs (ASCIP)
- LARISA
- Schools Excess Liability Fund (SELF)

### 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 two broad fund categories: governmental and fiduciary.

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

#### Major Governmental Funds

**General Fund** The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

**Building Fund** The Building Fund exists primarily to account separately for proceeds from sale of bonds and the acquisition of major governmental capital facilities and buildings.

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

#### Non-Major Governmental Funds

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

**Adult Education Fund** The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

---

**Cafeteria Fund** The Cafeteria Fund is used to account for the financial transactions related to the food service operations of the District.

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

**Special Reserve Non-Capital Fund** The Special Reserve Non-Capital Fund is used to provide for the accumulation of General Fund monies for general operating purposes.

**Capital Projects Funds** The Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental fixed assets. The District maintains the following capital projects funds:

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

**County School Facilities Fund** The County School Facilities Fund is used primarily to account separately for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17010.10-17076.10).

**Special Reserve Capital Outlay Fund** The Special Reserve Capital Outlay Fund is used to account for funds set aside for Board designated construction projects.

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

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).

### **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 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 direct expenses and program revenues of each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of 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 is self-financing or draws from the general revenues of the District.

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

---

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

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental 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 a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

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

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45, 60 or 90 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.

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 requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, 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.

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

---

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

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

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

### **Investments**

Investments held at June 30, 2006, 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.

### **Restricted Assets**

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

### **Prepaid Expenditures**

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

### **Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost on weighted average. The costs of inventory items are recorded as expenditures in the governmental type funds when used.

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

---

### Capital Assets and Depreciation

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

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

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

### Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net assets.

### Compensated Absences

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

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

### Accrued Liabilities and Long-Term Obligations

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



# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

---

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 long-term loans are recognized as liabilities in the governmental fund financial statements when due.

### **Deferred Issuance Costs, Premiums and Discounts**

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

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

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

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund balance designations have been established for economic uncertainties.

### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements report \$17,463,567 of restricted net assets.

### **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.

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

---

### **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 purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

### **Property Tax**

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

### **Changes in Accounting Principles**

In November 2003, GASB issued GASBS No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes guidance for accounting and reporting for impairment of capital assets and for insurance recoveries, whether associated with an impaired capital asset or not. This Statement is effective for periods beginning after December 31, 2004, or during the 2005-06 fiscal year.

In December 2004, GASB issued GASBS No. 46, *Net Assets Restricted by Enabling Legislation*. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government, such as citizens, public interest groups, or the judiciary, can compel a government to honor. The Statement states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. Although the determination that a particular restriction is not legally enforceable may cause a government to review the enforceability of other restrictions, it should not necessarily lead a government to the same conclusion for all enabling legislation restrictions.

This Statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2005.



# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

---

### **New Accounting Pronouncements**

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

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

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

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

---

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2006, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 71,702,676
Fiduciary funds	382,231
Total Deposits and Investments	<u>\$ 72,084,907</u>

Deposits and investments as of June 30, 2006, consist of the following:

Cash on hand and in banks	\$ 390,049
Cash in revolving	50,000
Investments	71,644,858
Total Deposits and Investments	<u>\$ 72,084,907</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.

The District is an involuntary participant in the Los Angeles County investment pool. The pool is managed by the Los Angeles County Treasurer and is not registered as an investment company with the Securities Exchange Commission. Oversight of the pool is the responsibility of the County Treasury Oversight Committee. California Government Code statutes and the County Treasury Oversight Committee set forth the various investment policies that the Treasurer follows.

As provided by the government Code, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to the participating funds based upon the funds average daily deposit balance during the allocation period.

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

---

### General Authorizations

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

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

### Interest Rate Risk

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

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

### Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Fair Value	Weighted Average Maturity In Days
County Pool	\$ 70,152,477	251
Money Market Mutual Funds	1,329,221	27
Total	<u>\$ 71,481,698</u>	

### 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. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End
County Pool	\$ 70,152,477	None	None
Money Market Mutual Funds	1,329,221	None	AAAm
Total	<u>\$ 71,481,698</u>		

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2006, the District's bank balance of \$424,889 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

---

**NOTE 3 - RECEIVABLES**

Receivables at June 30, 2006, 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>Total Governmental Activities</u>
Federal Government				
Categorical aid	\$ 255,742	\$ -	\$ 11,260	\$ 267,002
State Government				
Apportionment	1,394,072	-	-	1,394,072
Categorical aid	356,093	-	114,041	470,134
Lottery	210,382	-	-	210,382
Local Government				
Interest	34,546	880,405	106,192	1,021,143
Other Local Sources	5,134,352	-	1,583,371	6,717,723
Total	<u>\$ 7,385,187</u>	<u>\$ 880,405</u>	<u>\$ 1,814,864</u>	<u>\$ 10,080,456</u>

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2006**

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<b>Governmental Activities</b>				
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 2,933,062	\$ -	\$ -	\$ 2,933,062
Construction in progress	12,107,152	14,524,457	4,306,197	22,325,412
Total Capital Assets Not Being Depreciated	15,040,214	14,524,457	4,306,197	25,258,474
<b>Capital Assets Being Depreciated</b>				
Buildings and improvements	99,391,428	2,242,243	-	101,633,671
Site improvements	4,553,716	2,147,318	-	6,701,034
Furniture and equipment	3,261,608	257,146	-	3,518,754
Total Capital Assets Being Depreciated	107,206,752	4,646,707	-	111,853,459
<b>Less Accumulated Depreciation</b>				
Buildings and improvements	19,277,904	204,704	-	19,482,608
Site improvements	1,833,392	1,945,868	-	3,779,260
Furniture and equipment	1,828,200	280,244	-	2,108,444
Total Accumulated Depreciation	22,939,496	2,430,816	-	25,370,312
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 99,307,470</b>	<b>\$ 16,740,348</b>	<b>\$ 4,306,197</b>	<b>\$ 111,741,621</b>

Depreciation expense was charged to governmental functions as follows:

<b>Governmental Activities</b>		
Instruction		\$ 2,187,734
All other general administration		243,082
Total Depreciation Expenses Governmental Activities		<u>\$ 2,430,816</u>

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 5 - INTERFUND TRANSACTIONS**

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

Interfund receivable and payable balances at June 30, 2006, between major and non-major governmental funds, are as follows:

<u>Due To</u>	<u>Due From</u>
<u>Non-Major Governmental Funds</u>	<u>General Fund</u>
	<u>\$ 19,565</u>

