



ANNUAL FINANCIAL REPORT

JUNE 30, 2007

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

OF LOS ANGELES COUNTY

BEVERLY HILLS, CALIFORNIA

JUNE 30, 2007

GOVERNING BOARD

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

ADMINISTRATION

Kari McVeigh	Superintendent
Cheryl Plotkin	Assistant Superintendent, Business Services
Ilene Straus, Ed.D	Assistant Superintendent, Educational Services K-12
Sal Gumina	Assistant Superintendent, Human Resources

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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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, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 2006-07* 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.

The financial statements of Beverly Hills Education Foundation (the "Foundation") have not been audited, and we were not engaged to audit the Foundation's financial statements. The Foundation's financial activities are not included in the District's basic financial statements.

Because the Foundation's financial statements have not been audited, the scope of our work was not sufficient to express, and we do not express an opinion on the financial statements of the aggregate discretely presented component units of Beverly Hills Unified School District.

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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 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 13 and budgetary comparison information on page 46, 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*, is presented for purposes of additional analysis and is 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, is 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.

Varrin, Tri, Day & Co., LLP

Rancho Cucamonga, California
December 3, 2007



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Beverly Hills, California 90212-3697
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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, 2007, with comparative information from 2006. 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, 2007

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, 2007

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$42,316,759 for the fiscal year ended June 30, 2007. Of this amount, \$1,362,175 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2007	2006
Assets		
Current and other assets	\$ 54,212,461	\$ 88,152,793
Capital assets	146,927,649	111,741,621
Total Assets	<u>201,140,110</u>	<u>199,894,414</u>
Liabilities		
Current liabilities	10,458,547	11,340,346
Long-term obligations	148,364,804	158,097,291
Total Liabilities	<u>158,823,351</u>	<u>169,437,637</u>
Net Assets		
Invested in capital assets, net of related debt	25,239,315	14,515,197
Restricted	15,715,269	17,463,567
Unrestricted	1,362,175	(1,521,987)
Total Net Assets	<u>\$ 42,316,759</u>	<u>\$ 30,456,777</u>

The \$1,362,175 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, 2007

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 15. Figures 1 and 2 display the current years' Revenues and Expenses in graph form.

Figure 1

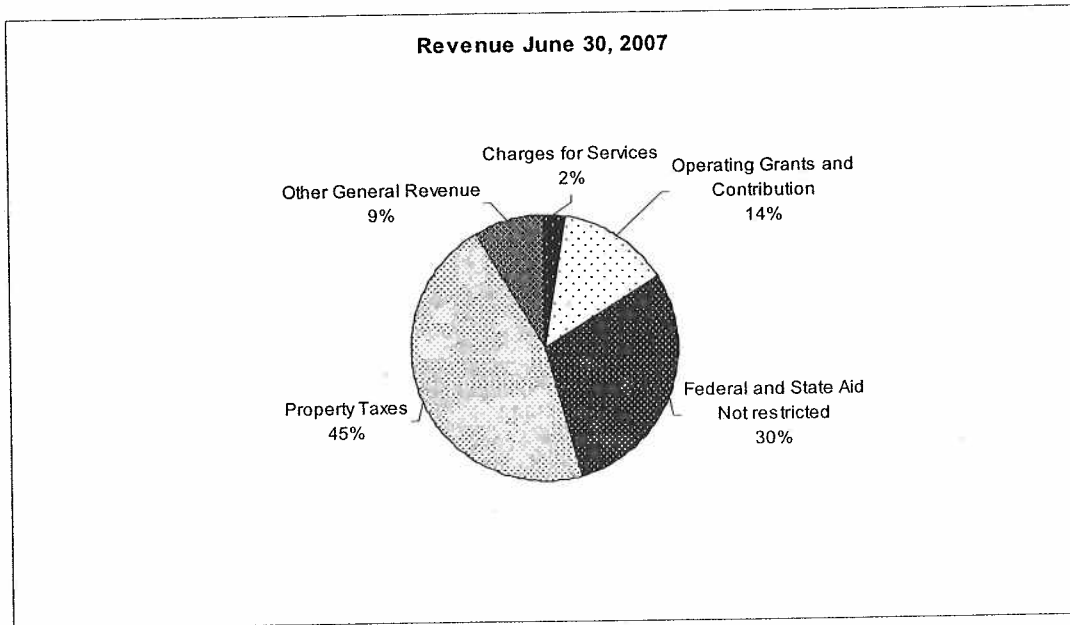
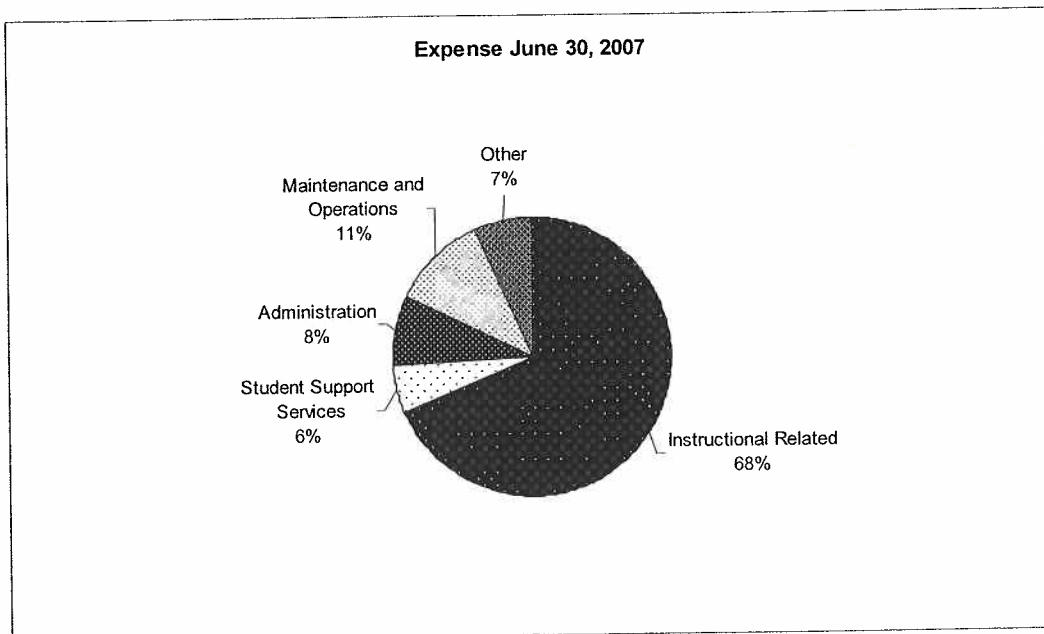


