

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT
OF LOS ANGELES COUNTY
BEVERLY HILLS, CALIFORNIA**

AUDIT REPORT
June 30, 2010

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

June 30, 2010

FINANCIAL SECTION

Independent Auditor's Report 1

Management's Discussion and Analysis..... 3

Basic Financial Statements:

 Government-wide Financial Statements:

 Statement of Net Assets 9

 Statement of Activities..... 10

 Fund Financial Statements:

 Balance Sheet – Governmental Funds 12

 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Assets..... 15

 Statement of Revenues, Expenditures, and Changes in
 Fund Balances – Governmental Funds 16

 Reconciliation of the Governmental Funds Statement of
 Revenues, Expenditures, and Changes in Fund Balances
 to the Statement of Activities..... 18

 Statement of Net Assets – Fiduciary Funds 19

 Notes to Basic Financial Statements 20

REQUIRED SUPPLEMENTARY INFORMATION SECTION

Budgetary Comparison Schedule – General Fund 43

Post-Employment Benefit Plans Other than Pensions Trend Information 44

SUPPLEMENTARY INFORMATION SECTION

Combining and Individual Fund Financial Statements and Schedules:

 Combining Balance Sheet – Nonmajor Special Revenue Funds 46

 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances – Nonmajor Special Revenue Funds..... 48

 Combining Schedule of Revenues, Expenditures, and Changes in
 Fund Balances – Budget and Actual – Nonmajor Special
 Revenue Funds..... 50

 Combining Balance Sheet – Nonmajor Capital Projects Funds 54

 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances – Nonmajor Capital Projects Funds..... 55

 Combining Schedule of Revenues, Expenditures, and Changes in
 Fund Balances – Budget and Actual – Nonmajor Capital Projects Funds 56

Organization 59

Schedule of Average Daily Attendance 60

Schedule of Instructional Time 61

Schedule of Financial Trends and Analysis 62

Schedule of Expenditures of Federal Awards 63

Note to the Schedule of Expenditures of Federal Awards 65

Reconciliation of Unaudited Actuals Report
 with Audited Financial Statements 66

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

June 30, 2010

SUPPLEMENTARY INFORMATION SECTION (CONTINUED)

Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*..... 69

Auditor’s Report on State Compliance..... 71

Auditor’s Report on Compliance with Requirements
Applicable to Each Major Federal Program and
Internal Control over Compliance in Accordance with
OMB Circular A-133 73

FINDINGS AND RECOMMENDATIONS SECTION

Schedule of Audit Findings and Questioned Costs..... 75

Summary Schedule of Prior Year Audit Findings 94

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Board of Education
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 (District) as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The District was not in compliance with the Governmental Accounting Standards Board (GASB) Statement No. 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* due to the last study was prepared in fiscal year 2007-2008. The liability of other postemployment benefits within its governmental activities and expenses on this liability may be misstated.

In our opinion, except for the effect, if any, of not having a current actuarial study as required by the GASB Statement No. 45 for the governmental activities as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Beverly Hills Unified School District as of June 30, 2010, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statement referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Beverly Hills Unified School District, as of June 30, 2010, and the respective changes in financial position thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to the basic financial statements effective July 1, 2009, the Beverly Hills Unified School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No 51- *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No.53 – *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and GASB Statement No. 58 – *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2010, on our consideration of the Beverly Hills Unified School 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 controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on page 3 through 8, the budgetary comparison schedule on page 47, and the schedule of funding progress for post-employment benefits other than pensions on page 48, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Beverly Hills Unified School District's basic financial statements. The accompanying combining and individual fund financial statements and schedules, financial, and statistical information listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements of the Beverly Hills Unified School District. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The accompanying combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
December 15, 2010

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

This section of the 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, 2010, with comparative information from 2009. This report should be read in conjunction with the District's financial statements prepared by our auditing firm, which immediately follows this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis, the financial statements, and required supplementary information:

- 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 expenditures.
- 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.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010

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 are 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-fictional factors such as changes in the District's condition of school buildings and other facilities.

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes, State and Federal 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:

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

- 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 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's activities funds. The District is responsible for ensuring that those to whom the assets belong use only for their intended purposes and the assets reported in these funds. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENTAL ACTIVITIES

Net Assets

The District's net assets were \$30,336,903 for the fiscal year ending on June 30, 2010. Of this amount (\$14,416,637) 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.

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Table 1

Governmental Activities

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|---------------------|
| <u>Assets</u> | | |
| Current and other assets | \$ 66,714,839 | \$ 90,995,485 |
| Capital assets | <u>192,239,026</u> | <u>143,247,265</u> |
| Total Assets | 258,953,865 | 234,242,750 |
| <u>Liabilities</u> | | |
| Current liabilities | 9,796,502 | 16,012,641 |
| Long-term obligations | <u>211,007,697</u> | <u>200,371,479</u> |
| Total Liabilities | 228,616,962 | 216,384,120 |
| Net Assets | | |
| Invested in capital assets, net of related debt | 42,678,894 | 10,866,203 |
| Restricted | 2,074,646 | 8,115,210 |
| Unrestricted | (14,416,637) | (1,122,783) |
| Total Net Assets | \$30,336,903 | \$17,858,630 |

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Table 2

Changes in Net Assets

| | <u>Governmental Activities</u> | |
|--|---------------------------------------|-----------------------|
| | <u>2010</u> | <u>2009</u> |
| <u>Revenues</u> | | |
| General revenues | | |
| Federal and State aid not restricted | 4,074,308 | 15,044,346 |
| Property taxes | 42,836,570 | 39,819,758 |
| Other general revenues | 14,155,734 | 7,880,401 |
| Miscellaneous | | |
| Total Revenues | 61,066,612 | 74,237,659 |
| <u>Expenses (less program revenues)</u> | | |
| Instruction related | 29,855,136 | 80,988,700 |
| Student support services | 2,009,902 | 4,118,632 |
| Administration | 7,036,951 | 7,719,187 |
| Plant Services | 9,578,740 | 7,556,371 |
| Other | 14,960,941 | 5,926,099 |
| Total Expenses | 63,441,670 | 106,308,989 |
| Change in Net Assets | \$(2,375,058) | \$(32,071,330) |

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

***Note: \$30,106,069 in prior period adjustments to accumulated depreciation was incorrectly added to Instruction related expenses in 2009 which explains the unbalanced year to year comparison of Expenses above.**

BALANCE SHEET

GOVERNMENTAL FUNDS

The following data reflects a year to year comparison of total fund balances for the governmental funds over the past two fiscal years.

Table 3

Total Fund Balances

| | June 30, 2010 | June 30, 2009 |
|-----------------------------------|---------------------|---------------------|
| General Fund | \$ 3,248,495 | \$ 4,043,217 |
| Building Fund | \$ 65,508,114 | \$ 68,420,208 |
| Bond Interest and Redemption Fund | \$ 5,696,751 | \$ 6,269,933 |
| County School Facility Fund | \$ 628,413 | \$ 591,714 |
| Other Governmental Funds | \$ 1,367,687 | \$ 1,385,219 |
| Total Governmental Funds | \$76,449,460 | \$80,710,297 |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT**STATEMENT OF NET ASSETS**

June 30, 2010

| Assets | <u>Governmental Activities</u> |
|---|------------------------------------|
| Cash in County Treasury | \$ 76,153,778 |
| Cash on hand and in banks | 44,029 |
| Revolving cash fund | 50,000 |
| Accounts receivable | 6,293,939 |
| Inventory | 35,388 |
| Prepaid expenses | 249,575 |
| Deferred charges | 1,812,514 |
| Deferred losses on refunding | 1,539,216 |
| Other assets | 206,911 |
| Land | 2,933,062 |
| Construction in progress | 5,775,131 |
| Buildings and improvements | 192,239,026 |
| Site improvements | 8,752,680 |
| Furniture and equipment | 6,608,464 |
| Less accumulated depreciation | <u>(43,739,848)</u> |
| Total assets | <u>258,953,865</u> |
| Liabilities | |
| Accounts payable | 6,476,385 |
| Interest payable | 1,228,603 |
| Deferred revenue | 107,775 |
| Long-term liabilities: | |
| Due within one year | 9,796,502 |
| Due in more than a year | <u>211,007,697</u> |
| Total liabilities | <u>228,616,962</u> |
| Net Assets | |
| Invested in capital assets, net of related debt | 42,678,894 |
| Restricted for: | |
| Capital projects | 1,440,918 |
| Education programs | 633,728 |
| Unrestricted | <u>(14,416,637)</u> |
| Total net assets | <u>\$ 30,336,903</u> |

See notes to financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2010

| | Expenses | Program Revenues | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| Instruction | \$ 35,883,566 | \$ 488,466 | \$ 5,503,265 | \$ 36,699 |
| Instruction-related services: | | | | |
| Instructional supervision and administration | 1,215,727 | 9,419 | 366,386 | |
| Instructional library, media, and technology | 1,169,980 | | | |
| School site administration | 3,451,183 | 6,276 | 50,845 | |
| Pupil services: | | | | |
| Home-to-school transportation | 142,183 | | 141,721 | |
| Food services | 1,677,364 | 1,008,186 | 123,673 | |
| All other pupil services | 1,992,951 | | 440,434 | |
| General administration: | | | | |
| Centralized data processing | 153,040 | | | |
| All other general administration | 3,506,608 | 6,194 | 10,765 | |
| Plant services | 7,256,636 | 3,308 | 8,424 | |
| Ancillary services | 451,007 | | | |
| Community services | 77,131 | 2,577 | 4,351 | |
| Interest on long-term debt | 9,578,740 | | | |
| Other outgo | 231,072 | | 29,304 | |
| Depreciation (unallocated) | 4,894,775 | | | |
| Total governmental activities | \$ 71,681,963 | \$ 1,524,426 | \$ 6,679,168 | \$ 36,699 |

General revenues:

Taxes and subventions:

 Taxes levied for general purposes

 Taxes levied for debt service

 Tax levied for other specific purposes

 Federal and state aid not restricted to specific purposes

 Interest and investment earnings

 Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of fiscal year

Prior period adjustments

Net assets beginning of fiscal year, restated

Net assets end of fiscal year

See notes to financial statements

Net (Expense)
Revenue and
Changes in
Net Assets

\$ (29,855,136)