**Operating Transfers**

Interfund transfers for the year ended June 30, 2006, consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u>		
	<u>General Fund</u>	<u>Building Fund</u>	<u>Total</u>
General Fund	\$ -	\$ 220,000	\$ 220,000
Non-Major Governmental Funds	279,745	-	279,745
Total	<u>\$ 279,745</u>	<u>\$ 220,000</u>	<u>\$ 499,745</u>

The General Fund transferred to the Cafeteria Fund for operating costs.	\$ 59,745
The General Fund transferred to the Deferred Maintenance Fund for the annual required match.	220,000
The Building Fund transferred to the General Fund to support expenses for routine maintenance.	220,000
Total	<u>\$ 499,745</u>

**NOTE 6 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2006, consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>	<u>Fiduciary Fund</u>
Salaries and benefits	\$ 2,668,852	\$ 49,686	\$ 350,855	\$ 3,069,393	\$ -
Vendor payables	949,237	-	25,587	974,824	1,065
Construction	-	3,982,913	119,651	4,102,564	-
Other	764,027	-	-	764,027	-
Total	<u>\$ 4,382,116</u>	<u>\$ 4,032,599</u>	<u>\$ 496,093</u>	<u>\$ 8,910,808</u>	<u>\$ 1,065</u>

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 7 - DEFERRED REVENUE**

Deferred revenue at June 30, 2006, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 207,212	\$ -	\$ 207,212
State categorical aid	50,165	14,826	64,991
Total	<u>\$ 257,377</u>	<u>\$ 14,826</u>	<u>\$ 272,203</u>

**NOTE 8 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006	Due in One Year
General obligation bonds	\$107,234,765	\$128,801,317	\$90,442,390	\$145,593,692	\$ 8,549,735
Premiums on general obligation bonds	-	10,605,074	1,441,433	9,163,641	1,441,433
Energy program equipment lease payable	2,894,400	-	50,846	2,843,554	233,108
Accumulated unpaid employee vacation	436,005	60,399	-	496,404	-
	<u>\$110,565,170</u>	<u>\$139,466,790</u>	<u>\$91,934,669</u>	<u>\$158,097,291</u>	<u>\$10,224,276</u>

General Obligation Bonds are paid from tax revenues and are reported in the Bond Interest and Redemption Fund.

Energy program equipment lease payable is paid from unrestricted resources in the General Fund.

Accumulated unpaid employee vacation is paid from the resources of the fund for which the employee salary is funded.

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2005	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2006
June-98	May-08	4.50-7.00	\$ 62,000,000	\$ 52,535,000	\$ -	\$ -	\$ 48,540,000	\$ 3,995,000
June-01	May-20	4.00-5.50	13,600,000	11,570,000	-	-	530,000	11,040,000
May-02	August-16	3.00-5.90	44,999,260	43,129,765	-	61,353	37,390,000	5,801,118
August-05	August-30	3.40-5.00	45,000,000	-	45,000,000	-	-	45,000,000
July-05	June-24	2.70-5.25	47,354,973	-	47,354,973	-	2,197,944	45,157,029
July-05	August-26	2.70-5.25	36,384,991	-	36,384,991	-	1,784,446	34,600,545
			<u>\$ 107,234,765</u>	<u>\$ 128,739,964</u>	<u>\$ 128,739,964</u>	<u>\$ 61,353</u>	<u>\$ 90,442,390</u>	<u>\$ 145,593,692</u>



# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

---

### Debt Service Requirements to Maturity

#### General Obligation Bonds, 1998 Series B

On June 2, 1998, the District issued \$62,000,000 of General Obligation Bonds Series B. The bonds were issued to finance the rehabilitation, improvement and upgrading of classrooms and other facilities of the District. Interest rates range from 4.50 percent to 7.00 percent. During 2005 a portion of the bonds were refunded, see 2005 Series A Refunding Bonds. As of June 30, 2006, the principal balance outstanding was \$3,995,000.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2007	\$ 1,950,000	\$ 2,447,555	\$ 4,397,555
2008	2,045,000	2,359,805	4,404,805
Total	<u>\$ 3,995,000</u>	<u>\$ 4,807,360</u>	<u>\$ 8,802,360</u>

#### 2001 General Obligation Refunding Bonds

On June 8, 2001, the District issued \$13,600,000 General Obligation Refunding Bonds. The proceeds of these bonds were used to refund the outstanding principal of the District's General Obligation Bonds, 1995 Series A previously issued. Interest rates on the bonds range from 4.00 percent to 5.50 percent. As of June 30, 2006, the principal balance outstanding was \$11,040,000.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2007	\$ 550,000	\$ 571,800	\$ 1,121,800
2008	575,000	549,800	1,124,800
2009	605,000	526,800	1,131,800
2010	630,000	502,600	1,132,600
2011	660,000	477,400	1,137,400
2012-2016	3,935,000	1,797,400	5,732,400
2017-2020	4,085,000	578,600	4,663,600
Total	<u>\$ 11,040,000</u>	<u>\$ 5,004,400</u>	<u>\$ 16,044,400</u>

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### General Obligation Bonds, 2002 Series A

On May 30, 2002, the District issued \$44,999,260 of General Obligation Bonds. The bonds included \$44,120,000 in current interest bonds and \$879,260 in Capital Appreciation bonds totaling to the \$44,999,260. The Capital Appreciation bonds of \$879,260 accrete to a \$2,000,000 maturity value. The bonds were issued to finance the addition and modernization of school facilities. Interest rates range from 3.00 percent to 5.90 percent. As of June 30, 2006, the principal balance outstanding including accretion was \$5,801,118.

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Interest to Maturity	Total
2007	\$ 105,000	\$ -	\$ 1,999,211	\$ 2,104,211
2008	185,000	-	1,994,500	2,179,500
2009	440,000	-	1,983,794	2,423,794
2010	660,000	-	1,963,719	2,623,719
2011	965,000	-	1,932,044	2,897,044
2012-2016	2,360,000	-	2,825,116	5,185,116
2017	1,086,118	2,622,176	-	3,708,294
Total	\$ 5,801,118	\$ 2,622,176	\$ 12,698,384	\$ 21,121,678

### General Obligation Bonds, 2002 Series B

In August 2005, the District issued General Obligation Bonds, Election of 2002 Series B in the amount of \$45,000,000. The bonds were issued to finance certain addition and modernization of school facilities. The bonds interest rates range from 3.40 percent to 5.00 percent. The outstanding principal at June 30, 2006 is \$45,000,000.