Figure 2



BEVERLY HILLS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

Table 2

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,763,381	\$ 1,482,456
Operating grants and contributions	10,038,428	6,909,502
Capital grants and contributions	-	3,526,506
General revenues:		
Federal and State aid not restricted	21,985,623	9,799,216
Property taxes	33,681,843	31,523,778
Other general revenues	6,272,922	17,285,961
Total Revenues	<u>73,742,197</u>	<u>70,527,419</u>
Expenses		
Instruction related	42,407,192	39,679,992
Student support services	3,529,742	2,883,565
Administration	4,939,934	4,863,319
Maintenance and operations	6,921,450	7,824,027
Other	4,083,897	1,979,912
Total Expenses	<u>61,882,215</u>	<u>57,230,815</u>
Change in Net Assets	<u>\$ 11,859,982</u>	<u>\$ 13,296,604</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$61,882,215. However, the amount that our taxpayers ultimately financed for these activities through local taxes were \$33,681,843 because the cost was paid by those who benefited from the programs (\$1,763,381) or by other governments and organizations who subsidized certain programs with grants and contributions (\$10,038,428). We paid for the remaining "public benefit" portion of our governmental activities, \$28,258,545 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, administration, maintenance and operations, ancillary services, interest on long-term obligations and other outgo. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	2007		2006	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 36,266,285	\$ 28,887,876	\$ 33,785,060	\$ 24,710,505
Instruction-related activities	6,140,907	4,093,782	5,894,932	4,567,606
Other pupil services	3,529,742	1,297,212	2,883,565	1,505,427
Administration	4,939,934	4,874,761	4,863,319	4,749,179
Maintenance and operations	6,921,450	6,842,878	7,824,027	7,799,722
Ancillary services	495,924	495,924	457,518	457,518
Interest on long-term obligations	3,518,749	3,518,749	1,473,950	1,473,950
Other	69,224	69,224	48,444	48,444
Totals	\$ 61,882,215	\$ 50,080,406	\$ 57,230,815	\$ 45,312,351

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, our governmental funds reported a combined fund balance of \$40,736,473, which is a decrease of \$32,051,997 from last year.

Table 4

	Balances and Activity			
	July 1, 2006	Revenues	Expenditures	June 30, 2007
General Fund	\$ 5,735,604	\$ 57,235,992	\$ 55,601,139	\$ 7,370,457
Building Fund	51,210,822	2,021,424	35,191,151	18,041,095
Bond Interest and Redemption Fund	6,303,151	10,316,749	11,915,361	4,704,539
Adult Education Fund	166,861	1,152,251	1,217,896	101,216
Cafeteria Fund	68,945	1,378,946	1,360,478	87,413
Deferred Maintenance Fund	828,530	465,464	96,911	1,197,083
Special Reserve Non-Capital Fund	5,288	291	-	5,579
Capital Facilities Fund	3,174,628	980,654	1,252,193	2,903,089
County School Facilities Fund	3,641,369	199,184	-	3,840,553
Special Reserve Capital Outlay Fund	1,653,272	912,338	80,161	2,485,449
Totals	\$ 72,788,470	\$ 74,663,293	\$ 106,715,290	\$ 40,736,473

The primary reasons for these changes are:

- a. The Building Fund shows a decrease of \$33,169,727 due to the construction in progress on the Science and Technology Center at the High School, Beverly Vista Building B, auditorium and restroom modernization at three of the K-8 sites.
- b. The Bond Interest and Redemption Fund decreased \$1,598,612, because of annual payments on General Obligation Bond debt were made out of prior collections.

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 13, 2007. (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 46).

- Significant revenue revisions made to the 2006-2007 Budget were due to increased categorical funding and donation from PTA's.
- Significant expenditure revisions were made for increased categorical funds and PTA funding. Expenditures increase also resulted from the Board approving an increase in the benefits cap of \$1,000 and a 4.4% increase in the salary schedules.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By June 30, 2007, the District had invested \$146,927,649 in a broad range of capital assets, including land, school buildings and other furniture and equipment valued over \$174,956,242. (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 \$2,658,281, while the completion of the high school auditorium, modernization and acquisitions of equipment and furniture amounted to \$2,434,179 in additions to Capital Assets.

Table 5

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Land	\$ 2,933,062	\$ 2,933,062
Construction in progress	57,735,542	22,325,412
Buildings and improvements	102,325,126	101,538,746
Site improvements	8,202,210	6,795,959
Furniture and equipment	3,760,302	3,518,754
Accumulated depreciation	(28,028,593)	(25,370,312)
Totals	<u>\$ 146,927,649</u>	<u>\$111,741,621</u>
This year's major additions included:		
Science and Technology Building	\$ 25,155,619	
Veverly Vista Building B	10,254,511	
The additions to completed projects were:		
HVAC System at the High School	\$ 434,937	
Artificial Turf and Track at the High School	1,372,886	
Moderinization at Three Elementary Schools	384,808	

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

Long-Term Obligations

At year-end, the District had \$148,364,804 in general obligation bonds and other long-term obligations outstanding - a decrease of 6% from last year as shown in Table 6.

- The District continued to pay down its debt, retiring \$8.5 million of outstanding bonds.

Table 6

	Governmental Activities	
	2007	2006
General obligation bonds (net of premium)	\$145,244,048	\$154,757,333
Energy lease	2,620,446	2,843,554
Accumulated vacation-net	500,310	496,404
Totals	\$148,364,804	\$158,097,291

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

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2006-2007 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 auditoriums and restrooms is expected to be completed by February 2007.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2007-2008 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 4.07%% for Revenue Limit and categoricals by 4.53%

Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through third	20:1	956
Grades four through eight	29:1	1,976
Grades nine through twelve	29:1	2,326

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Governmental Activities
ASSETS	
Deposits and investments	\$ 39,190,232
Receivables	9,595,164
Deferred cost of issuance	1,369,677
Stores inventory	44,092
Deferred charge on refunding	3,848,040
Other current assets	165,256
Capital assets	
Land and construction in process	60,668,604
Other capital assets	114,287,638
Less: Accumulated depreciation	(28,028,593)
Total Capital Assets, Net	<u>146,927,649</u>
Total Assets	<u>201,140,110</u>
LIABILITIES	
Accounts payable	8,116,748
Interest payable	2,200,276
Deferred revenue	141,523
Long-term obligations	
Current portion of long-term obligations	8,035,627
Noncurrent portion of long-term obligations	<u>140,329,177</u>
Total Long-Term Obligations	<u>148,364,804</u>
Total Liabilities	<u>158,823,351</u>
NET ASSETS	
Invested in capital assets, net of related debt	25,239,315
Restricted for:	
Debt service	2,504,263
Capital projects	9,229,091
Educational programs	2,447,900
Other activities	1,534,015
Unrestricted	<u>1,362,175</u>
Total Net Assets	<u>\$ 42,316,759</u>