(839,922)

(1,169,980)

(3,394,062)

(462)

(545,505)

(1,552,517)

(153,040)

(3,489,649)

(7,244,904)

(451,007)

(70,203)

(9,578,740)

(201,768)

(4,894,775)

(63,441,670)

32,694,152

10,093,920

48,498

4,074,308

1,202,439

12,953,295

61,066,612

(2,375,058)

17,858,630

14,853,331

32,711,961

\$ 30,336,903

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

| | General Fund | Building Fund | County School Facilities Fund |
|--|---------------------|----------------------|-------------------------------------|
| Assets | | | |
| Cash in County Treasury | \$ 3,289,123 | \$ 65,484,966 | \$ 554,654 |
| Cash on hand and in banks | | | |
| Revolving cash fund | 50,000 | | |
| Accounts receivable | 3,725,065 | 214,595 | 1,833,759 |
| Due from other funds | 2,087,611 | | |
| Inventory, at cost | | | |
| Prepaid expenditures | 249,575 | | |
| Other assets | 206,911 | | |
| | <u>9,608,285</u> | <u>65,699,561</u> | <u>2,388,413</u> |
| Total assets | <u>\$ 9,608,285</u> | <u>\$ 65,699,561</u> | <u>\$ 2,388,413</u> |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 6,180,053 | \$ 191,447 | \$ - |
| Due to other funds | 71,962 | | 1,760,000 |
| Deferred revenue | 107,775 | | |
| | <u>6,359,790</u> | <u>191,447</u> | <u>1,760,000</u> |
| Total liabilities | <u>6,359,790</u> | <u>191,447</u> | <u>1,760,000</u> |
| Fund balances: | | | |
| Reserved for revolving fund | 50,000 | | |
| Reserved for inventory | | | |
| Reserved for prepaid expenditures | 249,575 | | |
| Reserved for legally restricted balances | 633,728 | | |
| Reserved for debt service | | | |
| Unreserved: | | | |
| Other designations | 134,756 | | |
| Undesignated | 2,180,436 | 65,508,114 | 628,413 |
| | <u>3,248,495</u> | <u>65,508,114</u> | <u>628,413</u> |
| Total fund balances | <u>3,248,495</u> | <u>65,508,114</u> | <u>628,413</u> |
| Total liabilities and fund balances | <u>\$ 9,608,285</u> | <u>\$ 65,699,561</u> | <u>\$ 2,388,413</u> |

See notes to financial statements

| Bond Interest and Redemption Fund | Other Governmental Funds | Total Governmental Funds |
|--|--------------------------------|--------------------------------------|
| \$ 5,696,751 | \$ 1,128,284 44,029 | \$ 76,153,778 44,029 50,000 |
| | 520,520 | 6,293,939 |
| | 1,471,962 | 3,559,573 |
| | 35,388 | 35,388 |
| | | 249,575 |
| | | 206,911 |
| <u>\$ 5,696,751</u> | <u>\$ 3,200,183</u> | <u>\$ 86,593,193</u> |
| \$ - | \$ 104,885 1,727,611 | \$ 6,476,385 3,559,573 107,775 |
| | 1,832,496 | 10,143,733 |
| | | 50,000 |
| | 35,388 | 35,388 |
| | | 249,575 |
| 5,696,751 | | 633,728 |
| | | 5,696,751 |
| | | 134,756 |
| | 1,332,299 | 69,649,262 |
| <u>5,696,751</u> | <u>1,367,687</u> | <u>76,449,460</u> |
| <u>\$ 5,696,751</u> | <u>\$ 3,200,183</u> | <u>\$ 86,593,193</u> |

See notes to financial statements

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total fund balances - governmental funds \$ 76,449,460

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

| | | |
|-----------------------------------|----|---------------------|
| Capital assets at historical cost | \$ | 216,308,363 |
| Accumulated depreciation | | <u>(43,739,848)</u> |

Net 172,568,515

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. 1,812,514

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 losses on refunding remaining balance. 1,539,216

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred. (1,228,603)

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

| | | |
|----------------------------------|----|------------------|
| General obligation bonds payable | \$ | (189,738,890) |
| Unamortized premium | | (6,934,582) |
| Accreted interest payable | | (20,355,026) |
| Compensated absences | | (588,665) |
| Capital leases | | (1,895,993) |
| OPEB | | (376,118) |
| SERP | | (734,925) |
| Loans payable | | <u>(180,000)</u> |

Total (220,804,199)

Total net assets, governmental activities \$ 30,336,903

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2010

| | General Fund | Building Fund | County School Facilities Fund |
|---|---------------------|----------------------|-------------------------------------|
| Revenues: | | | |
| Revenue limit sources: | | | |
| State apportionments | \$ (570,266) | \$ - | \$ - |
| Local sources | 32,877,487 | | |
| Federal | 2,199,219 | | |
| Other state | 7,250,581 | | 36,619 |
| Other local | 13,794,987 | 937,933 | 80 |
| | <u>55,552,008</u> | <u>937,933</u> | <u>36,699</u> |
| Total revenues | | | |
| Expenditures: | | | |
| Certificated salaries | 27,471,175 | | |
| Classified salaries | 7,426,184 | 22,615 | |
| Employee benefits | 8,910,922 | 7,134 | |
| Books and supplies | 1,422,149 | 17,581 | |
| Contracted services and other operating expenditures | 9,021,030 | 1,328,690 | |
| Capital outlay | 29,167 | 2,479,149 | |
| Other outgo | 83,628 | | |
| Debt service: | | | |
| Principal | 251,038 | | |
| Interest | 81,140 | | |
| | <u>54,696,433</u> | <u>3,855,169</u> | |
| Total expenditures | | | |
| Excess of revenues over (under) expenditures | <u>855,575</u> | <u>(2,917,236)</u> | <u>36,699</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | | | |
| Transfers out | (638,692) | | |
| | <u>(638,692)</u> | | |
| Total other financing sources (uses) | | | |
| Net change in fund balances | <u>216,883</u> | <u>(2,917,236)</u> | <u>36,699</u> |
| Fund balance, July 1, 2009 | 4,043,217 | 68,420,208 | 591,714 |
| Prior period adjustments | (1,011,605) | 5,142 | |
| Fund balances, July 1, 2009, restated | <u>3,031,612</u> | <u>68,425,350</u> | <u>591,714</u> |
| Fund balance, June 30, 2010 | <u>\$ 3,248,495</u> | <u>\$ 65,508,114</u> | <u>\$ 628,413</u> |

See notes to financial statements

| Bond Interest and Redemption Fund | Other Governmental Funds | Totals Governmental Funds |
|--|--------------------------------|---------------------------------|
| \$ - | \$ - | \$ (570,266) |
| | | 32,877,487 |
| | 189,229 | 2,388,448 |
| 16,371 | 606,934 | 7,910,505 |
| <u>10,221,015</u> | <u>1,746,716</u> | <u>26,700,731</u> |
| <u>10,237,386</u> | <u>2,542,879</u> | <u>69,306,905</u> |
| | 581,095 | 28,052,270 |
| | 788,068 | 8,236,867 |
| | 400,953 | 9,319,009 |
| | 748,506 | 2,188,236 |
| | 430,025 | 10,779,745 |
| | 171,900 | 2,680,216 |
| | | 83,628 |
| 6,288,286 | 60,000 | 6,599,324 |
| <u>4,522,282</u> | | <u>4,603,422</u> |
| <u>10,810,568</u> | <u>3,180,547</u> | <u>72,542,717</u> |
| <u>(573,182)</u> | <u>(637,668)</u> | <u>(3,235,812)</u> |
| | 833,692 | 833,692 |
| | (195,000) | (833,692) |
| | 638,692 | |
| <u>(573,182)</u> | <u>1,024</u> | <u>(3,235,812)</u> |
| 6,269,933 | 1,385,225 | 80,710,297 |
| | (18,562) | (1,025,025) |
| <u>6,269,933</u> | <u>1,366,663</u> | <u>79,685,272</u> |
| <u>\$ 5,696,751</u> | <u>\$ 1,367,687</u> | <u>\$ 76,449,460</u> |

See notes to financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

| | |
|---|-----------------------|
| Total net change in fund balances - governmental funds | \$ (3,235,812) |
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures (\$4,109,956) and depreciation expense (\$4,894,775) for the period is: | (784,819) |
| In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. | 6,599,324 |
| In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was: | (5,360,871) |
| In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences earned and compensated absences paid was: | (31,071) |
| In the statements of activities, postemployment benefits are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, amounts earned exceeded benefits used by: | 52,638 |
| Governmental funds report the effect of premiums, discounts, deferred charges, and deferred losses on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. Amortization of for the period is: | |
| Premium amortized for the period: | \$ 1,391,850 |
| Deferred losses on refunding amortized for the period: | (769,608) |
| Issue costs amortized for the period: | (236,689) |
| | <u>385,553</u> |
| Changes in net assets of governmental activities | <u>\$ (2,375,058)</u> |

See notes to financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

| | <u>Agency Funds</u> | |
|---------------------------|--|------------------------------|
| | <u>Warrant Pass-through Fund</u> | <u>Student Body Fund</u> |
| Assets | | |
| Cash in County Treasury | \$ (352,872) | \$ - |
| Cash on hand and in banks | | 737,884 |
| Prepaid expenses | <u>352,872</u> | |
| Total assets | <u>\$ -</u> | <u>\$ 737,884</u> |
| Liabilities | | |
| Due to student groups | <u>\$ -</u> | <u>\$ 737,884</u> |
| Total liabilities | <u>\$ -</u> | <u>\$ 737,884</u> |

See notes to financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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

B. Reporting Entity

The reporting entity is the Beverly Hills Unified School District. The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Education.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB Statement No. 14, The Financial Reporting Entity. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Based upon the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support of the District or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
2. The District, or its component units, are entitled to, or have the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the District, or its component units, are entitled to, or have the ability to otherwise access, are significant 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 Inc. (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, 2010, the Foundation contributed approximately \$805,997 to the District.