Fiscal Year	Principal	Interest to Maturity	Total
2007	\$ 2,150,000	\$ 2,141,794	\$ 4,291,794
2008	150,000	2,095,794	2,245,794
2009	-	2,092,794	2,092,794
2010	-	2,092,794	2,092,794
2011	-	2,092,794	2,092,794
2012-2016	1,055,000	10,405,911	11,460,911
2017-2021	4,600,000	9,880,953	14,480,953
2022-2026	15,900,000	7,363,750	23,263,750
2027-2031	21,145,000	2,795,375	23,940,375
Total	\$ 45,000,000	\$ 40,961,959	\$ 85,961,959

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2006**

### 2005 Refunding Bonds Series A and B

In July 2005, the District issued General Obligation Refunding Bonds Series A and B in the amount of \$47,354,973 and \$36,384,991. The bonds were issued for the purpose of providing funds to refinance two previously outstanding bonds issues including the 1998 Series B and the 2002 Series A bonds. The bonds interest rates range from 2.70 percent to 5.25 percent. The outstanding principal outstanding at June 30, 2006 is \$45,157,029 and \$34,600,545, respectively.

Series A Fiscal Year	Principal	Accreted Interest	Total
2007	\$ 2,098,309	\$ 169,471	\$ 2,267,780
2008	2,000,953	266,827	2,267,780
2009	3,708,080	724,700	4,432,780
2010	3,541,086	899,269	4,440,355
2011	3,387,328	1,068,147	4,455,475
2012-2016	14,796,290	7,621,375	22,417,665
2017-2021	11,681,680	10,804,820	22,486,500
2022-2024	3,943,303	5,054,197	8,997,500
Total	<u>\$ 45,157,029</u>	<u>\$ 26,608,806</u>	<u>\$ 71,765,835</u>

Series B Fiscal Year	Principal	Accreted Interest	Total
2007	\$ 1,696,426	\$ 115,617	\$ 1,812,043
2008	1,612,610	199,434	1,812,044
2009	1,532,944	279,100	1,812,044
2010	1,457,200	354,843	1,812,043
2011	1,385,217	426,827	1,812,044
2012-2016	8,687,099	4,679,620	13,366,719
2017-2021	8,224,514	7,986,690	16,211,204
2022-2026	8,339,204	12,563,102	20,902,306
2027	1,665,331	3,171,669	4,837,000
Total	<u>\$ 34,600,545</u>	<u>\$ 29,776,902</u>	<u>\$ 64,377,447</u>

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

---

### Debt Defeasance

During 2005 the callable portions of the 1998 Series B and 2002 Series A bonds were refunded. The advance refunding resulted in a legal defeasance of the previously issued bonds. An irrevocable trust was established with funds sufficient to fund payment on the bonds until the redemption date. The refunded bonds of the 1998 Series B shall be redeemed on June 1, 2008 while the 2002 Series A bonds will be redeemed on August 1, 2012.

Because the transaction qualifies as a legal defeasance the obligations for the defeased bonds have been removed from the Districts financial statements. At June 30, 2006 \$46,685,000 is outstanding on the 1998 Series B defeased bonds while \$36,795,000 remains outstanding on the 2002 Series A defeased bonds. The difference between the debt service of the original bonds and the refunding bonds is \$7,278. The economic gain present value savings as calculated using the bond yield is \$355,331.

### Energy Program Equipment Lease

On May 18, 2005, the District entered into a lease agreement with Saulsbury Hill Financial, a Colorado Limited Liability Company. During 2004-2005 fiscal year the District contracted with Cal Air, Inc., to perform an energy audit. The District determined, based on that audit, that \$2,984,400 in improvements could be paid for out of energy savings accomplished through certain energy related upgrades. The District has entered into this lease agreement to generate initial funds necessary to make improvements and will fund repayment of the lease through savings that result.

The annual interest rate is 3.951 percent. Principal and interest payments begin February 15, 2006 and are due quarterly for a term of 11 years. The principal balance outstanding at June 30, 2006 was \$2,843,554.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2007	\$ 223,108	\$ 109,070	\$ 332,178
2008	232,055	100,124	332,179
2009	241,360	90,818	332,178
2010	251,038	81,140	332,178
2011	261,105	71,074	332,179
2012-2016	1,471,227	189,664	1,660,891
2017	163,661	2,429	166,090
Total	<u>\$ 2,843,554</u>	<u>\$ 644,319</u>	<u>\$ 3,487,873</u>

### Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2006, amounted to \$496,404.

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**NOTE 9 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
<b>Reserved</b>					
Revolving cash	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Stores inventory	510	-	-	33,028	33,538
General reserve	1,329,221	-	-	-	1,329,221
Restricted programs	1,621,523	-	-	-	1,621,523
<b>Total Reserved</b>	<b>3,001,254</b>	<b>-</b>	<b>-</b>	<b>33,028</b>	<b>3,034,282</b>
<b>Unreserved</b>					
<b>Designated</b>					
Economic uncertainties	1,503,437	-	-	-	1,503,437
Other designations	1,230,913	-	-	-	1,230,913
<b>Total Designated</b>	<b>2,734,350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,734,350</b>
<b>Undesignated</b>	<b>-</b>	<b>51,210,822</b>	<b>6,303,151</b>	<b>9,505,865</b>	<b>67,019,838</b>
<b>Total Unreserved</b>	<b>2,734,350</b>	<b>51,210,822</b>	<b>6,303,151</b>	<b>9,505,865</b>	<b>69,754,188</b>
<b>Total</b>	<b>\$ 5,735,604</b>	<b>\$51,210,822</b>	<b>\$ 6,303,151</b>	<b>\$ 9,538,893</b>	<b>\$72,788,470</b>

**NOTE 10 - EXPENDITURES (BUDGET VERSUS ACTUAL)**

At June 30, 2006, the following District major fund exceeded the budgeted amount in total as follows:

Fund	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund	\$ 48,189,430	\$ 50,705,079 <sup>[1]</sup>	\$ 2,515,649

<sup>[1]</sup> On behalf payments of \$1,129,860 are included in the actual expenditures, but have not been included in the budgeted amounts.

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

---

### NOTE 11 - RISK MANAGEMENT

#### **Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2006, the District contracted with Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### **Workers' Compensation**

For fiscal year 2006, the District participated in the Schools Linked for Insurance Management (SLIM), an insurance purchasing pool. The intent of SLIM is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SLIM. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in SLIM. 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 percentage. 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 SLIM. Participation in SLIM is limited to Districts that can meet SLIM selection criteria.