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

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 36,266,285	\$ 359,097	\$ 7,019,312	\$ (28,887,876)
Instruction-related activities:				
Supervision of instruction	1,583,881	26,759	1,011,570	(545,552)
Instructional library, media, and technology	1,166,557	63,655	273,101	(829,801)
School site administration	3,390,469	133,319	538,721	(2,718,429)
Pupil services:				
Home-to-school transportation	110,079	-	90,305	(19,774)
Food services	1,360,478	1,169,805	144,618	(46,055)
All other pupil services	2,059,185	-	827,802	(1,231,383)
Administration:				
Data processing	129,061	-	-	(129,061)
All other administration	4,810,873	4,827	60,346	(4,745,700)
Plant services	6,921,450	5,919	72,653	(6,842,878)
Ancillary services	495,924	-	-	(495,924)
Community services	69,224	-	-	(69,224)
Interest on long-term obligations	3,518,749	-	-	(3,518,749)
Total Governmental Activities	\$ 61,882,215	\$ 1,763,381	\$ 10,038,428	(50,080,406)
General revenues and subventions:				
Property taxes, levied for general purposes				23,626,783
Property taxes, levied for debt service				10,055,060
Federal and State aid not restricted to specific purposes				21,985,623
Interest and investment earnings				3,090,027
Miscellaneous				3,182,895
Subtotal, General Revenues				61,940,388
Change in Net Assets				11,859,982
Net Assets - Beginning				30,456,777
Net Assets - Ending				\$ 42,316,759

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>
ASSETS			
Deposits and investments	\$ 4,522,488	\$ 21,348,931	\$ 4,704,539
Receivables	6,561,688	537,722	-
Due from other funds	-	-	-
Stores inventory	510	-	-
Other current assets	165,256	-	-
Total Assets	<u>\$ 11,249,942</u>	<u>\$ 21,886,653</u>	<u>\$ 4,704,539</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 3,747,260	\$ 3,845,558	\$ -
Due to other funds	19,565	-	-
Deferred revenue	112,660	-	-
Total Liabilities	<u>3,879,485</u>	<u>3,845,558</u>	<u>-</u>
FUND BALANCES			
Reserved	2,590,624	-	-
Unreserved:			
Designated	2,796,056	-	-
Undesignated, reported in:			
General Fund	1,983,777	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	4,704,539
Capital projects funds	-	18,041,095	-
Total Fund Balance	<u>7,370,457</u>	<u>18,041,095</u>	<u>4,704,539</u>
Total Liabilities and Fund Balances	<u>\$ 11,249,942</u>	<u>\$ 21,886,653</u>	<u>\$ 4,704,539</u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 8,614,274	\$ 39,190,232
2,495,754	9,595,164
19,565	19,565
43,582	44,092
-	165,256
<u>\$ 11,173,175</u>	<u>\$ 49,014,309</u>
\$ 523,930	\$ 8,116,748
-	19,565
28,863	141,523
<u>552,793</u>	<u>8,277,836</u>
43,582	2,634,206
-	2,796,056
-	1,983,777
1,347,709	1,347,709
-	4,704,539
9,229,091	27,270,186
<u>10,620,382</u>	<u>40,736,473</u>
<u>\$ 11,173,175</u>	<u>\$ 49,014,309</u>

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

Total Fund Balance - Governmental Funds		\$ 40,736,473
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
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	\$174,956,242	
Accumulated depreciation is	<u>(28,028,593)</u>	
Net Capital Assets		146,927,649
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, 2007.		3,848,040
Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but should not be recognized in accrual basis.		1,369,677
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(2,200,276)
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	(137,108,983)	
Energy lease	(2,620,446)	
Compensated absences	(500,310)	
Unamortized premium	<u>(8,135,065)</u>	
Total Long-Term Obligations		<u>(148,364,804)</u>
Total Net Assets - Governmental Activities		<u><u>\$ 42,316,759</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, 2007

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>
REVENUES			
Revenue limit sources	\$ 32,275,383	\$ -	\$ -
Federal sources	2,114,573	-	-
Other State sources	10,066,864	-	19,913
Other local sources	12,779,172	2,021,424	10,296,836
Total Revenues	<u>57,235,992</u>	<u>2,021,424</u>	<u>10,316,749</u>
EXPENDITURES			
Current			
Instruction	33,031,708	-	-
Instruction-related activities:			
Supervision of instruction	1,583,881	-	-
Instructional library, media and technology	1,166,557	-	-
School site administration	2,853,167	-	-
Pupil services:			
Home-to-school transportation	110,079	-	-
Food services	-	-	-
All other pupil services	2,059,185	-	-
Administration:			
Data processing	129,061	-	-
All other administration	4,489,363	-	-
Plant services	6,199,859	6,068	-
Facility acquisition and construction	2,158,790	35,185,083	-
Ancillary services	495,924	-	-
Community services	69,224	-	-
Debt service			
Principal	92,086	-	8,549,735
Interest and other	241,159	-	3,365,626
Total Expenditures	<u>54,680,043</u>	<u>35,191,151</u>	<u>11,915,361</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,555,949</u>	<u>(33,169,727)</u>	<u>(1,598,612)</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(921,096)	-	-
Net Financing Sources (Uses)	<u>(921,096)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,634,853	(33,169,727)	(1,598,612)
Fund Balance - Beginning	5,735,604	51,210,822	6,303,151
Fund Balance - Ending	<u>\$ 7,370,457</u>	<u>\$ 18,041,095</u>	<u>\$ 4,704,539</u>

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

<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 795,867	\$ 33,071,250
110,768	2,225,341
229,038	10,315,815
<u>3,032,359</u>	<u>28,129,791</u>
<u>4,168,032</u>	<u>73,742,197</u>
656,834	33,688,542
-	1,583,881
-	1,166,557
537,302	3,390,469
-	110,079
1,360,478	1,360,478
-	2,059,185
-	129,061
1,235	4,490,598
131,396	6,337,323
1,320,394	38,664,267
-	495,924
-	69,224
-	8,641,821
-	<u>3,606,785</u>
<u>4,007,639</u>	<u>105,794,194</u>
<u>160,393</u>	<u>(32,051,997)</u>
921,096	921,096
-	<u>(921,096)</u>
<u>921,096</u>	-
1,081,489	(32,051,997)
9,538,893	72,788,470
<u>\$ 10,620,382</u>	<u>\$ 40,736,473</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, 2007

Total Net Change in Fund Balances - Governmental Funds		\$(32,051,997)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.		
This is the amount by which capital outlays exceeds depreciation expense in the period.		
Capital outlays	\$37,844,309	
Depreciation expense	<u>(2,658,281)</u>	
		35,186,028
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:		(3,906)
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		8,549,735
Other long-term obligations - equipment lease		223,108
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	1,028,576	
Amortization of cost of issuance	(193,986)	
Amortization of deferred amount on refunding	<u>(769,609)</u>	
Combined adjustment		64,981
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 \$42,941 and second, \$65,026 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.		<u>(107,967)</u>
Change in Net Assets of Governmental Activities		<u><u>\$ 11,859,982</u></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, 2007**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	\$ 691,496
LIABILITIES	
Due to student groups	\$ 691,496

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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, 2007, 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, 2007

Other Related Entities

Joint Powers Authorities The District is associated with four joint powers authorities. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 13 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, 2007

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, 2007

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 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. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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, 2007, 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.