Financial Statement Presentation For financial statement purpose, 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. As of June 30, 2009, Beverly Hills Education Foundation, Inc. reported total net assets of \$3,354,981 (unaudited).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. Government-wide statements differ from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

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

Fund Financial Statements:

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

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

Fiduciary funds focus on net assets and changes in net assets. Trust funds use the flow of economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans. Agency funds also use the accrual basis of accounting, but, since they are custodial in nature and do not involve the measurement of results of operation, they do not use a measurement focus.

D. Basis of Accounting

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

Revenues/exchange and non-exchange transactions:

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

Deferred revenue:

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

Expenses/expenditures:

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

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

E. Fund Accounting

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

Major Governmental Funds:

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

The Building Fund is used to account for the acquisition of governmental capital facilities and buildings from the sale of general obligation bonds.

The County School Facilities Fund is used to account separately for apportionments from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

Nonmajor Governmental Funds:

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

1. The Adult Education Fund is used to account for resources committed to adult education programs maintained by the District.
2. The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's food service operations.
3. The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.
4. The Special Reserve Fund for Other Than Capital Outlay Projects Fund is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay.

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

1. 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).
2. The Special Reserve Fund for Capital Outlay Projects Fund is used to set aside funds for capital projects.

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains two agency funds, one for its student body accounts and one for payroll clearance purpose. The student body funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The warrant pass-through fund is used to hold dedicated funds for payroll and related expenses.

F. Budgets and Budgetary Accounting

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

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

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Encumbrances

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

H. Assets, Liabilities, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation (all non-interest bearing transactions accounts are fully insured by the FDIC). All cash held by the financial institutions is fully insured or collateralized.

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

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

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

2. Interfund Balances

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables. These amounts are eliminated in the governmental activities columns of the statement of net assets.

3. Inventories and Prepaid Items

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and charged as expenditures when used. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

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

4. Amortization of Premiums, Debt Expenses, and Discounts

The premiums, cost of issuance of debt, and discount are being amortized on the straight line method over the life of the debt on the government-wide statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Assets, Liabilities, and Equity (Continued)

5. Capital Assets

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

| <u>Description</u> | <u>Estimated Lives</u> |
|--------------------|------------------------|
| Buildings | 20-50 years |
| Improvements | 5-50 years |
| Equipment | 2-15 years |

6. Deferred Revenue

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

7. Compensated Absences

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

Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires, provided the employee was hired prior to July 1.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bonds payable reported net of applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs during the current period.

9. Deferred Losses on Refunding

The deferred losses on refunding in the government-wide financial statements represent 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Assets, Liabilities, and Equity (Continued)

10. Fund Balance Reserves and Designations

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

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

11. Net Assets

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

I. Revenue Limit/Property Tax

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

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

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

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

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

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Estimates

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

K. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 51

For the fiscal year ended June 30, 2010, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". This Statement is effective for periods beginning after June 15, 2009. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets by reducing reporting inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. Implementation of the GASB Statement No.51, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2010.

Governmental Accounting Standards Board Statement No. 53

For the fiscal year ended June 30, 2010 the District implemented Governmental Accounting Standards Board (GASB) Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." The Statement is effective for periods beginning after June 15, 2009. The Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to report derivative instruments, with exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value, implementation of the GASB Statement No. 53, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2010.

Governmental Accounting Standards Board Statement No. 57

For the fiscal year ended June 30, 2010, the District implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans," The Statement is effective December 2009. This Statement amends Statement No. 45,"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." The requirements in the Statement allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting. As a result of this change, the cost of compliance with the requirements of Statement No. 45 for eligible agent employers may be reduced while achieving an appropriate balance between the goals of reliable measurement of reported information and reasonable cost. Implementation of the GASB Statement No. 57 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2010.

Governmental Accounting Standards Board Statement No. 58

For the fiscal year ended June 30, 2010, the District implemented GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies". The Statement is effective for periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. Implementation of the GASB Statement No. 58, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2010.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments at June 30, 2010 consisted of the following:

| | |
|---|---------------------------------|
| Cash and investments with County Treasury | \$ 75,800,906 |
| Cash on hand and in banks | <u>831,913</u> |
| Total cash and investments | <u><u>\$ 76,632,819</u></u> |

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

| | |
|--|---------------------------------|
| Cash in County Treasury, statement of net assets | \$ 76,153,778 |
| Cash on hand and in banks, statement of net assets | 44,029 |
| Cash in revolving fund, statement of net assets | 50,000 |
| Cash in County Treasury, statement of fiduciary net assets | (352,872) |
| Cash on hand and in banks, statement of fiduciary net assets | <u>737,884</u> |
| Total cash and investments | <u><u>\$ 76,632,819</u></u> |

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool (\$75,800,906 as of June 30, 2010). The fair value of this pool as of that date, as provided by the plan sponsor, was \$75,800,906. The District is considered to be an involuntary participant in the external pool. Interest is deposited in the participating funds. The County is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks, and in Revolving Fund

Cash balance on hand and in banks (\$781,913 as of June 30, 2010) and in the revolving fund (\$50,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation (non-interest bearing transactions accounts are entirely insured by the FDIC). All cash held by the financial institution is fully insured or collateralized.

Investments Authorized by the District's Investment Policy

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

NOTE 2 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

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

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

| Investment Type | Carrying Amount | Remaining maturity (in Months) | | | |
|------------------------------------|-----------------|--------------------------------|-----------------|--------------|---------------------|
| | | 12 Months or Less | 13 to 24 Months | 25-60 Months | More Than 60 Months |
| Los Angeles County Investment Pool | \$ 75,800,906 | \$ 75,800,906 | | | |
| Total | \$ 75,800,906 | \$ 75,800,906 | \$ - | \$ - | \$ - |

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

| Investment Type | Amount | Minimum Legal Rating | Exempt from Rating | Rating as of Fiscal Year End | | | |
|------------------------------------|---------------|----------------------|--------------------|------------------------------|------|------|---------------|
| | | | | AAA | AA | A | Not Rated |
| Los Angeles County Investment Pool | \$ 75,800,906 | N/A | \$ - | \$ - | \$ - | \$ - | \$ 75,800,906 |
| Total | \$ 75,800,906 | | \$ - | \$ - | \$ - | \$ - | \$ 75,800,906 |

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. None of the District's investment in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) represents 5% or more of total District investments.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

NOTE 2 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

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

As of June 30, 2010, \$79,465 of the District's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

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

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District's expenditures exceeded appropriations in individual funds as follows:

| <u>Funds</u> | <u>Excess Expenditures</u> |
|---|--------------------------------|
| Major Fund: | |
| General Fund: | |
| Contracted services and other operating expenditures | \$ 1,396,887 |
| Other outgo | 83,628 |
| Nonmajor Funds: | |
| Adult Education Fund: | |
| Certificated salaries | 27,344 |
| Classified salaries | 4,947 |
| Employee benefits | 537 |
| Cafeteria Fund: | |
| Contracted services and other operating expenditures | 9,201 |
| Capital Facilities Fund: | |
| Debt service | |
| Principal | 60,000 |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

NOTE 4 – RECEIVABLES

Receivables at June 30, 2010, consist of the following:

| | General Fund | Building Fund | County School Facilities Fund | Other Governmental Funds |
|---------------------|---------------------|-------------------|-------------------------------------|--------------------------------|
| Federal Government | | | | |
| Categorical Aid | \$ 1,137,954 | \$ - | \$ - | \$ 41,667 |
| State Government | | | | |
| Apportionment | 354,216 | | | |
| Categorical Aid | 1,177,371 | | 1,833,759 | 235,738 |
| Lottery | 342,522 | | | |
| Local Government | | | | |
| Interest | 28,570 | 214,595 | | 2,310 |
| Other Local Sources | 684,432 | | | 240,805 |
| | <u>\$ 3,725,065</u> | <u>\$ 214,595</u> | <u>\$ 1,833,759</u> | <u>\$ 520,520</u> |

NOTE 5 - INTERFUND TRANSACTIONS

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

Interfund Receivable and Payable

Interfund receivable and payable balances at June 30, 2010, between major and nonmajor governmental funds, are as follows:

| Fund | Due From | Due To |
|---|---------------------|---------------------|
| Major Funds: | | |
| General Fund | \$ 2,087,611 | \$ 71,962 |
| County School Facilities Fund | | 1,760,000 |
| Nonmajor Funds: | | |
| Adult Education Fund | 71,962 | 339,347 |
| Cafeteria Fund | | 539,525 |
| Deferred Maintenance Fund | | 111,732 |
| Capital Facilities Fund | 550,000 | 695,289 |
| Special Reserve Fund for Capital Outlay Projects Fund | 850,000 | 41,718 |
| | <u>\$ 3,559,573</u> | <u>\$ 3,559,573</u> |
| Totals | | |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 5 - INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

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

Interfund transfers for the 2009-2010 fiscal year are as follows:

| Fund | Transfers In | Transfers Out |
|---|-------------------|-------------------|
| Major Fund: | | |
| General Fund | \$ - | \$ 638,692 |
| Nonmajor Funds: | | |
| Adult Education Fund | 49,474 | |
| Cafeteria Fund | 589,218 | |
| Capital Facilities Fund | 195,000 | |
| Special Reserve Fund for Capital Outlay Projects Fund | | 195,000 |
| | <u> </u> | <u> </u> |
| Totals | <u>\$ 833,692</u> | <u>\$ 833,692</u> |