#### **Employee Medical Benefits**

The District has contracted with the LARISA to provide employee vision and dental benefits. LARISA is a shared risk pool comprised of school districts in California. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a District subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

---

### NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

#### STRS

##### Plan Description

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

##### Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2005-2006 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2006, 2005, and 2004, were \$2,005,081, \$1,904,882, and \$1,909,057, respectively, and equal 100 percent of the required contributions for each year.

#### PERS

##### 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. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2006**

---

### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2005-2006 was 9.952 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2006, 2005, and 2004, were \$518,928, \$664,192, and \$575,789, respectively, and equal 100 percent of the required contributions for each year.

### **On Behalf Payments**

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$1,129,860 (4.517 percent of salaries subject to STRS). No contributions were made for PERS for the year ended June 30, 2006. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the General Fund Budgetary Schedule. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

## **NOTE 13 - COMMITMENTS AND CONTINGENCIES**

### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2006.

### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2006.



# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

---

### Construction Commitments

As of June 30, 2006, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Beverly Vista Building E	\$ 7,331,199	August 2009
High School Science Building	10,219,953	August 2009
HVAC System at the High School	968,251	August 2009
Moderinization at three Elementary Schools	14,024,995	August 2009
	<u>\$ 32,544,398</u>	

### NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AGENCIES

The District is a member of the Schools Linked for Insurance Management (SLIM), Alliance of Schools for Cooperative Insurance Programs (ASCIP), LARISA, and Schools Excess Liability Fund (SELF) public entity risk pools (JPAs). The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

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

The District has appointed one board member to the Governing Board of each entity. During the year ended June 30, 2006, the District made payments of \$427,245, \$488,751, \$395,500 and \$32,419 to SLIM, ASCIP, LARISA, and SELF, respectively for insurance.

### NOTE 15 - SUBSEQUENT EVENTS

The District issued \$5,000,000 of Tax and Revenue Anticipation Notes dated July 1, 2006. The notes mature on June 29, 2007, and yield 3.5 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning February 2007, until 100 percent of principal and interest due is on account in June 2007.

*This page left blank intentionally.*

---

---

***REQUIRED SUPPLEMENTARY INFORMATION***

---

---

*This page left blank intentionally.*

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variations -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
<b>REVENUES</b>				
Revenue limit sources	\$ 29,600,970	\$ 30,106,058	\$ 30,044,994	\$ (61,064)
Federal sources	2,260,427	2,221,279	2,078,655	(142,624)
Other State sources	6,038,010	4,976,518	6,958,820	1,982,302
Other local sources	8,581,943	10,846,485	11,064,792	218,307
<b>Total Revenues<sup>1</sup></b>	<b>46,481,350</b>	<b>48,150,340</b>	<b>50,147,261</b>	<b>1,996,921</b>
<b>EXPENDITURES</b>				
Current				
Instruction	28,695,488	29,593,818	30,920,442	(1,326,624)
Instruction-related activities:				
Supervision of instruction	1,507,221	1,648,613	1,641,021	7,592
Instructional library, media, and technology	1,130,359	1,048,874	1,005,995	42,879
School site administration	3,054,745	2,816,431	2,754,087	62,344
Pupil services:				
Home-to-school transportation	181,063	181,063	157,496	23,567
All other pupil services	1,539,211	1,689,833	1,610,568	79,265
General administration:				
Data processing	99,122	130,692	121,526	9,166
All other general administration	3,775,999	4,094,487	4,493,272	(398,785)
Plant services	5,895,419	6,569,910	7,152,445	(582,535)
Facility acquisition and construction	100,000	-	176,385	(176,385)
Ancillary services	368,350	366,327	457,309	(90,982)
Community services	143,930	49,382	48,444	938
Debt service				
Interest	-	-	50,846	(50,846)
Capital outlay	46,490,907	-	115,243	-
<b>Total Expenditures<sup>1</sup></b>	<b>46,490,907</b>	<b>48,189,430</b>	<b>50,705,079</b>	<b>(2,400,406)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(9,557)</b>	<b>(39,090)</b>	<b>(557,818)</b>	<b>(518,728)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	220,000	220,000	220,000	-
Transfers out	(320,000)	(280,000)	(279,745)	255
<b>Net Financing Sources (Uses)</b>	<b>(100,000)</b>	<b>(60,000)</b>	<b>(59,745)</b>	<b>255</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(109,557)</b>	<b>(99,090)</b>	<b>(617,563)</b>	<b>(518,473)</b>
<b>Fund Balance - Beginning</b>	<b>6,353,167</b>	<b>6,353,167</b>	<b>6,353,167</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 6,243,610</b>	<b>\$ 6,254,077</b>	<b>\$ 5,735,604</b>	<b>\$ (518,473)</b>

<sup>1</sup> On behalf payments of \$1,129,860 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

*This page left blank intentionally.*

---

---

*SUPPLEMENTARY INFORMATION*

---

---

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through the California Department of Education (CDE):			
No Child Left Behind Act			
Title I, Part A, Basic Grants Low-Income and Neglected [1]	84.010	14329	\$ 631,188
Title II, Part A, Teacher Quality	84.367	14341	234,939
Title II, Part D, Enhancing Education Through Technology	84.318	14335	12,436
Title III, Immigrant Education Program	84.365	14346	83,743
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084	34,751
Title IV, Part A, Drug-Free Schools	84.186	14347	9,240
Title V, Part A, Innovative Education Strategies	84.298A	14354	16,862
Title VI, CSIS Local Grant	84.369	14575	3,875
Subtotal			<u>1,027,034</u>
Individuals with Disability Education Act			
Special Education Cluster [1]			
Basic Local Assistance Entitlement	84.027	13379	876,446
Preschool Grants, Part B	84.173	13430	19,492
Preschool Local Entitlement	84.027A	13682	29,699
Infant Discretionary Grant	84.027A	13612	60
Local Staff Development Grant	84.027A	13613	8,167
Preschool Staff Development	84.173A	13431	384
Low Incidence Entitlement, Part B	84.027A	13459	5,684
Early Intervention Grants	84.181	13761	30,177
Subtotal			<u>970,109</u>
Workability II, Transition Partnership	84.158	10006	2,812
Vocational and Tech Secondary II Ed Act	84.048	13924	28,630
Adult Education: Adult Basic Education & ESL	84.002A	14508	59,231
Adult Education: ESL Citizenship	84.002	13974	33,566
California Alternative Performance Assessment (CAPA)	84.369	14488	70
Subtotal			<u>124,309</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through the CDE:			
National School Lunch Program	10.555	13396	<u>84,208</u>
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Passed through the CDE:			
Learn and Serve America Cal Serve	94.004	13161	50,000
Total Expenditures			<u>\$ 2,255,660</u>

[1] Major program.