Stores Inventory

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.

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.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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.

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.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Deferred Charge on Refunding

The deferred charge on refunding in the government-wide financial statements represents the difference between the cost of the old debt and the cost of the refunding. As the amount is directly related to the debt, the amount is deferred and amortized over the life of the debt 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 \$15,715,269 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.

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.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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.

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, 2007

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2007, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 39,190,232
Fiduciary funds	691,496
Total Deposits and Investments	<u>\$ 39,881,728</u>

Deposits and investments as of June 30, 2007, consist of the following:

Cash on hand and in banks	\$ 699,314
Cash in revolving	50,000
Investments	39,132,414
Total Deposits and Investments	<u>\$ 39,881,728</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, 2007

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Money Market Mutual Funds	N/A	20%	10%
County Pooled Investment Funds	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 money market mutual funds.

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	Carrying Value	Fair Value	Weighted Average Maturity In Days
County Pool	\$ 39,132,414	\$ 38,973,832	543
Money Market Mutual Funds	92,214	92,214	1
Total	<u>\$ 39,224,628</u>	<u>\$ 39,066,046</u>	

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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	
			S&P	Moody's
County Pool	\$ 38,973,832	None	AAAm	Aaa
Money Market Mutual Funds	92,214	None	None	None
Total	<u>\$ 39,066,046</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, 2007, \$1,666,226 of deposits with financial institutions were 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, 2007

NOTE 3 - RECEIVABLES

Receivables at June 30, 2007, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 572,297	\$ -	\$ 8,185	\$ 580,482
State Government				
Apportionment	1,813,079	-	121,284	1,934,363
Categorical aid	707,846	-	47	707,893
Lottery	120,858	-	-	120,858
Local Government				
Interest	75,177	537,722	135,796	748,695
Other Local Sources	3,272,431	-	2,230,442	5,502,873
Total	<u>\$ 6,561,688</u>	<u>\$ 537,722</u>	<u>\$ 2,495,754</u>	<u>\$ 9,595,164</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 2,933,062	\$ -	\$ -	\$ 2,933,062
Construction in progress	22,325,412	37,429,283	2,019,153	57,735,542
Total Capital Assets Not Being Depreciated	25,258,474	37,429,283	2,019,153	60,668,604
Capital Assets Being Depreciated				
Buildings and improvements	101,538,746	786,380	-	102,325,126
Site improvements	6,795,959	1,406,251	-	8,202,210
Furniture and equipment	3,518,754	241,548	-	3,760,302
Total Capital Assets Being Depreciated	111,853,459	2,434,179	-	114,287,638
Less Accumulated Depreciation				
Buildings and improvements	21,223,772	2,029,079	-	23,252,851
Site improvements	2,038,096	331,072	-	2,369,168
Furniture and equipment	2,108,444	298,130	-	2,406,574
Total Accumulated Depreciation	25,370,312	2,658,281	-	28,028,593
Governmental Activities Capital Assets, Net	<u>\$ 111,741,621</u>	<u>\$ 37,205,181</u>	<u>\$ 2,019,153</u>	<u>\$ 146,927,649</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities		
Instruction		\$ 2,392,453
All other administration		265,828
Total Depreciation Expenses Governmental Activities		<u>\$ 2,658,281</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2007, between major and non-major governmental funds, are as follows:

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

Operating Transfers

Interfund transfers for the year ended June 30, 2007, consisted of the following:

<u>Transfer To</u>	<u>Transfer From General Fund</u>
Non-Major Governmental Funds	\$ 921,096
The General Fund transferred to the Cafeteria Fund for operating costs.	\$ 63,281
The General Fund transferred to the Deferred Maintenance Fund for the annual required match.	200,000
The General Fund transferred to the Special Reserve Capital Fund for reservation of mandated costs revenue	657,815
Total	<u>\$ 921,096</u>

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2007, consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>
Salaries and benefits	\$ 621,879	\$ -	\$ 18,939	\$ 640,818
Vendor payables	3,028,308	75,367	452,716	3,556,391
Construction	-	3,770,113	52,275	3,822,388
Other	97,073	78	-	97,151
Total	<u>\$ 3,747,260</u>	<u>\$ 3,845,558</u>	<u>\$ 523,930</u>	<u>\$ 8,116,748</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2007, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 112,660	\$ 4,920	\$ 117,580
State categorical aid	-	23,943	23,943
Total	<u>\$ 112,660</u>	<u>\$ 28,863</u>	<u>\$ 141,523</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, 2006	Additions	Deductions	Balance June 30, 2007	Due in One Year
General obligation bonds	\$145,593,692	\$ 65,026	\$ 8,549,735	\$137,108,983	\$ 6,568,563
Premiums on general obligation bonds	9,163,641	-	1,028,576	8,135,065	1,235,009
Energy program equipment lease payable	2,843,554	-	223,108	2,620,446	232,055
Accumulated unpaid employee vacation	496,404	3,906	-	500,310	-
	<u>\$158,097,291</u>	<u>\$ 68,932</u>	<u>\$ 9,801,419</u>	<u>\$148,364,804</u>	<u>\$ 8,035,627</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, 2006	Bonds Issued	Accreted Interest Addition	Bonds Redeemed	Bonds Outstanding June 30, 2007
June-98	May-08	4.50-7.00	\$ 62,000,000	\$ 3,995,000	\$ -	\$ -	\$ 1,950,000	\$ 2,045,000
June-01	May-20	4.00-5.50	13,600,000	11,040,000	-	-	550,000	10,490,000
May-02	August-16	3.00-5.90	44,999,260	5,801,118	-	65,026	105,000	5,761,144
August-05	August-30	3.40-5.00	45,000,000	45,000,000	-	-	2,150,000	42,850,000
July-05	June-24	2.70-5.25	47,354,973	45,157,029	-	-	2,098,309	43,058,720
July-05	August-26	2.70-5.25	36,384,991	34,600,545	-	-	1,696,426	32,904,119
				<u>\$ 145,593,692</u>	<u>\$ -</u>	<u>\$ 65,026</u>	<u>\$ 8,549,735</u>	<u>\$ 137,108,983</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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 such, the callable portion of this issue has been considered as in-substance defeased debt. As of June 30, 2007, the principal balance of uncalled bonds outstanding was \$2,045,000.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2008	<u>\$ 2,045,000</u>	<u>\$ 2,359,805</u>	<u>\$ 4,404,805</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, 2007, the principal balance outstanding was \$10,490,000.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	700,000	441,100	1,141,100
2013-2017	4,165,000	1,580,975	5,745,975
2018-2020	3,155,000	353,925	3,508,925
Total	<u>\$ 10,490,000</u>	<u>\$ 4,432,600</u>	<u>\$ 14,922,600</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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. In July 2005, the callable portion of the bonds were refinanced with the 2005 Refunding Bond Series B. As such, the callable portion of this issue has been considered as in-substance defeased debt. As of June 30, 2007, the principal balance of the uncallable bonds outstanding including accretion was \$5,761,144.