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

| | Balance July 1, 2009 | Additions | Deletions | Transfers | Prior Period Adjustments | Balance June 30, 2010 |
|--|-------------------------|---------------------|-------------|--------------------|-----------------------------|--------------------------|
| Capital assets, not being depreciated: | | | | | | |
| Land | \$ 2,933,062 | \$ - | \$ - | \$ - | \$ - | \$ 2,933,062 |
| Construction in progress | 4,033,078 | 3,662,319 | | (1,920,266) | | 5,775,131 |
| Total capital assets, not being depreciated | <u>6,966,140</u> | <u>3,662,319</u> | | <u>(1,920,266)</u> | | <u>8,708,193</u> |
| Capital assets being depreciated: | | | | | | |
| Buildings and improvements | 192,115,270 | 123,756 | | | | 192,239,026 |
| Site improvements | 8,716,286 | 36,394 | | | | 8,752,680 |
| Furniture and equipment | 4,400,711 | 287,487 | | 1,920,266 | | 6,608,464 |
| Total capital assets being depreciated | <u>205,232,267</u> | <u>447,637</u> | | <u>1,920,266</u> | | <u>207,600,170</u> |
| Less accumulated depreciation for: | | | | | | |
| Buildings and improvements | 57,358,688 | 3,883,005 | | | (24,672,300) | 36,569,393 |
| Site improvements | 5,761,050 | 358,632 | | | (2,423,077) | 3,696,605 |
| Furniture and equipment | 5,831,404 | 653,138 | | | (3,010,692) | 3,473,850 |
| Total accumulated depreciation | <u>68,951,142</u> | <u>4,894,775</u> | | | <u>(30,106,069)</u> | <u>43,739,848</u> |
| Total capital assets, being depreciated, net | <u>136,281,125</u> | <u>(4,447,138)</u> | | <u>1,920,266</u> | <u>30,106,069</u> | <u>163,860,322</u> |
| Total capital assets | <u>\$ 143,247,265</u> | <u>\$ (784,819)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 30,106,069</u> | <u>\$ 172,568,515</u> |

Depreciation expense of \$4,894,775 was charged to governmental activities as unallocated.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

NOTE 7 – LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the fiscal year ended June 30, 2010, is shown below:

| | Balance July 1, 2009 | Prior Period Adjustments | Additions | Deletions | Balance June 30, 2010 | Due within One Year |
|--|-------------------------|-----------------------------|---------------------|---------------------|--------------------------|------------------------|
| General obligation bonds: | | | | | | |
| Principal balance | \$ 196,027,176 | \$ - | \$ - | \$ 6,288,286 | \$ 189,738,890 | \$ 6,397,545 |
| Unamortized premium | 8,326,432 | | | 1,391,850 | 6,934,582 | 1,337,903 |
| Accreted interest payable | 413,848 | 13,742,738 | 7,452,552 | 1,254,112 | 20,355,026 | 1,494,974 |
| Compensated absences | 557,594 | | 31,071 | | 588,665 | |
| Energy program equipment lease payable | 2,147,031 | | | 251,038 | 1,895,993 | 261,105 |
| Other postemployment benefits (OPEB) | 183,781 | | 432,280 | 239,943 | 376,118 | |
| Supplement executive retirement plan (SERP) | 734,925 | 244,975 | | 244,975 | 734,925 | 244,975 |
| Loan payable | | 240,000 | | 60,000 | 180,000 | 60,000 |
| Totals | <u>\$ 208,390,787</u> | <u>\$ 14,227,713</u> | <u>\$ 7,915,903</u> | <u>\$ 9,730,204</u> | <u>\$ 220,804,199</u> | <u>\$ 9,796,502</u> |

- General Obligation Bonds are paid from tax revenues and are reported in the Bond Interest and Redemption Fund.
- Energy program equipment lease payable, SERP and OPEB are 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.
- Loan payable is paid from the Capital Facilities Fund.

NOTE 8 – GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt is as follows:

| Issue Date | Maturity Date | Interest Rate | Original Issue | Bonds Outstanding June 30, 2009 | Issued | Redeemed | Bonds Outstanding June 30, 2010 |
|---------------|------------------|------------------|-------------------|---------------------------------------|-------------|---------------------|---------------------------------------|
| 6/2001 | 5/2020 | 4.00-5.50% | 13,600,000 | \$ 9,310,000 | \$ - | \$ 630,000 | \$ 8,680,000 |
| 5/2002 | 8/2016 | 3.00-5.90% | 44,999,260 | 4,864,260 | | 660,000 | 4,204,260 |
| 8/2005 | 8/2030 | 3.40-5.00% | 45,000,000 | 42,700,000 | | | 42,700,000 |
| 7/2005 | 6/2023 | 2.70-5.25% | 47,354,973 | 37,349,687 | | 3,541,086 | 33,808,601 |
| 7/2005 | 8/2026 | 2.70-5.25% | 36,384,991 | 29,758,565 | | 1,457,200 | 28,301,365 |
| 1/2009 | 8/2033 | 2.50-8.10% | 72,044,664 | 72,044,664 | | | 72,044,664 |
| | | | | <u>\$ 196,027,176</u> | <u>\$ -</u> | <u>\$ 6,288,286</u> | <u>\$ 189,738,890</u> |

2001 General Obligation Refunding Bonds

On June 8, 2001, the District issued \$13,600,000 of 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, 2010, the principal balance outstanding was \$8,680,000.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 8 – GENERAL OBLIGATION BONDS (Continued)

2001 General Obligation Refunding Bonds (Continued)

The bonds mature through 2020 as follows:

| Fiscal Year Ended | Principal | Interest | Total |
|----------------------|---------------------|---------------------|----------------------|
| 2011 | \$ 660,000 | \$ 477,400 | \$ 1,137,400 |
| 2012 | 700,000 | 441,100 | 1,141,100 |
| 2013 | 740,000 | 402,600 | 1,142,600 |
| 2014 | 785,000 | 361,900 | 1,146,900 |
| 2015 | 830,000 | 318,725 | 1,148,725 |
| 2016-2020 | 4,965,000 | 851,675 | 5,816,675 |
| | <u>\$ 8,680,000</u> | <u>\$ 2,853,400</u> | <u>\$ 11,533,400</u> |

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 was 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, 2010, the principal balance of the un-callable bonds outstanding was \$4,204,260. The accreted interest on the capital appreciation bonds balance as of June 30, 2010 was \$518,220.

The bonds mature through 2017 as follows:

| Fiscal Year Ended | Principal | Accreted Interest | Interest | Total |
|----------------------|---------------------|----------------------|-------------------|---------------------|
| 2011 | \$ 965,000 | \$ - | \$ 120,000 | \$ 1,085,000 |
| 2012 | 1,100,000 | | 78,700 | 1,178,700 |
| 2013 | 1,260,000 | | 28,350 | 1,288,350 |
| 2014 | | | | |
| 2015 | | | | |
| 2016-2017 | 879,260 | 1,120,740 | | 2,000,000 |
| | <u>\$ 4,204,260</u> | <u>\$ 1,120,740</u> | <u>\$ 227,050</u> | <u>\$ 5,552,050</u> |

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 \$466,389, and an unamortized premium of \$2,182,800 as of June 30, 2010. 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, 2010 is \$42,700,000.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

NOTE 8 – GENERAL OBLIGATION BONDS (Continued)

General Obligation Bonds, 2002 Series B (Continued)

The bonds mature through 2031 as follows:

| Fiscal Year Ended | Principal | Interest | Total |
|----------------------|----------------------|----------------------|----------------------|
| 2011 | \$ - | \$ 2,092,794 | \$ 2,092,794 |
| 2012 | | 2,092,794 | 2,092,794 |
| 2013 | 100,000 | 2,091,044 | 2,191,044 |
| 2014 | 175,000 | 2,086,014 | 2,261,014 |
| 2015 | 345,000 | 2,075,832 | 2,420,832 |
| 2016-2020 | 3,710,000 | 10,055,808 | 13,765,808 |
| 2021-2025 | 13,825,000 | 8,106,875 | 21,931,875 |
| 2026-2030 | 19,695,000 | 3,816,375 | 23,511,375 |
| 2031 | 4,850,000 | 121,250 | 4,971,250 |
| | <u>\$ 42,700,000</u> | <u>\$ 32,538,786</u> | <u>\$ 75,238,786</u> |

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 \$345,548, an unamortized deferred charge on refunding amounting to \$1,539,216, and an unamortized premium of \$2,252,238 as of June 30, 2010. 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 at June 30, 2010, is \$33,808,601 and \$28,301,365, respectively. The accreted interest on the capital appreciation bonds balance as of June 30, 2010 was \$7,563,355 and \$7,378,973, respectively.

The Series A bonds mature through 2023 as follows:

| Fiscal Year Ended | Principal | Accreted Interest | Total |
|----------------------|----------------------|----------------------|----------------------|
| 2011 | \$ 3,387,328 | \$ 1,068,147 | \$ 4,455,475 |
| 2012 | 3,238,333 | 1,229,817 | 4,468,150 |
| 2013 | 3,093,843 | 1,384,077 | 4,477,920 |
| 2014 | 2,953,501 | 1,530,809 | 4,484,310 |
| 2015 | 2,820,165 | 1,671,665 | 4,491,830 |
| 2016-2020 | 12,254,348 | 10,230,106 | 22,484,454 |
| 2021-2023 | 6,061,083 | 7,433,915 | 13,494,998 |
| | <u>\$ 33,808,601</u> | <u>\$ 24,548,536</u> | <u>\$ 58,357,137</u> |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

NOTE 8 – GENERAL OBLIGATION BONDS (Continued)

2005 Refunding Bonds Series A and B (Continued)

The Series B bonds mature through 2027 as follows:

| Fiscal Year Ended | Principal | Accreted Interest | Total |
|----------------------|----------------------|----------------------|----------------------|
| 2011 | \$ 1,385,217 | \$ 426,827 | \$ 1,812,044 |
| 2012 | 1,316,785 | 495,258 | 1,812,043 |
| 2013 | 1,251,724 | 560,320 | 1,812,044 |
| 2014 | 2,100,414 | 1,080,130 | 3,180,544 |
| 2015 | 2,020,306 | 1,196,863 | 3,217,169 |
| 2016-2020 | 8,468,549 | 7,313,355 | 15,781,904 |
| 2021-2025 | 8,388,901 | 11,577,499 | 19,966,400 |
| 2026-2027 | 3,369,469 | 6,177,655 | 9,547,124 |
| | <u>\$ 28,301,365</u> | <u>\$ 28,827,907</u> | <u>\$ 57,129,272</u> |

2008 General Obligation Bond Series 2009

In January 2009 the District issued General Obligation Bonds Series 2009 in the amount of \$72,044,664. The bonds included \$12,460,000 in Current Interest bonds and \$59,584,664 in Capital Appreciation bonds totaling to the \$72,044,664. The Capital Appreciation bonds of \$59,584,664 accrete to a \$203,900,000 maturity value. The bonds were issued for the purpose of providing funds to refinance new construction, additions to and modernization of school facilities for The District. The unamortized cost of issuance totaled \$1,002,576 and an unamortized premium of \$2,499,544 as of June 30, 2010. The cost of issuance and premium are all amortized utilizing the straight-line method through 2034. The bonds interest rates range from 2.50 percent to 8.10 percent. The outstanding principal at June 30, 2010, is \$72,044,664. The accreted interest on the capital appreciation bonds balance as of June 30, 2010 was \$4,894,478.