See accompanying note to supplementary information.



**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2006**

	Revised Second Period Report	Revised Annual Report
<b>ELEMENTARY</b>		
Kindergarten	209	209
First through third	670	668
Fourth through sixth	959	961
Seventh and eighth	840	840
Home and Hospital	1	2
Special education	152	157
Total Elementary	2,831	2,837
<b>SECONDARY</b>		
Regular classes	2,181	2,162
Continuation education	28	29
Home and Hospital	2	1
Special education	59	62
Total Secondary	2,270	2,254
Total K-12	5,101	5,091
<b>CLASSES FOR ADULTS</b>		
Not concurrently enrolled	286	303
Total Classes for Adults	286	303
Grand Total	5,387	5,394
		Hours of Attendance
<b>SUPPLEMENTAL INSTRUCTIONAL HOURS</b>		
Elementary		10,544
High school		27,154
Total Hours		37,698

See accompanying note to supplementary information.

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2006

Grade Level	1982-83	1986-87	2005-2006	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	30,216	36,000	39,855	180	N/A	Complied
Grades 1 - 3	53,204	50,400	50,640 [1]	180	N/A	Complied
Grades 4 - 6	53,204	54,000	54,020	180	N/A	Complied
Grades 7 - 8	53,204	54,000	67,431	180	N/A	Complied
Grades 9 - 12	62,920	64,800	76,037	180	N/A	Complied

[1] The District used the weighted average method per Education Code 46201 to meet compliance requirements.

[1]		Number of Grades	Minimum Minutes	
<b>Minimum Required</b>	First through third	3	53,204	159,612
	Fourth through sixth	3	54,000	162,000
	Seventh through eighth	2	54,000	108,000
		8		429,612
		Total Minimum Average		53,702
		Number of Grades	Minimum Minutes	
<b>Actual Offering</b>	First through third	3	50,640	151,920
	Fourth through sixth	3	54,020	162,060
	Seventh through eighth	2	67,431	134,862
		8		448,842
		Total Minimum Average		56,105
		<b>Minimum Average Surplus</b>		2,404

See accompanying note to supplementary information.

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

---

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

	<u>General Fund</u>	<u>Building Fund</u>
FUND BALANCE		
Balance, June 30, 2006, Unaudited Actuals	\$ 7,999,771	\$ 51,802,309
Increase in:		
Accounts payable	(755,804)	(591,487)
Decrease in:		
Investments	(1,276,321)	-
Accounts receivable	(232,042)	-
Balance, June 30, 2006, Audited Financial Statement	<u>\$ 5,735,604</u>	<u>\$ 51,210,822</u>

See accompanying note to supplementary information.

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006

	(Budget) 2007 <sup>1</sup>	2006	2005	2004
<b>GENERAL FUND</b>				
Revenues	\$ 50,347,267	\$ 50,147,261	\$ 50,985,072	\$ 55,000,944
Other financing sources and transfers in	-	220,000	3,114,400	133,193
<b>Total Revenues     and Other Sources</b>	<u>50,347,267</u>	<u>50,367,261</u>	<u>54,099,472</u>	<u>55,134,137</u>
Expenditures	50,701,864	50,705,079	50,933,503	55,612,827
Other uses and transfers out	280,000	279,745	475,888	342,946
<b>Total Expenditures     and Other Uses</b>	<u>50,981,864</u>	<u>50,984,824</u>	<u>51,409,391</u>	<u>55,955,773</u>
<b>INCREASE (DECREASE) IN FUND BALANCE</b>	<u>\$ (634,597)</u>	<u>\$ (617,563)</u>	<u>\$ 2,690,081</u>	<u>\$ (821,636)</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 5,101,007</u>	<u>\$ 5,735,604</u>	<u>\$ 6,353,167</u>	<u>\$ 3,663,086</u>
<b>AVAILABLE RESERVES <sup>2</sup></b>	<u>\$ 874,128</u>	<u>\$ 1,508,725</u>	<u>\$ 2,161,059</u>	<u>\$ 3,288,825</u>
<b>AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup></b>	<u>1.7%</u>	<u>3.0%</u>	<u>4.3%</u>	<u>5.9%</u>
<b>LONG-TERM OBLIGATIONS</b>	<u>N/A</u>	<u>\$158,097,291</u>	<u>\$110,565,170</u>	<u>\$110,800,018</u>
<b>K-12 AVERAGE DAILY ATTENDANCE AT P-2</b>	<u>5,120</u>	<u>5,101</u>	<u>5,091</u>	<u>4,965</u>

The General Fund balance has increased by \$2,072,518 over the past two years. The fiscal year 2006-2007 budget projects a decrease of \$634,597 (11 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2006-2007 fiscal year. Total long-term obligations have increased by \$47,297,273 over the past two years.

Average daily attendance has increased by 136 over the past two years. Additional growth of 19 ADA is anticipated during fiscal year 2006-2007.

<sup>1</sup> Budget 2007 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund, Special Reserve Fund (other than capital outlay).

<sup>3</sup> On behalf payments of \$1,129,860 and \$1,060,661 have been excluded from the calculation of available reserves for fiscal years ending June 30, 2006 and 2005, respectively.

See accompanying note to supplementary information.

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2006

---

### NOTE 1 - PURPOSE OF SCHEDULES

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

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

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

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

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

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

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

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

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

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

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

*This page left blank intentionally.*

---

---

***SUPPLEMENTARY INFORMATION - UNAUDITED***

---

---

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET - UNAUDITED  
JUNE 30, 2006**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund
<b>ASSETS</b>				
Deposits and investments	\$ 258,619	\$ 163,869	\$ 919,946	\$ 5,235
Receivables	109,375	42,618	10,688	53
Due from other funds	19,565	-	-	-
Stores inventory	-	33,028	-	-
<b>Total Assets</b>	<u>\$ 387,559</u>	<u>\$ 239,515</u>	<u>\$ 930,634</u>	<u>\$ 5,288</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	205,872	170,570	102,104	-
Deferred revenue	14,826	-	-	-
<b>Total Liabilities</b>	<u>220,698</u>	<u>170,570</u>	<u>102,104</u>	<u>-</u>
<b>FUND BALANCES</b>				
Reserved for:				
Stores inventories	-	33,028	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	166,861	35,917	828,530	5,288
Capital projects funds	-	-	-	-
<b>Total Fund Balances</b>	<u>166,861</u>	<u>68,945</u>	<u>828,530</u>	<u>5,288</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 387,559</u>	<u>\$ 239,515</u>	<u>\$ 930,634</u>	<u>\$ 5,288</u>

See accompanying note to supplementary information - unaudited.