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Interest to Maturity	Total
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	1,100,000	-	1,890,744	2,990,744
2013-2017	2,411,144	1,651,128	1,840,393	5,902,665
Total	\$ 5,761,144	\$ 1,651,128	\$ 11,605,194	\$ 19,017,466

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 have an unamortized cost of issuance totaling \$510,807 and an unamortized premium of \$2,504,470 as of June 30, 2007. The cost of issuance and premium on the bonds are amortized utilizing the straight line method over the life of the debt. The bonds interest rates range from 3.40 percent to 5.00 percent. The outstanding principal at June 30, 2007 is \$42,850,000.

Fiscal Year	Principal	Interest to Maturity	Total
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	-	2,092,794	2,092,794
2013-2017	1,530,000	10,356,040	11,886,040
2018-2022	6,850,000	9,622,156	16,472,156
2023-2027	16,790,000	6,546,500	23,336,500
2028-2031	17,530,000	1,828,500	19,358,500
Total	\$ 42,850,000	\$ 38,820,166	\$ 81,670,166

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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, respectively. 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 2005 Refunding Bonds Series A and B have a combined unamortized cost of issuance totaling \$858,870, an unamortized deferred charge on refunding amounting to \$3,848,040 and an unamortized premium of \$5,630,595 as of June 30, 2007. The cost of issuance, deferred charge and premium are all amortized utilizing the straight line method through 2012. The bonds interest rates range from 2.70 percent to 5.25 percent. The outstanding principal outstanding at June 30, 2007 is \$43,058,720 and \$32,904,119, respectively.

Series A Fiscal Year	Principal	Accreted Interest	Total
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	3,238,333	1,229,817	4,468,150
2013-2017	14,123,014	8,322,751	22,445,765
2018-2022	11,135,440	11,353,059	22,488,499
2023-2024	1,924,486	2,574,765	4,499,251
Total	<u>\$ 43,058,720</u>	<u>\$ 26,439,335</u>	<u>\$ 69,498,055</u>

Series B Fiscal Year	Principal	Accreted Interest	Total
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	1,316,785	495,259	1,812,044
2013-2017	8,275,365	4,883,853	13,159,218
2018-2022	9,029,327	9,445,888	18,475,215
2023-2027	8,294,671	13,576,080	21,870,751
Total	<u>\$ 32,904,119</u>	<u>\$ 29,661,284</u>	<u>\$ 62,565,403</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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, 2007, \$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.

The Trustee maintains invested funds in reserve to execute the bond calls on the scheduled redemption dates based upon the trust agreement and service the non-callable portions until the call dates as required under the original bond terms. At June 30, 2007, the trustee account for the 1998 Series B Bond had a market value of \$47,651,653 and the trustee account for the 2002 Series A bonds was valued at \$37,768,620. As the investments are in an irrevocable trust for the purpose of debt defeasance, the investments in the trustee accounts are not reflected in these financial statements.

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, 2007 was \$2,620,446.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
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	271,575	60,604	332,179
2013-2017	1,363,313	131,489	1,494,802
Total	<u>\$ 2,620,446</u>	<u>\$ 535,249</u>	<u>\$ 3,155,695</u>

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2007, amounted to \$500,310.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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
Reserved					
Revolving cash	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Stores inventory	510	-	-	43,582	44,092
General reserve	92,214	-	-	-	92,214
Restricted programs	2,447,900	-	-	-	2,447,900
Total Reserved	<u>2,590,624</u>	<u>-</u>	<u>-</u>	<u>43,582</u>	<u>2,634,206</u>
Unreserved					
Designated					
Economic uncertainties	2,011,746	-	-	-	2,011,746
Other designations	784,310	-	-	-	784,310
Total Designated	<u>2,796,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,796,056</u>
Undesignated	<u>1,983,777</u>	<u>18,041,095</u>	<u>4,704,539</u>	<u>10,576,800</u>	<u>35,306,211</u>
Total Unreserved	<u>4,779,833</u>	<u>18,041,095</u>	<u>4,704,539</u>	<u>10,576,800</u>	<u>38,102,267</u>
Total	<u><u>\$ 7,370,457</u></u>	<u><u>\$18,041,095</u></u>	<u><u>\$ 4,704,539</u></u>	<u><u>\$10,620,382</u></u>	<u><u>\$40,736,473</u></u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 10 - 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, 2007, 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 2007, 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, 2007

NOTE 11 - 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 2006-2007 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, 2007, 2006, and 2005, were \$2,196,443, \$2,005,081, and \$1,904,882, 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, 2007

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 2006-2007 was 9.124 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, 2007, 2006, and 2005, were \$543,584, \$518,928, and \$664,192, 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 \$1,229,633 (4.517 percent of salaries subject to STRS). No contributions were made for PERS for the year ended June 30, 2007. 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 12 - 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, 2007.

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, 2007.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Construction Commitments

As of June 30, 2007, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Science and Technology Center	\$ 6,193,649	09/30/07
Beverly Vista Building B	7,504,254	09/30/07
Repair and upgrade auditoriums and restrooms at 3 schools: El Rodeo, Hawthorne, and Horace Mann	514,392	09/30/07
	<u>\$ 14,212,295</u>	

NOTE 13 - 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, 2007, the District made payments of \$1,566,356, \$506,250, \$443,986 and \$594,154 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 June 6, 2007. The notes mature on June 30, 2008, and yield 3.741 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 2008, until 100 percent of principal and interest due is on account in June 2008.