The bonds mature through 2034 as follows:

| Fiscal Year Ended | Principal | Accreted Interest | Interest | Total |
|----------------------|----------------------|----------------------|---------------------|-----------------------|
| 2011 | \$ - | \$ - | \$ 534,463 | \$ 534,463 |
| 2012 | | | 534,463 | 534,463 |
| 2013 | | | 534,463 | 534,463 |
| 2014 | | | 534,463 | 534,463 |
| 2015 | 350,000 | | 530,087 | 880,087 |
| 2016-2020 | 8,535,000 | | 2,063,355 | 10,598,355 |
| 2021-2025 | 13,656,334 | 14,818,666 | 89,375 | 28,564,375 |
| 2026-2030 | 24,695,030 | 50,304,970 | | 75,000,000 |
| 2031-2034 | 24,808,300 | 79,191,700 | | 104,000,000 |
| | <u>\$ 72,044,664</u> | <u>\$144,315,336</u> | <u>\$ 4,820,669</u> | <u>\$ 221,180,669</u> |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 8 – GENERAL OBLIGATION BONDS (Continued)

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 were 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 District's financial statements. At June 30, 2010, \$35,795,000 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, 2010, the trustee account for the 2002 Series A bonds was valued at \$36,743,005. 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.

NOTE 9 – COMPENSATED ABSENCES

The accumulated unpaid employee vacation for the District at June 30, 2010, amounted to \$588,665.

NOTE 10 – 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 the 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 3.95 percent. Principal and interest payments began February 15, 2006, and are due quarterly for a term of 11 years. The principal balance outstanding at June 30, 2010, was \$1,895,993.

The repayment schedule for the lease is as follows:

| <u>Fiscal Year</u> <u>Ended</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|---------------------|-------------------|---------------------|
| 2011 | \$ 261,105 | \$ 60,604 | \$ 321,709 |
| 2012 | 271,575 | 49,714 | 321,289 |
| 2013 | 282,465 | 38,387 | 320,852 |
| 2014 | 293,791 | 26,606 | 320,397 |
| 2015 | 305,572 | 14,353 | 319,925 |
| 2016-2017 | 481,485 | 2,429 | 483,914 |
| | <u>\$ 1,895,993</u> | <u>\$ 192,093</u> | <u>\$ 2,088,086</u> |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 11- OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Postemployment Benefit Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the Beverly Hills Unified School District. The District provides medical, dental, and vision benefits to certain retirees and their covered eligible dependents. The District pays a portion of the cost for eligible retirees, spouses, and dependents. All active employees who retire directly from Beverly Hills Unified School District and meet the eligibility criteria may participate.

Funding Policy

The contribution requirement of plan members and the District are established under a funding policy approved by the District's Board, and may be amended by the District from time to time. The District's funding policy is to contribute an amount sufficient to pay the current fiscal year premiums. For fiscal year 2010, the District contributed \$239,943 to the plan, all of which was used for current premiums and no prefunding of benefits has been made.

Annual OPEB and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

| | |
|--|--------------------------|
| Annual required contribution | \$ 434,478 |
| Interest on net OPEB Obligation | 9,189 |
| Adjustment to annual required contribution | <u>(11,387)</u> |
| Annual OPEB cost (expense) | 432,280 |
| Contributions made | <u>(239,943)</u> |
| Increase in net OPEB obligation | 192,337 |
| Net OPEB obligation - beginning of fiscal year | <u>183,781</u> |
| Net OPEB obligation - end of fiscal year | <u><u>\$ 376,118</u></u> |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years 2010 and 2009 were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------|---------------------|---|---------------------------|
| 6/30/2009 | \$ 434,478 | 57.70% | \$ 183,781 |
| 6/30/2010 | \$ 432,280 | 55.51% | \$ 376,118 |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 11- OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$3,771,449, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,771,449.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007, actuarial valuation, the unit credit cost method was used. The actuarial assumptions included a 5% investment rate of return, which is the expected long-term investment returns on plan assets expected to be held by the plan, and an annual healthcare cost trend rate of 10% for future years trending down to an ultimate 5% increase for 2012 and later years. The actuarial value of assets is not applicable (no assets as of the initial valuation date). The UAAL is being amortized as a closed level dollar method over 30 years. The remaining amortization period at July 1, 2010 was twenty eight years.

NOTE 12 - SUPPLEMENTAL EMPLOYEE RETIREE PROGRAM (SERP)

The District has offered a Supplemental Employee Retirement Plan. The SERP provides qualified employees with a monthly income supplement to their regular CalSTRS/CalPERS. This was offered to employees 50 years of age or greater as of the effective date of retirement or five or more year of continuous service with the District.

The future SERP payments are as follows:

| <u>Fiscal Year</u> <u>Ended</u> | <u>Total</u> |
|------------------------------------|-------------------|
| 2011 | \$ 244,975 |
| 2012 | 244,975 |
| 2013 | 244,975 |
| | <u>\$ 734,925</u> |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2010

NOTE 13 – LOAN PAYABLE

On August 1, 2006, the District entered into an agreement with the City of Beverly Hills (City) where the City will provide partial funding to upgrade the lower athletic field at Beverly Hills High School with synthetic turf. In return, the District agreed to make available to the City the use of the athletic field. The term of the agreement stated the City would contribute \$600,000 toward the construction cost and provide an additional \$300,000 in the form of an interest free loan to the District. Repayment of the loan began in fiscal year 2008-2009.

The future payments are as follows:

| Fiscal Year Ended | Total |
|----------------------|-------------------|
| 2011 | \$ 60,000 |
| 2012 | 60,000 |
| 2013 | 60,000 |
| | <u>\$ 180,000</u> |

NOTE 14 - 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, 2010, 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 2010, 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 ASCIP to provide employee vision and dental benefits. ASCIP 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.

NOTE 15 - JOINT VENTURES (Joint Powers Agreements)

The District is a member of the Schools Linked for Insurance Management (SLIM), Alliance of Schools for Cooperative Insurance Programs (ASCIP), and Schools Excess Liability Fund (SELF), Joint Power Authorities (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.

NOTE 16 - EMPLOYEE RETIREMENT SYSTEMS

State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the Beverly Hills Unified School District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2009-2010 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The Beverly Hills Unified School District's contributions to STRS for the fiscal years ending June 30, 2010, 2009, and 2008 were \$2,266,756, \$2,355,179, and \$2,258,765, respectively, and equal 100% of the required contributions for each fiscal year.

California Public Employees' Retirement System (CalPERS)

Plan Description

The Beverly Hills Unified School 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 Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the Beverly Hills Unified School 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 the fiscal year 2009-2010 was 9.709% of annual payroll. The contribution requirements of the plan members are established by state statute. The Beverly Hills Unified School District's contributions to CalPERS for the fiscal years ending June 30, 2010, 2009, and 2008, were \$655,840, \$847,615, and \$597,992, respectively, and equal 100% of the required contributions for each fiscal year.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2010

NOTE 17 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

Litigation

According to the District's staff and attorney, no contingent liabilities are outstanding, however, a lawsuit had been filed by the District former Director of Planning and Facilities, who contracted with the District to provide the same services under a consultant agreement. The consultant filed suit against the District for the amount claimed as an expectancy under the contract, approximately 16 million, or in the alternative, for unpaid invoices and for a termination fee provided for in the contract, the maximum amount of which would be approximately \$2 million. As of November 24, 2010, the attorney was unable to determine the likelihood of recovery and/or exposure to the District from this litigation.

NOTE 18 - DEFICIT FUND BALANCE

A deficit net assets balance exists in the Adult Education Fund of \$3,125. The deficit is due to less than anticipated funding from the State.

NOTE 19 – PRIOR PERIOD ADJUSTMENTS

Period adjustments were made due to the following reasons.

| Reason for adjustments | Government-wide Statements | General Fund | Building Fund | Adult Education Fund | Cafeteria Fund |
|---|-------------------------------|-----------------------|------------------|----------------------------|--------------------|
| Overstatement of accumulated depreciation | \$ 30,106,069 | \$ - | \$ - | \$ - | \$ - |
| (Understatement) of loan payable | (240,000) | | | | |
| (Understatement) of SERP payable | (244,975) | | | | |
| (Understatement) of accreted interest payable | (13,742,738) | | | | |
| (Overstatement)/Understatement of cash in County Treasury | | (2,769) | 2,769 | | |
| (Overstatement) of other assets | (10,963) | (10,963) | | | |
| Overstatement/(Understatement) of accounts payable | (662,457) | (688,542) | 2,373 | (5,518) | 29,230 |
| (Overstatement) of accounts receivable | (351,605) | (309,331) | | | (42,274) |
| | <u>\$ 14,853,331</u> | <u>\$ (1,011,605)</u> | <u>\$ 5,142</u> | <u>\$ (5,518)</u> | <u>\$ (13,044)</u> |

REQUIRED SUPPLEMENTARY INFORMATION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT**BUDGETARY COMPARISON SCHEDULE****GENERAL FUND**