<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Capital Outlay Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 3,151,572	\$ 3,587,802	\$ 95,312	\$ 8,182,355
37,521	53,567	1,561,042	1,814,864
-	-	-	19,565
-	-	-	33,028
<u>\$ 3,189,093</u>	<u>\$ 3,641,369</u>	<u>\$ 1,656,354</u>	<u>\$ 10,049,812</u>
14,465	-	3,082	496,093
-	-	-	14,826
<u>14,465</u>	<u>-</u>	<u>3,082</u>	<u>510,919</u>
-	-	-	33,028
-	-	-	1,036,596
<u>3,174,628</u>	<u>3,641,369</u>	<u>1,653,272</u>	<u>8,469,269</u>
<u>3,174,628</u>	<u>3,641,369</u>	<u>1,653,272</u>	<u>9,538,893</u>
<u>\$ 3,189,093</u>	<u>\$ 3,641,369</u>	<u>\$ 1,656,354</u>	<u>\$ 10,049,812</u>

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE - UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2006**

	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Special Reserve Non-Capital Fund</b>
<b>REVENUES</b>				
Revenue limit sources	\$ 783,692	\$ -	\$ -	\$ -
Federal sources	92,797	84,208	-	-
Other State sources	41,685	6,676	215,046	-
Other local sources	336,413	850,847	31,338	205
<b>Total Revenues</b>	<u>1,254,587</u>	<u>941,731</u>	<u>246,384</u>	<u>205</u>
<b>EXPENDITURES</b>				
Current				
Instruction	676,212	-	-	-
Instruction-related activities:				
Supervision of instruction	357	-	-	-
Instructional library, media				
School site administration	475,867	-	-	-
Pupil Services:				
Food services	-	1,114,583	-	-
Plant services	21,463	-	333,032	-
Facility acquisition and construction	-	1,940	326,877	-
<b>Total Expenditures</b>	<u>1,173,899</u>	<u>1,116,523</u>	<u>659,909</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>80,688</u>	<u>(174,792)</u>	<u>(413,525)</u>	<u>205</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	59,745	220,000	-
<b>NET CHANGE IN FUND BALANCES</b>	<u>80,688</u>	<u>(115,047)</u>	<u>(193,525)</u>	<u>205</u>
<b>Fund Balance - Beginning</b>	<u>86,173</u>	<u>183,992</u>	<u>1,022,055</u>	<u>5,083</u>
<b>Fund Balance - Ending</b>	<u>\$ 166,861</u>	<u>\$ 68,945</u>	<u>\$ 828,530</u>	<u>\$ 5,288</u>

See accompanying note to supplementary information - unaudited.

<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Capital Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 783,692
-	-	-	177,005
-	3,526,506	-	3,789,913
879,486	114,805	1,602,441	3,815,535
<u>879,486</u>	<u>3,641,311</u>	<u>1,602,441</u>	<u>8,566,145</u>
-	-	-	676,212
-	-	-	357
-	-	-	475,867
-	-	-	1,114,583
-	-	107,814	462,309
284,967	-	54,886	668,670
<u>284,967</u>	<u>-</u>	<u>162,700</u>	<u>3,397,998</u>
594,519	3,641,311	1,439,741	5,168,147
-	-	-	279,745
594,519	3,641,311	1,439,741	5,447,892
2,580,109	58	213,531	4,091,001
<u>\$ 3,174,628</u>	<u>\$ 3,641,369</u>	<u>\$ 1,653,272</u>	<u>\$ 9,538,893</u>

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2006

---

### NOTE 1 - PURPOSE OF SCHEDULES

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

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

---

---

***INDEPENDENT AUDITORS' REPORTS***

---

---

*This page left blank intentionally.*



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

Governing Board  
Beverly Hills Unified School District  
Beverly Hills, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beverly Hills Unified School District as of and for the year ended June 30, 2006, which collectively comprise the Beverly Hills Unified School District's basic financial statements and have issued our report thereon dated January 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Beverly Hills Unified School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Beverly Hills Unified School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the Financial Statement Findings section of the accompanying Schedule of Findings and Questioned Costs as items 2006-1 through 2006-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

## Compliance and Other Matters

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

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

*Variand, Tim, Day & Co., LLP*

Rancho Cucamonga, California  
January 12, 2007





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

Governing Board  
Beverly Hills Unified School District  
Beverly Hills, California

**Compliance**

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

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

In our opinion, Beverly Hills Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the Federal Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs, as items 2006-4 through 2006-6.

## Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Vannink, Trin, Day & Co., LLP*

Rancho Cucamonga, California  
January 12, 2007



**INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE**

Governing Board  
 Beverly Hills Unified School District  
 Beverly Hills, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beverly Hills Unified School District as of and for the year ended June 30, 2006, and have issued our report thereon dated January 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2005-06*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
<b>Attendance Accounting:</b>		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	22	Not Applicable
Continuation education	10	No, see below
Adult education	9	Yes
Regional occupational centers and programs	6	Not Applicable
<b>Instructional Time:</b>		
School districts	4	Yes
County offices of education	3	Not Applicable
Community day schools	9	Not Applicable
Morgan-Hart Class Size Reduction	7	Yes
<b>Instructional Materials:</b>		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Yes

	Procedures in Audit Guide	Procedures Performed
Ratios of Administrative Employees to Teachers	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Construction Funds:		
School District bonds	3	Yes
State school facilities funds	1	Yes
Alternative pension plans	2	Yes, see below
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	No, see below
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Additional non classroom-based instruction	1	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

We did not perform testing for continuation education because the ADA was below the State testing guidelines. Additionally, we did not perform Step 2 for alternative pension plans because the District does not offer an alternate plan for full-time permanent employees. We did not perform testing for school accountability report card because the District did not prepare school accountability report cards.

Based on our audit, we found that for the items tested, the Beverly Hills Unified School District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs item 2006-7. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Beverly Hills Unified School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Beverly Hills Unified School District's compliance with the State laws and regulations referred to above.