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REQUIRED SUPPLEMENTARY INFORMATION

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
REVENUES				
Revenue limit sources	\$ 32,119,441	\$ 32,063,808	\$ 32,275,383	\$ 211,575
Federal sources	1,782,145	2,025,644	2,114,573	88,929
Other State sources	5,770,969	8,335,878	10,066,864	1,730,986
Other local sources	10,674,712	12,715,761	12,779,172	63,411
Total Revenues¹	50,347,267	55,141,091	57,235,992	2,094,901
EXPENDITURES				
Current				
Instruction	30,891,205	33,202,350	33,031,708	170,642
Instruction-related activities:				
Supervision of instruction	1,505,672	1,819,740	1,583,881	235,859
Instructional library, media, and technology	1,108,955	1,340,272	1,166,557	173,715
School site administration	2,712,283	3,278,039	2,853,167	424,872
Pupil services:				
Home-to-school transportation	95,779	123,972	110,079	13,893
All other pupil services	1,819,810	2,319,066	2,059,185	259,881
Administration:				
Data processing	137,727	112,537	129,061	(16,524)
All other administration	4,453,173	3,914,572	4,489,363	(574,791)
Plant services	5,583,976	6,153,170	6,199,859	(46,689)
Facility acquisition and construction	1,961,937	2,161,924	2,158,790	3,134
Ancillary services	54,623	401,609	495,924	(94,315)
Community services	-	55,882	69,224	(13,342)
Debt service				
Interest	-	-	92,086	(92,086)
Capital outlay	-	-	241,159	(241,159)
Total Expenditures¹	50,325,139	54,883,133	54,680,043	203,090
Excess of Revenues Over Expenditures	22,128	257,958	2,555,949	2,297,991
Other Financing Sources (Uses)				
Transfers in	-	1,073,361	-	(1,073,361)
Transfers out	(280,000)	-	(921,096)	(921,096)
NET CHANGE IN FUND BALANCES	(257,872)	1,331,319	1,634,853	303,534
Fund Balance - Beginning	5,735,604	5,735,604	5,735,604	-
Fund Balance - Ending	\$ 5,477,732	\$ 7,066,923	\$ 7,370,457	\$ 303,534

¹ On behalf payments of \$1,229,633 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

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SUPPLEMENTARY INFORMATION

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through the California Department of Education (CDE):			
No Child Left Behind Act			
Title I, Part A, Basic Grants Low-Incidence and Neglected	84.010	14329	\$ 631,188
Title II, Teacher Quality	84.367	14341	257,474
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	12,436
Title III, Immigrant Education Program	84.365	14346	138,250
Title III, Limited English Proficiency	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	<u>16,863</u>
Subtotal			<u>1,100,202</u>
Individuals with Disability Education Act			
Basic Local Assistance Entitlement	84.027	13379	1,120,658
Preschool Grant	84.173	13430	21,544
Local Preschool Entitlement	84.027A	13682	35,434
Infant Discretionary	84.027A	13612	60
Local Staff Development Grant	84.027A	13613	8,167
Preschool Staff Development	84.173A	13431	384
Low-Incidence Entitlement	84.027A	13459	5,684
Early Intervention Grants	84.181	23761	<u>30,177</u>
Subtotal			<u>1,222,108</u>
Voc and Appl Tech Secondary II	84.048	13924	28,630
Adult Education: Adult Basic Education and ESL	84.002A	14508	59,231
Adult Education : ESL/ESL Citizenship	84.002	13974	<u>33,566</u>
Subtotal			<u>121,427</u>
U.S. DEPARTMENT OF HEALTH AND HUMANITIES			
Learn and Serve America Cal Serve	94.004	13161	<u>50,000</u>
U.S. DEPARTMENT OF REHABILITATION			
Workability II, Transition Partnership	84.158	10006	<u>2,812</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education:			
National School Lunch Program	10.556	13390	<u>31,079</u>
Total Expenditures			<u>\$ 2,527,628</u>

See accompanying note to supplementary information.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

JUNE 30, 2007

ORGANIZATION

The Beverly Hills Unified School District was unified in 1935 under the laws of the State of California and consists of an area comprising approximately 5.7 square miles. The District operates four elementary schools, one high school, and one adult school.

GOVERNING BOARD

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

ADMINISTRATION

Kari McVeigh	Superintendent
Cheryl Plotkin	Assistant Superintendent, Business Services
Ilene Straus, Ed.D	Assistant Superintendent, Educational Services K-12
Sal Gumina	Assistant Superintendent, Human Resources

See accompanying note to supplementary information.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2007**

	Revised Second Period Report	Revised Annual Report
ELEMENTARY		
Kindergarten	206	206
First through third	660	662
Fourth through sixth	962	964
Seventh and eighth	801	803
Home and Hospital	4	5
Special education	159	162
Total Elementary	2,792	2,802
SECONDARY		
Regular classes	2,192	2,183
Continuation education	20	20
Home and Hospital	6	7
Special education	71	72
Total Secondary	2,289	2,282
Total K-12	5,081	5,084
CLASSES FOR ADULTS		
Not concurrently enrolled	252	314
Total Classes for Adults	252	314
Grand Total	5,333	5,398
		<u>Hours of Attendance</u>
SUPPLEMENTAL INSTRUCTIONAL HOURS		
Elementary		8,878
High school		11,811
Total Hours		20,689

See accompanying note to supplementary information.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2007

Grade Level	1982-83	1986-87	2006-07	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	30,216	36,000	40,140	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	54,180	180	N/A	Complied
Grades 7 - 8	53,204	54,000	67,152	180	N/A	Complied
Grades 9 - 12	62,920	64,800	77,185	180	N/A	Complied

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

Minimum Required		Number of Grades	Minimum Minutes	
First through third		3	53,204	159,612
Fourth through sixth		3	54,000	162,000
Seventh through eighth		2	54,000	108,000
		<u>8</u>		<u>429,612</u>
Total Minimum Average				53,702
Actual Offering		Number of Grades	Minimum Minutes	
First through third		3	50,640	151,920
Fourth through sixth		3	54,180	162,540
Seventh through eighth		2	67,152	134,304
		<u>8</u>		<u>448,764</u>
Total Minimum Average				56,096
Minimum Average Surplus				2,394

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, 2007**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2007.

See accompanying note to supplementary information.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007

	(Budget) 2008 ¹	2007	2006	2005
GENERAL FUND				
Revenues	\$ 51,682,192	\$ 57,235,992	\$ 50,147,261	\$ 50,985,072
Other financing sources and transfers in	-	-	220,000	3,114,400
Total Revenues and Other Sources	51,682,192	57,235,992	50,367,261	54,099,472
Expenditures	52,772,507	54,680,043	50,705,079	50,933,503
Other uses and transfers out	-	921,096	279,745	475,888
Total Expenditures and Other Uses	52,772,507	55,601,139	50,984,824	51,409,391
INCREASE (DECREASE) IN FUND BALANCE	\$ (1,090,315)	\$ 1,634,853	\$ (617,563)	\$ 2,690,081
ENDING FUND BALANCE	\$ 6,280,142	\$ 7,370,457	\$ 5,735,604	\$ 6,353,167
AVAILABLE RESERVES ²	\$ 2,910,787	\$ 4,001,102	\$ 1,508,725	\$ 2,161,059
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	5.5%	7.4%	3.0%	4.3%
LONG-TERM OBLIGATIONS	N/A	\$148,364,804	\$158,097,291	\$110,565,170
K-12 AVERAGE DAILY ATTENDANCE AT P-2 ⁴	5,133	5,081	5,101	5,091

The General Fund balance has increased by \$1,017,290 over the past two years. The fiscal year 2007-2008 budget projects a further decrease of \$1,090,315 (14.8 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2007-2008 fiscal year. Total long-term obligations have increased by \$37,799,634 over the past two years.