For the Fiscal Year Ended June 30, 2010

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Revenue limit sources: | | | | |
| State apportionments | \$ - | \$ - | \$ (570,266) | \$ (570,266) |
| Local sources | 30,516,098 | 33,087,984 | 32,877,487 | (210,497) |
| Federal | 5,506,653 | 3,322,853 | 2,199,219 | (1,123,634) |
| Other state | 5,211,033 | 4,732,426 | 7,250,581 | 2,518,155 |
| Other local | 12,331,780 | 12,529,354 | 13,794,987 | 1,265,633 |
| Total revenues | <u>53,565,564</u> | <u>53,672,617</u> | <u>55,552,008</u> | <u>1,879,391</u> |
| Expenditures: | | | | |
| Certificated salaries | 27,005,758 | 27,538,621 | 27,471,175 | 67,446 |
| Classified salaries | 6,836,282 | 7,513,591 | 7,426,184 | 87,407 |
| Employee benefits | 9,154,554 | 9,132,043 | 8,910,922 | 221,121 |
| Books and supplies | 1,625,537 | 1,946,004 | 1,422,149 | 523,855 |
| Contracted services and other operating expenditures | 8,044,146 | 7,624,143 | 9,021,030 | (1,396,887) |
| Capital outlay | 29,075 | 58,242 | 29,167 | 29,075 |
| Other outgo | | | 83,628 | (83,628) |
| Debt service | | | | |
| Principal | 251,038 | 311,038 | 251,038 | 60,000 |
| Interest | 81,110 | 81,142 | 81,140 | 2 |
| Total expenditures | <u>53,027,500</u> | <u>54,204,824</u> | <u>54,696,433</u> | <u>(491,609)</u> |
| Excess of revenues over (under) expenditures | <u>538,064</u> | <u>(532,207)</u> | <u>855,575</u> | <u>1,387,782</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers out | <u>(69,890)</u> | <u>(702,227)</u> | <u>(638,692)</u> | <u>63,535</u> |
| Total other financing sources (uses) | <u>(69,890)</u> | <u>(702,227)</u> | <u>(638,692)</u> | <u>63,535</u> |
| Net change in fund balance | <u>468,174</u> | <u>(1,234,434)</u> | <u>216,883</u> | <u>1,451,317</u> |
| Fund balance, July 1, 2009 | 4,043,217 | 4,043,217 | 4,043,217 | |
| Prior period adjustments | | | (1,011,605) | (1,011,605) |
| Fund balance, July 1, 2009, restated | <u>4,043,217</u> | <u>4,043,217</u> | <u>3,031,612</u> | <u>(1,011,605)</u> |
| Fund balance, June 30, 2010 | <u>\$ 4,511,391</u> | <u>\$ 2,808,783</u> | <u>\$ 3,248,495</u> | <u>\$ 439,712</u> |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
OTHER POST-EMPLOYMENT BENEFIT TREND INFORMATION
June 30, 2010

Schedule of Funding Progress for
Retiree Health Plan

| <u>Actuarial Valuation Date</u> | <u>Unit Credit Cost Accrued Liability</u> | <u>Actuarial Value of Assets</u> | <u>Unfunded Liability (Excess Assets)</u> | <u>Funded Ratio</u> | <u>Annual Covered Payroll</u> | <u>UAAL As a % of Payroll</u> |
|---|---|--|---|-------------------------|---------------------------------------|---------------------------------------|
| 7/1/2007 | \$ 3,771,449 | \$ - | \$ 3,771,449 | 0% | \$ 26,649,916 | 14.15% |

SUPPLEMENTARY INFORMATION SECTION

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2010

| | Adult Education Fund | Cafeteria Fund | Deferred Maintenance Fund | Special Reserve Fund for Other Than Capital Outlay Projects Fund |
|--------------------------------------|----------------------------|-------------------|---------------------------------|--|
| Assets | | | | |
| Cash in County Treasury | \$ 187,595 | \$ 575,067 | \$ 359,536 | \$ 6,086 |
| Cash on hand and in banks | 38,835 | 5,194 | | |
| Accounts receivable | 43,348 | 89,567 | 237,152 | 1 |
| Due from other funds | 71,962 | | | |
| Inventory, at cost | | 35,388 | | |
| | <u>341,740</u> | <u>705,216</u> | <u>596,688</u> | <u>6,087</u> |
| Total assets | <u>\$ 341,740</u> | <u>\$ 705,216</u> | <u>\$ 596,688</u> | <u>\$ 6,087</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 5,518 | \$ 95,548 | \$ 2,879 | \$ - |
| Due to other funds | 339,347 | 539,525 | 111,732 | |
| | <u>344,865</u> | <u>635,073</u> | <u>114,611</u> | |
| Total liabilities | <u>344,865</u> | <u>635,073</u> | <u>114,611</u> | |
| Fund balances: | | | | |
| Reserved for inventory | | 35,388 | | |
| Unreserved: | | | | |
| Undesignated | (3,125) | 34,755 | 482,077 | 6,087 |
| | <u>(3,125)</u> | <u>70,143</u> | <u>482,077</u> | <u>6,087</u> |
| Total fund balances | <u>(3,125)</u> | <u>70,143</u> | <u>482,077</u> | <u>6,087</u> |
| Total liabilities and fund balances | <u>\$ 341,740</u> | <u>\$ 705,216</u> | <u>\$ 596,688</u> | <u>\$ 6,087</u> |

Totals

\$ 1,128,284
44,029
370,068
71,962
35,388

1,649,731

\$ 103,945
990,604

1,094,549

35,388

519,794

555,182

\$ 1,649,731

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2010

| | Adult Education Fund | Cafeteria Fund | Deferred Maintenance Fund | Special Reserve Fund for Other Than Capital Outlay Projects Fund |
|---|----------------------------|-------------------|---------------------------------|--|
| Revenues: | | | | |
| Federal | \$ 77,350 | \$ 111,879 | \$ - | \$ - |
| Other state | 600,023 | 6,911 | | |
| Other local | 337,915 | 1,014,513 | 2,574 | 92 |
| Total revenues | <u>1,015,288</u> | <u>1,133,303</u> | <u>2,574</u> | <u>92</u> |
| Expenditures: | | | | |
| Certificated salaries | 581,095 | | | |
| Classified salaries | 203,778 | 584,290 | | |
| Employee benefits | 168,869 | 232,084 | | |
| Books and supplies | 12,636 | 727,568 | 4,630 | |
| Contracted services and other operating expenditures | 109,044 | 133,422 | 185,083 | |
| Capital outlay | | | 1,918 | |
| Total expenditures | <u>1,075,422</u> | <u>1,677,364</u> | <u>191,631</u> | |
| Excess of revenues over (under) expenditures | <u>(60,134)</u> | <u>(544,061)</u> | <u>(189,057)</u> | <u>92</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 49,474 | 589,218 | | |
| Total other financing sources (uses) | <u>49,474</u> | <u>589,218</u> | | |
| Net change in fund balances | <u>(10,660)</u> | <u>45,157</u> | <u>(189,057)</u> | <u>92</u> |
| Fund balances, July 1, 2009 | 13,053 | 38,030 | 671,134 | 5,995 |
| Prior period adjustments | (5,518) | (13,044) | | |
| Fund balances, July 1, 2009, restated | <u>7,535</u> | <u>24,986</u> | <u>671,134</u> | <u>5,995</u> |
| Fund balances, June 30, 2010 | <u>\$ (3,125)</u> | <u>\$ 70,143</u> | <u>\$ 482,077</u> | <u>\$ 6,087</u> |

| <u>Totals</u> | |
|---------------|-----------------------|
| \$ | 189,229 |
| | 606,934 |
| | <u>1,355,094</u> |
| | <u>2,151,257</u> |
| | 581,095 |
| | 788,068 |
| | 400,953 |
| | 744,834 |
| | 427,549 |
| | <u>1,918</u> |
| | <u>2,944,417</u> |
| | <u>(793,160)</u> |
| | <u>638,692</u> |
| | <u>638,692</u> |
| | <u>(154,468)</u> |
| | 728,212 |
| | <u>(18,562)</u> |
| | <u>709,650</u> |
| \$ | <u><u>555,182</u></u> |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

| | Adult Education Fund | | |
|--|----------------------|------------|------------------------------------|
| | Final Budget | Actual | Variance Positive (Negative) |
| Revenues: | | | |
| Federal | \$ 75,000 | \$ 77,350 | \$ 2,350 |
| Other state | 432,052 | 600,023 | 167,971 |
| Other local | 322,594 | 337,915 | 15,321 |
| Total revenues | 829,646 | 1,015,288 | 185,642 |
| Expenditures: | | | |
| Certificated salaries | 553,751 | 581,095 | (27,344) |
| Classified salaries | 198,831 | 203,778 | (4,947) |
| Employee benefits | 168,332 | 168,869 | (537) |
| Books and supplies | 28,106 | 12,636 | 15,470 |
| Contracted services and other operating expenditures | 121,276 | 109,044 | 12,232 |
| Capital outlay | | | |
| Total expenditures | 1,070,296 | 1,075,422 | (5,126) |
| Excess of revenues over (under) expenditures | (240,650) | (60,134) | 180,516 |
| Other Financing Sources (Uses): | | | |
| Transfers in | 144,340 | 49,474 | (94,866) |
| Total other financing sources (uses) | 144,340 | 49,474 | (94,866) |
| Net change in fund balances | (96,310) | (10,660) | 85,650 |
| Fund balances, July 1, 2009 | 13,053 | 13,053 | |
| Prior period adjustments | | (5,518) | (5,518) |
| Fund balances, July 1, 2009, restated | 13,053 | 7,535 | (5,518) |
| Fund balances, June 30, 2010 | \$ (83,257) | \$ (3,125) | \$ 80,132 |

| Cafeteria Fund | | | Deferred Maintenance Fund | | |
|----------------|------------|------------------------------|---------------------------|------------|------------------------------|
| Final Budget | Actual | Variance Positive (Negative) | Final Budget | Actual | Variance Positive (Negative) |
| \$ 98,000 | \$ 111,879 | \$ 13,879 | \$ - | \$ - | \$ - |
| 6,300 | 6,911 | 611 | 512,553 | | (512,553) |
| 1,064,378 | 1,014,513 | (49,865) | 1,600 | 2,574 | 974 |
| 1,168,678 | 1,133,303 | (35,375) | 514,153 | 2,574 | (511,579) |
| 597,224 | 584,290 | 12,934 | | | |
| 241,772 | 232,084 | 9,688 | | | |
| 763,348 | 727,568 | 35,780 | 6,000 | 4,630 | 1,370 |
| 124,221 | 133,422 | (9,201) | 191,985 | 185,083 | 6,902 |
| | | | 1,918 | 1,918 | |
| 1,726,565 | 1,677,364 | 49,201 | 199,903 | 191,631 | 8,272 |
| (557,887) | (544,061) | 13,826 | 314,250 | (189,057) | (503,307) |
| 557,887 | 589,218 | 31,331 | | | |
| 557,887 | 589,218 | 31,331 | | | |
| | 45,157 | 45,157 | 314,250 | (189,057) | (503,307) |
| 38,030 | 38,030 | | 671,134 | 671,134 | |
| | (13,044) | (13,044) | | | |
| 38,030 | 24,986 | (13,044) | 671,134 | 671,134 | |
| \$ 38,030 | \$ 70,143 | \$ 32,113 | \$ 985,384 | \$ 482,077 | \$ (503,307) |