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

*Vannink, Tim, Day & Co., LLP*

Rancho Cucamonga, California  
January 12, 2007

---

---

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

---

---

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITORS' RESULTS  
FOR THE YEAR ENDED JUNE 30, 2006**

---

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Qualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>Yes</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I</u>
<u>84.027, 84.027A, 84.173</u>	<u>Special Education Cluster</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**STATE AWARDS**

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

---

The following findings represent reportable conditions and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control

2006-1 30000

### *CASH CLEARING*

#### **Finding**

The Director of Fiscal Services performs the deposits for the District clearing account and also prepares the bank reconciliation. This results in a separation of duties issue.

#### **Recommendation**

To obtain sufficient internal controls, the duty of performing the deposits and preparing the bank reconciliations should not be performed by the same individual.

#### **District Response**

The District has established separation of duties regarding the logging of receipts and the preparation of the cash receipts reports to the Board. Deposits are reconciled to the cash receipts report. The District will commence having the bank reconciliations prepared by a different person immediately.

2006-2 30000

### *ASSOCIATED STUDENT BODY (ASB)*

#### *Beverly Hills High School*

#### **Finding**

Errors were found when we reviewed the financial records of the student body accounts. They are as follows:

1. In reviewing the financial statements for the student body accounts we noted that 25 accounts had negative balances.
2. The Associated Student Body does not maintain bank statements for their CD Investments. Therefore, the investments amounts could not be verified.
3. The cash in the savings account balance for \$251,988 did not agree to the bank statement balance of \$125,164 resulting in a difference of \$126,824 with no bank reconciliation completed to explain the difference noted.

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

---

### Recommendation

As a result of the number of instances of internal controls over the student body funds that are in need of improvement, we recommend the District take the opportunity to review the internal controls and procedures at the school sites and implement the necessary changes that will improve the internal controls. In addition, we recommend the District consider standardizing their procedures and controls throughout the district as they relate to student body accounting. This will assist in ensuring all sites are accounting for the funds of the student body on a consistent basis.

### District Response

The District is aware of the problem in the High School ASB. The District is working with the High School. The ASB has established tighter procedures for collections of receipts at the High School. The District fiscal office is receiving the monthly bank statements and reconciling prior to sending to the ASB office. The District fiscal office has the ability to review the ASB Blue Bear Software transaction. The District is continuing to work with the ASB to improve the internal controls and general ledger.

2006-3     30000

### *STALE DATED CHECKS*

#### Finding

In reviewing the outstanding check listing for the District revolving fund reconciliation, we noted that numerous checks were over 12 months old making the probability of them clearing the account quite low.

#### Recommendation

Outstanding checks over 12 months old should be credited back to the appropriate account and taken off the subsequent bank reconciliation's. Although the chances are low, the check may clear on a subsequent bank statement. In this case, the amount should be charged against the appropriate account and described as "outstanding check written off-cleared".

#### District Response

The District will write off stale dated checks and establish a procedure to write off checks over 12 months old on a regular basis.



# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

---

The following findings represent reportable conditions and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
50000	Federal Compliance

2006-4 50000

### *TITLE I - PART A*

#### **Finding**

The District is not in compliance with the Office of Management and Budget (OMB) Circular A-87, attachment B, paragraph 11.h.3 for required documentation in support of wages charged to Federal programs. As of the time of audit, four of the seven employees selected for testing did not have the required documentation on file.

#### **Recommendation**

The District should review the requirements of the paragraph referenced above. Program coordinator should ensure that time certifications are received in a timely manner and are filed at the District.

#### **District Response**

The District established a procedure to document support wages for Federal programs. The procedure was not followed due to staff turnover. The procedure will be re-established.

2006-5 50000

#### **Finding**

The District has exceeded the allowable indirect cost charged to the Title I program. The District's CDE-approved restricted indirect cost rate for 2005-2006 was 8.09 percent. Indirect cost rate used by the district was 9.42 percent.

#### **Recommendation**

The District should review all indirect percentages used to calculate the indirect cost charged to all Federal programs in order not to exceed allowable amount.

#### **District Response**

This was a calculation error and will be corrected.

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

---

2006-6 50000

### *CHILD NUTRITION PROGRAM*

#### **Finding**

Revenue from State reimbursement of the Child Nutrition program was not posted to the proper revenue object code. Nutrition program reimbursements were recalculated and agreed to the District prepared claims and supporting worksheets, however the revenue did not agree to the general ledger. Additional procedures were performed to determine if the revenue was received and to determine that it was posted to a local revenue object code instead of the proper Federal and State object codes.

#### **Recommendation**

Federal and State revenues are misreported if the checks received are not posted to the proper accounts. The personnel responsible for posting of revenues should be receiving training sufficient to understand proper accounting treatment of the program revenues.

#### **District Response**

The staff will be trained on proper entry.

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006**

---

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
72000	School Accountability Report Card

2006-7 72000

***SCHOOL ACCOUNTABILITY REPORT CARDS***

**Finding**

As of the time of the audit, no School Accountability Report Cards (SARC) were available to perform the required audit as described in "Standards and Procedures for Audits of California K-12 Local Education Agencies" State Guide.

**Recommendation**

The School Accountability Report Cards provides parents and the community with important information about each school. Therefore, School Accountability Report Cards should be readily available and properly reflect the current information of the District.

**District Response**

The District is working with a consultant to prepare the School Accountability Report Cards.

# BEVERLY HILLS UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2006

---

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

### *Financial Statement Findings*

2005-1     30000

#### ***REVOLVING ACCOUNTS***

##### **Finding**

Revolving fund accounts are not reconciled in a timely manner.

##### **Recommendation**

Though the cash accounts do not contain significant amounts of cash, reconciling accounts is a necessary internal control function that provides assurance that the cash accounts of the District are properly recorded in the District's ledgers. Controls over the reconciling function should include checks and balances including segregation of duties between employee responsible for custody of cash, depositing of cash and recording of cash.

##### **Current Status**

Implemented.

2005-2     30000

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

##### **Findings**

We noted reportable conditions in each of the following areas:

- Revenue potentials are not being prepared for any fundraisers that are being performed.
- Bank reconciliations have not been prepared since the month ending 8/30/04.
- On the 8/30/04 bank reconciliation, the Auditor noted two outstanding deposits dated 6/17/04 totaling \$1,740 that we could not validate or trace to deposit in the subsequent month.
- Cash Register Close Out report contained entries that appear to have been reversals of activity of the period that were not explainable and no backup documentation could be found. In effect, the transactions recorded were reversed out in same period and became no longer accounted for in the ASB ledgers.
- Poor controls over access to the vault were observed.
- Disbursements lacked clear evidence of approval and contained coding errors.
- Transfers were noted between ASB accounts, lacked audit trail and evidence of approval.