Average daily attendance has decreased by ten over the past two years. Additional growth of 52 ADA is anticipated during fiscal year 2007-2008.

¹ Budget 2008 is included for analytical purposes only and has not been subjected to audit.

² 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).

³ On behalf payments of \$1,229,633, \$1,129,860, and \$1,060,661 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2007, 2006, and 2005, respectively.

⁴ Excludes Adult Education ADA.

See accompanying note to supplementary information.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

EXCESS SICK LEAVE

JUNE 30, 2007

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

Beverly Hills Unified School District does not provide more than 12 sick leave days in a school year to any CalSTRS members.

See accompanying note to supplementary information.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2007

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 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.

Excess Sick Leave

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

SUPPLEMENTARY INFORMATION - UNAUDITED

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - UNAUDITED
JUNE 30, 2007**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund
ASSETS				
Deposits and investments	\$ 227,621	\$ 262,782	\$ 1,179,919	\$ 5,500
Receivables	126,990	8,584	19,939	79
Due from other funds	19,565	-	-	-
Stores inventory	-	43,582	-	-
Total Assets	<u>\$ 374,176</u>	<u>\$ 314,948</u>	<u>\$ 1,199,858</u>	<u>\$ 5,579</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 244,097	\$ 227,535	\$ 2,775	\$ -
Deferred revenue	28,863	-	-	-
Total Liabilities	<u>272,960</u>	<u>227,535</u>	<u>2,775</u>	<u>-</u>
FUND BALANCES				
Reserved for:				
Stores inventory	-	43,582	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	101,216	43,831	1,197,083	5,579
Capital projects funds	-	-	-	-
Total Fund Balances	<u>101,216</u>	<u>87,413</u>	<u>1,197,083</u>	<u>5,579</u>
Total Liabilities and Fund Balances	<u>\$ 374,176</u>	<u>\$ 314,948</u>	<u>\$ 1,199,858</u>	<u>\$ 5,579</u>

See accompanying note to supplementary information - unaudited.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
\$ 2,246,301	\$ 3,769,380	\$ 922,771	\$ 8,614,274
706,288	71,173	1,562,701	2,495,754
-	-	-	19,565
-	-	-	43,582
<u>\$ 2,952,589</u>	<u>\$ 3,840,553</u>	<u>\$ 2,485,472</u>	<u>\$ 11,173,175</u>
\$ 49,500	\$ -	\$ 23	\$ 523,930
-	-	-	28,863
<u>49,500</u>	<u>-</u>	<u>23</u>	<u>552,793</u>
-	-	-	43,582
-	-	-	1,347,709
2,903,089	3,840,553	2,485,449	9,229,091
<u>2,903,089</u>	<u>3,840,553</u>	<u>2,485,449</u>	<u>10,620,382</u>
<u>\$ 2,952,589</u>	<u>\$ 3,840,553</u>	<u>\$ 2,485,472</u>	<u>\$ 11,173,175</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, 2007

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Non-Capital Fund
REVENUES				
Revenue limit sources	\$ 795,867	\$ -	\$ -	\$ -
Federal sources	51,667	59,101	-	-
Other State sources	1,264	13,824	213,950	-
Other local sources	303,453	1,242,740	51,514	291
Total Revenues	<u>1,152,251</u>	<u>1,315,665</u>	<u>265,464</u>	<u>291</u>
EXPENDITURES				
Current				
Instruction	656,834	-	-	-
Instruction-related activities:				
Instructional library, media				
School site administration	537,302	-	-	-
Pupil services:				
Food services	-	1,360,478	-	-
Administration:				
All other administration	-	-	-	-
Plant services	23,760	-	86,744	-
Facility acquisition and construction	-	-	10,167	-
Total Expenditures	<u>1,217,896</u>	<u>1,360,478</u>	<u>96,911</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(65,645)</u>	<u>(44,813)</u>	<u>168,553</u>	<u>291</u>
Other Financing Sources				
Transfers in	-	63,281	200,000	-
NET CHANGE IN FUND BALANCES	<u>(65,645)</u>	<u>18,468</u>	<u>368,553</u>	<u>291</u>
Fund Balance - Beginning	<u>166,861</u>	<u>68,945</u>	<u>828,530</u>	<u>5,288</u>
Fund Balance - Ending	<u>\$ 101,216</u>	<u>\$ 87,413</u>	<u>\$ 1,197,083</u>	<u>\$ 5,579</u>

See accompanying note to supplementary information - unaudited.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ 795,867
-	-	-	110,768
-	-	-	229,038
980,654	199,184	254,523	3,032,359
980,654	199,184	254,523	4,168,032
-	-	-	656,834
-	-	-	537,302
-	-	-	1,360,478
1,235	-	-	1,235
-	-	20,892	131,396
1,250,958	-	59,269	1,320,394
1,252,193	-	80,161	4,007,639
(271,539)	199,184	174,362	160,393
-	-	657,815	921,096
(271,539)	199,184	832,177	1,081,489
3,174,628	3,641,369	1,653,272	9,538,893
\$ 2,903,089	\$ 3,840,553	\$ 2,485,449	\$ 10,620,382

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2007

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

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**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, 2007, which collectively comprise Beverly Hills Unified School District's basic financial statements and have issued our report thereon dated December 3, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Beverly Hills Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Beverly Hills Unified School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting; items 2007-1 through 2007-3.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies 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 or other matters that are required to be reported under *Government Auditing Standards*.

Beverly Hills Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Beverly Hills Unified School District's response and, accordingly, express no opinion on it.

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.

Vannich, Te, Day & Co., LLP

Rancho Cucamonga, California
December 3, 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, 2007. 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, 2007. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which would be required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items.

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 the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Beverly Hills Unified School District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

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

Vannink, Tinn, Day & Co., LLP

Rancho Cucamonga, California
December 3, 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, 2007, and have issued our report thereon dated December 3, 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 2006-07*, 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:

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

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
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
Excess sick leave	2	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	Yes
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
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

We did not perform testing for 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 employees.

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; items 2007-4 and 2007-5. 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.