(Continued)

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
For the Fiscal Year Ended June 30, 2010

| | Special Reserve Fund for Other Than Capital Outlay Projects Fund | | |
|--|---|-----------------|------------------------------------|
| | Final Budget | Actual | Variance Positive (Negative) |
| Revenues: | | | |
| Federal | \$ - | \$ - | \$ - |
| Other state | | | |
| Other local | 60 | 92 | 32 |
| Total revenues | <u>60</u> | <u>92</u> | <u>32</u> |
| Expenditures: | | | |
| Certificated salaries | | | |
| Classified salaries | | | |
| Employee benefits | | | |
| Books and supplies | | | |
| Contracted services and other operating expenditures | | | |
| Capital outlay | | | |
| Total expenditures | | | |
| Excess of revenues over (under) expenditures | <u>60</u> | <u>92</u> | <u>32</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | | | |
| Total other financing sources (uses) | | | |
| Net change in fund balances | <u>60</u> | <u>92</u> | <u>32</u> |
| Fund balances, July 1, 2009 | 5,995 | 5,995 | |
| Prior period adjustments | | | |
| Fund balances, July 1, 2009, restated | <u>5,995</u> | <u>5,995</u> | |
| Fund balances, June 30, 2010 | <u>\$ 6,055</u> | <u>\$ 6,087</u> | <u>\$ 32</u> |

| Totals | | |
|------------------|------------------|------------------------------------|
| Final Budget | Actual | Variance Positive (Negative) |
| \$ 173,000 | \$ 189,229 | \$ 16,229 |
| 950,905 | 606,934 | (343,971) |
| <u>1,388,632</u> | <u>1,355,094</u> | <u>(33,538)</u> |
| 2,512,537 | 2,151,257 | (361,280) |
| 553,751 | 581,095 | (27,344) |
| 796,055 | 788,068 | 7,987 |
| 410,104 | 400,953 | 9,151 |
| 797,454 | 744,834 | 52,620 |
| 437,482 | 427,549 | 9,933 |
| <u>1,918</u> | <u>1,918</u> | |
| 2,996,764 | 2,944,417 | 52,347 |
| (484,227) | (793,160) | (308,933) |
| 702,227 | 638,692 | (63,535) |
| 702,227 | 638,692 | (63,535) |
| 218,000 | (154,468) | (372,468) |
| 728,212 | 728,212 | |
| | <u>(18,562)</u> | <u>(18,562)</u> |
| <u>728,212</u> | <u>709,650</u> | <u>(18,562)</u> |
| \$ 946,212 | \$ 555,182 | \$ (391,030) |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
June 30, 2010

| | Capital Facilities Fund | Special Reserve Fund for Capital Outlay Projects Fund | Totals |
|--|-------------------------------|--|-------------------------|
| Assets | | | |
| Accounts receivable | \$ 150,452 | \$ - | \$ 150,452 |
| Due from other funds | <u>550,000</u> | <u>850,000</u> | <u>1,400,000</u> |
| Total assets | <u>\$ 700,452</u> | <u>\$ 850,000</u> | <u>\$ 1,550,452</u> |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ - | \$ 940 | \$ 940 |
| Due to other funds | <u>695,289</u> | <u>41,718</u> | <u>737,007</u> |
| Total liabilities | <u>695,289</u> | <u>42,658</u> | <u>737,947</u> |
| Fund balances: | | | |
| Unreserved: | | | |
| Undesignated | <u>5,163</u> | <u>807,342</u> | <u>812,505</u> |
| Total fund balances | <u>5,163</u> | <u>807,342</u> | <u>812,505</u> |
| Total liabilities and fund balances | <u>\$ 700,452</u> | <u>\$ 850,000</u> | <u>\$ 1,550,452</u> |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NONMAJOR CAPITAL PROJECTS FUNDS

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

For the Fiscal Year Ended June 30, 2010

| | Capital Facilities Fund | Special Reserve Fund for Capital Outlay Projects Fund | Totals |
|---|-------------------------------|--|-------------------|
| Revenues: | | | |
| Other local | \$ 389,491 | \$ 2,131 | \$ 391,622 |
| Total revenues | <u>389,491</u> | <u>2,131</u> | <u>391,622</u> |
| Expenditures: | | | |
| Books and supplies | | 3,672 | 3,672 |
| Contracted services and other operating expenditures | | 2,476 | 2,476 |
| Capital outlay | | 169,982 | 169,982 |
| Debt service: | | | |
| Principal | <u>60,000</u> | | <u>60,000</u> |
| Total expenditures | <u>60,000</u> | <u>176,130</u> | <u>236,130</u> |
| Excess of revenues over (under) expenditures | <u>329,491</u> | <u>(173,999)</u> | <u>155,492</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | 195,000 | | 195,000 |
| Transfers out | | <u>(195,000)</u> | <u>(195,000)</u> |
| Total other financing sources (uses) | <u>195,000</u> | <u>(195,000)</u> | |
| Net change in fund balances | 524,491 | (368,999) | 155,492 |
| Fund balances, July 1, 2009 | <u>(519,328)</u> | <u>1,176,341</u> | <u>657,013</u> |
| Fund balances, June 30, 2010 | <u>\$ 5,163</u> | <u>\$ 807,342</u> | <u>\$ 812,505</u> |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010

| | Capital Facilities Fund | | |
|--|-------------------------|------------------|------------------------------------|
| | Final Budget | Actual | Variance Positive (Negative) |
| Revenues: | | | |
| Other local | \$ 239,310 | \$ 389,491 | \$ 150,181 |
| Total revenues | <u>239,310</u> | <u>389,491</u> | <u>150,181</u> |
| Expenditures: | | | |
| Books and supplies | | | |
| Contracted services and other operating expenditures | | | |
| Capital outlay | | | |
| Debt service: | | | |
| Principal | | 60,000 | (60,000) |
| Total expenditures | | <u>60,000</u> | <u>(60,000)</u> |
| Excess of revenues over (under) expenditures | <u>239,310</u> | <u>329,491</u> | <u>90,181</u> |
| Other Financing Sources (Uses): | | | |
| Transfers in | | 195,000 | 195,000 |
| Transfers out | | | |
| Total other financing sources (uses) | | <u>195,000</u> | <u>195,000</u> |
| Net change in fund balances | 239,310 | 524,491 | 285,181 |
| Fund balances, July 1, 2009 | <u>(519,328)</u> | <u>(519,328)</u> | |
| Fund balances, June 30, 2010 | <u>\$ (280,018)</u> | <u>\$ 5,163</u> | <u>\$ 285,181</u> |

| Special Reserve Fund for Capital Outlay Projects Fund | | | Totals | | |
|---|------------|------------------------------|--------------|------------|------------------------------|
| Final Budget | Actual | Variance Positive (Negative) | Final Budget | Actual | Variance Positive (Negative) |
| \$ 1,325 | \$ 2,131 | \$ 806 | \$ 240,635 | \$ 391,622 | \$ 150,987 |
| 1,325 | 2,131 | 806 | 240,635 | 391,622 | 150,987 |
| 3,673 | 3,672 | 1 | 3,673 | 3,672 | 1 |
| 2,476 | 2,476 | | 2,476 | 2,476 | |
| 178,094 | 169,982 | 8,112 | 178,094 | 169,982 | 8,112 |
| | | | | 60,000 | (60,000) |
| 184,243 | 176,130 | 8,113 | 184,243 | 236,130 | (51,887) |
| (182,918) | (173,999) | 8,919 | 56,392 | 155,492 | 99,100 |
| | (195,000) | (195,000) | | 195,000 | 195,000 |
| | (195,000) | (195,000) | | (195,000) | (195,000) |
| (182,918) | (368,999) | (186,081) | 56,392 | 155,492 | 99,100 |
| 1,176,341 | 1,176,341 | | 657,013 | 657,013 | |
| \$ 993,423 | \$ 807,342 | \$ (186,081) | \$ 713,405 | \$ 812,505 | \$ 99,100 |

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT

ORGANIZATION

June 30, 2010

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. There were no changes in the boundaries of the District during the current fiscal year.

The Board of Education and the District Administrators for the fiscal year ended June 30, 2010 were as follows:

GOVERNING BOARD

| <u>Name</u> | <u>Office</u> | <u>Term Expires</u> |
|---------------------------|----------------|---------------------|
| Mr. Steven Fenton | President | December, 2011 |
| Ms. Lisa Korbata | Vice President | December, 2013 |
| Mr. Brian Goldberg, Ph.D. | Member | December, 2011 |
| Mr. Jacob Manaster | Member | December, 2013 |
| Ms. Myra Lurie | Member | December, 2011 |

ADMINISTRATION

Mr. Jerry C. Gross, Ph.D.
Superintendent

Mr. Alex Cherniss, Ed.D.
Assistant Superintendent, Business Services

Ms. Ilene Straus, Ed.D.
Assistant Superintendent, Education Services K-12

Ms. Dawnalyn Murakawa-Leopard
Director of Human Resources

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Fiscal Year Ended June 30, 2010

| | Original Second Period Report | Revised Second Period Report | Original Annual Report | Revised Annual Report |
|----------------------------------|-------------------------------------|------------------------------------|------------------------------|-----------------------------|
| Elementary | | | | |
| Kindergarten | 169 | 169 | 170 | 169 |
| First through Third | 697 | 697 | 702 | 698 |
| Fourth through Sixth | 882 | 882 | 886 | 882 |
| Seventh and Eighth | 751 | 751 | 755 | 751 |
| Home and Hospital | 3 | 4 | | 4 |
| Special Education | 140 | 118 | 139 | 117 |
| Subtotals | <u>2642</u> | <u>2,621</u> | <u>2,652</u> | <u>2,621</u> |
| High School | | | | |
| Ninth through Twelfth | 1990 | 2,005 | 1,998 | 1,998 |
| Continuation Education | 31 | 22 | 24 | 24 |
| Home and Hospital | 7 | 7 | 7 | 7 |
| Special Education | 107 | 104 | 102 | 105 |
| Subtotals | <u>2,135</u> | <u>2,138</u> | <u>2,131</u> | <u>2,134</u> |
| Totals | <u><u>4,777</u></u> | <u><u>4,759</u></u> | <u><u>4,783</u></u> | <u><u>4,755</u></u> |
| Supplemental Instructional Hours | | Hours of Attendance | | |
| Elementary | | * | | |
| Secondary | | * | | |