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2006**

---

**Recommendation**

District develop mitigating controls, procedure manuals and provide training to interim bookkeeper to address internal control reportable conditions noted above.

**Current Status**

Partially implemented. See current year finding and recommendation 2006-2.

**2005-3 30000**

***CASH CONTROLS AT BEVERLY HILLS HIGH SCHOOL***

**Finding**

District collections for lost textbooks at the high school were not adequately safeguarded; large amounts of cash are routinely stored in the textbook room. In fact a theft occurred during the year of \$1,160 occurred in August 2004. We performed testing in of cash in May 2005 and determined that only one deposit had occurred in the fiscal year, it was made October 22, 2005. We documented that monies collected had remained in the textbook room an average of 52 days. Further, cash on hand at our May 4, 2005 test date was \$2,657.

**Recommendation**

Written policies should include how often cash should be deposited and how it will be safeguarded until it is deposited. Administrative personnel should monitor policy to verify that that it is implemented.

**Current Status**

Implemented.

**2005-4 30000**

***ADULT SCHOOL COLLECTIONS***

**Finding**

While performing a walkthrough of the cash collection process the auditor calculated the days between receipts of monies to the time of the deposit. Receipts are not being deposited timely. We noted one instance where collection was received in September and not deposited until mid-December. Other instances were also noted though days between receipt and deposit were less than the 84 days of the first example. Average days between receipt and deposits in our test period of December amounted to 15 days.

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2006**

---

**Recommendation**

Written policy for how often funds should be deposited was not available. Policy should be drafted and monitored to provide oversight of those responsible for collecting funds, forwarding funds to be deposited, preparing deposits and recording in the accounts of the Districts ledger.

**Current Status**

Implemented.

**2005-5    30000**

***CAPITAL ASSETS***

**Finding**

Capital assets schedules were not prepared prior to the audit. This indicates that capital assets are not monitored routinely throughout the year.

**Recommendation**

Capital Assets schedules should be maintained as part of daily routine. Capital asset additions should be tracked and reconciled to the expenditures recorded in the general ledgers. Responsibility for maintaining records should be delegated to accounting staff and monitored by supervisory personnel.

**Current Status**

Implemented.

**2005-6    30000**

***ACCRUAL REPORTS***

**Finding**

The audit of accruals (accounts receivable and accounts payable) was hindered, as a complete detailed listing identifying the individual amounts accrued (outstanding accruals) was not available from the County system. Although a detailed listing of activity for accruals was made available with the accounting system, it appears the detail is cumbersome to use in determining whether the accruals were adequately set up and which accruals are outstanding as of year-end.

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2006**

---

**Recommendation**

A complete detailed listing of accounts receivable and accounts payable is essential to validate the amounts accrued during the closing process. The listing also provides a means for the District to monitor the various amounts accrued to ensure that all accruals are received or paid. For monitoring purposes, an indication that the amount has been received or paid should also be included. If the amount received or paid differs from the amount accrued during the closing process, this should be indicated. These listings will serve to assist the District in the closing process of the next year by providing a record of the items accrued in the prior year.

**Current Status**

Implemented. Alternative procedures have been developed.

2005-7      30000

***DISASTER RECOVERY PLAN***

**Finding**

The audit of accruals (accounts receivable and accounts payable) was hindered, as a complete detailed listing identifying the individual amounts accrued (outstanding accruals) was not available from the County system. Although a detailed listing of activity for accruals was made available with the accounting system, it appears the detail is cumbersome to use in determining whether the accruals were adequately set up and which accruals are outstanding as of year-end.

**Recommendation**

A complete detailed listing of accounts receivable and accounts payable is essential to validate the amounts accrued during the closing process. The listing also provides a means for the District to monitor the various amounts accrued to ensure that all accruals are received or paid. For monitoring purposes, an indication that the amount has been received or paid should also be included. If the amount received or paid differs from the amount accrued during the closing process, this should be indicated. These listings will serve to assist the District in the closing process of the next year by providing a record of the items accrued in the prior year.

**Current Status**

Implemented.

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2006**

---

*Federal Award Findings*

2005-8 50000

***TITLE I***

**Finding**

We were not able to confirm District compliance with the Office of Management and Budget Circular A-87, attachment B, paragraph 11.h.3, for required documentation in support of wages charged to Federal awards. This paragraph states that the standards regarding time distribution are in addition to the standards for payroll documentation. We are not concluding that the District payroll standards are in any way inadequate to document wages charged to Federal awards, only that compliance with additional requirements, as described in the referenced circular, was not verified.

**Recommendation**

We recommend that the District review requirements as referenced above. Policies for compliance should be developed and disseminated to the program directors responsible for tracking compliance with requirements.

**Current Status**

Implemented.

*State Award Findings*

2005-9 40000

***CLASS SIZE REDUCTION***

**Finding**

We calculated difference in funding based on our review of the calculations contained in the J7 CSR. Our calculations indicated that the District was over-funded by \$4,640. The overstatement resulted from rounding errors on form J7 CSR for Section C and D. Rounding instructions are contained in number 11 of the general instructions to J7 CSR.

**Recommendation**

We recommend District revise J7 CSR to reflect results of our review.

**Current Status**

Implemented.



**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2006**

---

2005-10 40000

***INSTRUCTIONAL TIME AND STAFF DEVELOPMENT REFORM PROGRAM***

**Finding**

The District incorrectly prepared claims for reimbursement in the Instructional Time and Staff Development Reform Program. We found errors resulting in significant differences. The nature of the errors included incorrect calculation of credit for days teachers attended training.

**TEACHERS**

Eligible Teacher Days	Training Days	Daily Rate	Reimbursement Claim
37	1	\$306.50	\$11,340.50
95	2	\$306.50	\$58,235.00
23.3	3	\$306.50	\$214,243.50

**CLASSIFIED STAFF**

Eligible Teacher Days	Training Days	Daily Rate	Reimbursement Claim
63	1	\$158.92	\$10,011.96
Total Claimed			\$292,830.96
Auditor Calculated			\$186,001.54
Difference			\$107,829.42

**Recommendation**

The District should resubmit a second revision of the corrected information. The District had prepared a first revision (\$193,764.38), during our audit and was in the process of submitting the information.

**Current Status**

Implemented.