Varrink, Tinn, Day & Co., LLP

Rancho Cucamonga, California
December 3, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2007**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title 1, Part A</u>
<u>84.027, 84.027A, 84.173,</u>	<u>IDEA Special Education Cluster</u>
<u>84.173A, 84.181</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>
Significant deficiencies 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, 2007

The following findings represent significant deficiencies, 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

2007-1 30000

TIMELY DEPOSITS

Hawthorne School

Finding

District funds being collected by the Librarian at Hawthorne School are not being deposited to the District in a timely manner. Of the seven receipts tested, six of those receipts were held at the site between 32 and 220 days after the receipt date before being deposited or submitted to the District.

Recommendation

Deposits of District cash collected at school sites should be deposited in a timely basis and in accordance with District policies regardless of the total amount collected. During periods of high cash activity, there may be a need to deposit more often than usual in order to maintain adequate controls. The District should clearly establish or communicate established policies for cash collections and deposits to all site personnel that are involved in the cash collection process. Those policies should be tested and enforced in order to maintain adequate controls over collections of District funds from site locations.

District Response

The District has established a procedure for timely submitting site cash for lost or damaged library books and textbooks. Money is to be receipted and sent to the District Office at least once per month, more often if the deposit amount is greater than \$500.

2007-2 30000

Beverly Hills High School

Finding

District funds being collected by the Librarian at Beverly Hills High School are not being deposited to the District in a timely manner. Of the seven receipts tested, six of those receipts were held at the site between 40 and 48 days after the receipt date before being deposited or submitted to the District.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2007

Recommendation

Deposits of District cash collected at school sites should be deposited in a timely basis and in accordance with District policies regardless of the total amount collected. During periods of high cash activity, there may be a need to deposit more often than usual in order to maintain adequate controls. The District should clearly establish or communicate established policies for cash collections and deposits to all site personnel that are involved in the cash collection process. Those policies should be tested and enforced in order to maintain adequate controls over collections of District funds from site locations.

District Response

The District has established a procedure for timely submitting site cash for lost or damaged library books and textbooks. Money is to be receipted and sent to the District Office at least once per month, more often if the deposit amount is greater than \$500.

2007-3 30000

LIBRARY CASH RECEIPTING PROCEDURE

Beverly Hills High School

Finding

During our testing of cash collections, we noted that District cash being collected by the Beverly Hills High School Librarian are not being remitted to the District. Instead, the District funds are forwarded to the Associated Student Body (ASB) Bookkeeper and deposited to the ASB Bank Account. Within the ASB accounting software, the funds are tracked as if for a student organization as a "Library Account." When the Librarian has a need for various supplies, the ASB Bookkeeper will provide a check for expenditures with funds being deducted from the "Library Account." As such, the diverted District funds are not received for use by the District or recorded in the District's general ledger as no data is provided directly to the District regarding the cash collections. As of the May 2, 2007 ASB Balance Sheet, the "Library Account" indicated a balance of \$9,719.

In addition, it was also noted that donations collected by the Librarian from parents are being deposited to the PTSA Account rather than being remitted to the District. The person responsible for the PTSA bank account tracks the "Library Account" balance in a similar fashion and e-mails statements to the Librarian indicating the balance. The funds are then utilized for Library supplies by the Librarian. As such, the diverted District funds are not received for use by the District or recorded in the District's general ledger as no data is provided directly to the District regarding cash collections. As of the April 2007 Statement emailed to the Librarian, the "Library Account" indicated a balance of \$557.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2007

Recommendation

Funds in which are collected on behalf of the District by site personnel should be remitted to the District. Funds collected by the Librarian are generally for items such as lost books. Although the books are used by the Beverly Hills High School Library, those books are District property. As such, any funds collected for lost books or for any other District purpose, should be remitted to the District for proper recording, reporting and budgeting purposes. By retaining District funds and utilizing such funds for supplies at the Beverly Hills High School Library, internal controls are being circumvented and financial transactions are taking place without being recorded in the District's financial statements. The District should clearly establish or communicate established policies for cash collections and deposits to all site personnel that are involved in the cash collection process. Those policies should be tested and enforced in order to maintain adequate controls over collections of District funds from site locations.

District Response

The District has established a procedure for timely submitting site cash for lost or damaged library books and textbooks. Money is to be receipted and sent to the District Office at least once per month, more often if the deposit amount is greater than \$500. In addition, the District has notified both the High School Librarian and Account Clerk of the following:

1. Any funds collected are to be deposited with the District and not with the ASB.
2. Staff cannot collect or disburse parent donation funds. The District can set up a library PTA account if authorized by the HS PTA from which the library can make authorized purchases. The PTA will be periodically billed for these expenses.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

None reported.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

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>
10000	Attendance

2007-4 10000

KINDERGARTEN RETENTIONS

El Rodeo School

Finding

During our testing, it was noted that two of five students tested that were retained in kindergarten beyond their one year anniversary date did not have a "Permission to Retain" form approved in both form and content required by the State of California Department of Education signed by the parent/guardian on file as indicated by California Educational Code Section 46300(g).

Recommendation

In order to claim the apportionment attendance credit for a kindergarten student who has been retained beyond his or her one year anniversary date, the School must have a "Permission to Retain" form on file. California Educational Code Section 46300(g) states "In computing the average daily attendance of a school district, there shall be included the attendance of pupils in kindergarten after they have completed one school year in kindergarten only if the school district has on file for each of those pupils an agreement made pursuant to Section 48011, approved in form and content by the State Department of Education and signed by the pupil's parent or guardian, that the pupil may continue in kindergarten for not more than an additional school year."

District Response

The District issued proper retention forms for the 2007-08 school year. The calculation for the reduction in ADA was only .23 so revised reports were not filed.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

2007-5 10000

Hawthorne School

Finding

During our testing, it was noted that two of two students tested that were retained in kindergarten beyond their one year anniversary date did not have a "Permission to Retain" form approved in both form and content required by the State of California Department of Education signed by the parent/guardian on file as indicated by California Educational Code Section 46300(g).

Recommendation

In order to claim the apportionment attendance credit for a kindergarten student who has been retained beyond his or her one year anniversary date, the School must have a "Permission to Retain" form on file. California Educational Code Section 46300(g) states "In computing the average daily attendance of a school district, there shall be included the attendance of pupils in kindergarten after they have completed one school year in kindergarten only if the school district has on file for each of those pupils an agreement made pursuant to Section 48011, approved in form and content by the State Department of Education and signed by the pupil's parent or guardian, that the pupil may continue in kindergarten for not more than an additional school year."

District Response

The District issued proper retention forms for the 2007-08 school year. The calculation for the reduction in ADA was only .23 so revised reports were not filed.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2007

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

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.

Current Status

Implemented.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007**

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.

Current Status

Implemented.

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".

Current Status

Implemented.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2007

Federal Award Findings

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.

Current Status

Implemented.

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.

Current Status

Implemented.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2007

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.

Current Status

Implemented.

State Award Findings

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.

Current Status

Implemented.