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

* ADA is no longer collected as a result of flexibility provision of SBX3.4 (Chapter 12, Statutes of 2009), currently in effect for a five-year period from 2008-09 through 2012-13.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2010

| <u>Grade Level</u> | <u>1982-83 Actual Minutes</u> | <u>Revised 1982-83 Actual Minutes</u> | <u>1986-87 Minutes Requirement</u> | <u>Revised 1986-87 Minutes Requirement</u> | <u>2009-10 Actual Minutes</u> | <u>Number of Traditional Days</u> | <u>Status</u> |
|--------------------|-------------------------------|---------------------------------------|------------------------------------|--|-------------------------------|-----------------------------------|---------------|
| Kindergarten | 30,216 | 29,377 | 36,000 | 35,000 | 40,500 | 180 | In Compliance |
| Grade 1 | 53,024 | 42,350 | 50,400 | 49,000 | 50,700 | 180 | In Compliance |
| Grade 2 | 53,024 | 42,350 | 50,400 | 49,000 | 50,700 | 180 | In Compliance |
| Grade 3 | 53,024 | 42,350 | 50,400 | 49,000 | 50,700 | 180 | In Compliance |
| Grade 4 | 53,024 | 52,189 | 54,000 | 52,500 | 54,062 | 180 | In Compliance |
| Grade 5 | 53,024 | 52,189 | 54,000 | 52,500 | 54,062 | 180 | In Compliance |
| Grade 6 | 53,024 | 52,189 | 54,000 | 52,500 | 64,836 | 180 | In Compliance |
| Grade 7 | 53,024 | 52,189 | 54,000 | 52,500 | 64,836 | 180 | In Compliance |
| Grade 8 | 53,024 | 52,189 | 54,000 | 52,500 | 64,836 | 180 | In Compliance |
| Grade 9 | 62,920 | 61,172 | 64,800 | 63,000 | 64,915 | 180 | In Compliance |
| Grade 10 | 62,920 | 61,172 | 64,800 | 63,000 | 64,915 | 180 | In Compliance |
| Grade 11 | 62,920 | 61,172 | 64,800 | 63,000 | 64,915 | 180 | In Compliance |
| Grade 12 | 62,920 | 61,172 | 64,800 | 63,000 | 64,915 | 180 | In Compliance |

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

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 instruction time offered by the district and whether the district complied with the provisions of Education Code Section 46200 through 46206.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30, 2010

| General Fund | (Budget) 2011 | 2010 | 2009 | 2008 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Revenues and other financial sources | \$ 52,063,519 | \$ 55,552,008 | \$ 55,702,145 | \$ 56,673,851 |
| Expenditures | 49,511,388 | 54,696,433 | 58,688,187 | 56,429,685 |
| Other uses and transfers out | 143,150 | 638,692 | 90,697 | 494,667 |
| Total outgo | <u>49,654,538</u> | <u>55,335,125</u> | <u>58,778,884</u> | <u>56,924,352</u> |
| Change in fund balance (deficit) | <u>2,408,981</u> | <u>216,883</u> | <u>(3,076,739)</u> | <u>(250,501)</u> |
| Prior period adjustments | | <u>(1,011,605)</u> | | |
| Ending fund balance | <u>\$ 5,657,476</u> | <u>\$ 3,248,495</u> | <u>\$ 4,043,217</u> | <u>\$ 7,119,956</u> |
| Available reserves | <u>\$ 4,043,980</u> | <u>\$ 2,180,436</u> | <u>\$ 1,773,607</u> | <u>\$ 5,183,371</u> |
| Available reserves as a percentage of total outgo | <u>8.1%</u> | <u>3.9%</u> | <u>3.0%</u> | <u>9.1%</u> |
| Total long-term debt | <u>\$ 211,007,697</u> | <u>\$ 220,804,199</u> | <u>\$ 208,390,787</u> | <u>\$ 141,371,038</u> |
| Average daily attendance at P-2 | <u>4,777</u> | <u>4,759</u> | <u>4,965</u> | <u>5,088</u> |

This schedule discloses the District's financial trends by displaying past fiscal years' data along with current fiscal 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.

The General Fund balance has decreased by \$3,871,461 over the past two fiscal years. The fiscal year 2010-2011 budget projects an increase of \$2,408,981. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, and other uses (total outgo).

The District has incurred an operating deficit in the two of the past three fiscal years, and anticipates an operating surplus during the 2010-11 fiscal year. Total long-term debt has increased by \$79,433,161 over the past two fiscal years.

Average daily attendance has decreased by 329 over the past two fiscal years. An increase of 18 ADA is anticipated during the fiscal year 2010-2011.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010

| Federal Grantor/Pass Through Grantor/Program or Cluster Title | Federal Catalog (CFDA) Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---|--|---|-------------------------|
| Federal Programs: | | | |
| U.S. Department of Education: | | | |
| Passed through the California Department of Education (CDE): | | | |
| NCLB Title I, Part A - Basic Grants Low Income and Neglected | 84.010 | 3010 | \$ 510,901 |
| ARRA - NCLB Title I, Part A - Basic Grants Low Income and Neglected | 84.389A | 3011 | 43,956 |
| NCLB Title I, Part G, Advanced Placement (AP) Test Fee Reimbursement Program | 84.330 | 0000 | 3,063 |
| NCLB - Title II, Part A Improving Teacher Quality | 84.367 | 4035 | 147,823 |
| NCLB - Title III Limited English Proficiency (LEP) Student Program | 84.365 | 4203 | 22,272 |
| NCLB - Title IV Part A: Safe & Drug Free Schools | 84.186 | 3710 | 5,225 |
| Special Ed: IDEA - Basic Local Assistance Entitlement, Part B | 84.027 | 3310 | 843,548 |
| Special Ed: IDEA - Preschool Grant, Part B | 84.173 | 3315 | 2,820 |
| ARRA Special Ed: IDEA - Local Assist | 84.391A | 3313 | 573,315 |
| Special Ed: IDEA - ARRA Preschool | 84.392 | 3319 | 7,539 |
| Vocational & Applied Technology Secondary II C | 84.048 | 3550 | 23,858 |
| Adult Basic Education & ESL | 84.002A | 3905 | 77,350 |
| ARRA State Fiscal Stabilization Fund | 84.394 | 3200 | 2,024,247 |
| Rehabilitation Services - Vocational Rehabilitation Grants to States | 84.126A | 3410 | 14,899 |
| Total U.S. Department of Education | | | <u>4,300,816</u> |
| U.S. Department of Agriculture: | | | |
| Passed through of California Department Education (CDE): | | | |
| National School Lunch | 10.555 | 5310 | 111,879 |
| Total U.S. Department of Agriculture | | | <u>111,879</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 4,412,695</u> |
| Reconciliation of Total Expenditures of Federal Awards to Total Federal Revenues | | | |
| Expenditures of Federal Awards | | | \$ 4,412,695 |
| State Fiscal Stabilization Fund Reported as Revenue in Prior Fiscal Year but Spent in Current Fiscal Year | 84.394 | 3200 | <u>(2,024,247)</u> |
| Total Federal Revenues | | | <u>\$ 2,388,448</u> |

The accompanying notes are an integral part of this schedule.

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Fiscal Year Ended June 30, 2010

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Beverly Hills Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB 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 basic financial statements.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL REPORT WITH
AUDITED FINANCIAL STATEMENTS
June 30, 2010

| | General Fund | Adult Education Fund | Cafeteria Fund |
|--|-----------------------------|--|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| June 30, 2010 Unaudited Actuals Report Fund Balances | \$ 3,375,814 | \$ 2,393 | \$ 50,498 |
| Understatement of cash in County Treasury | 352,872 | | |
| (Overstatement) cash on hand and in banks | | | (9,159) |
| (Overstatement)/Understatement of accounts receivable | 424,862 | | (425) |
| (Overstatement) of other assets | (10,962) | | |
| Overstatement/(Understatement) of accounts payable | (1,323,845) | (5,518) | 29,229 |
| Overstatement of due to grantor governments | <u>429,754</u> | <u> </u> | <u> </u> |
| June 30, 2010 Audited Financial Statements Fund Balances | <u>\$ 3,248,495</u> | <u>\$ (3,125)</u> | <u>\$ 70,143</u> |
| | | <u>Bond Interest and Redemption Fund</u> | |
| June 30, 2010 Unaudited Actuals Report Fund Balances | <u>\$ 5,696,751</u> | | |
| June 30, 2010 Audited Financial Statements Fund Balances | <u>\$ 5,696,751</u> | | |

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities as reported on the unaudited actuals to the audited financial statements.

| Deferred Maintenance Fund | Special Reserve Fund for Other Than Capital Outlay Projects Fund | Building Fund | Capital Facilities Fund | County School Facilities Fund | Special Reserve Fund for Capital Outlay Projects Fund |
|---------------------------------|--|----------------------|-------------------------------|--|---|
| \$ 482,077 | \$ 6,087 | \$ 65,529,806 | \$ 5,163 | \$ 628,413 | \$ 807,342 |
| | | (21,692) | | | |
| <u>\$ 482,077</u> | <u>\$ 6,087</u> | <u>\$ 65,508,114</u> | <u>\$ 5,163</u> | <u>\$ 628,413</u> | <u>\$ 807,342</u> |

| | Long-Term Debt |
|---|-----------------------|
| June 30, 2010 Unaudited Actuals Report | |
| Total Liabilities | \$ 127,781,996 |
| Understatement of general obligation bonds payable | 92,707,445 |
| (Overstatement) of certificates of participation payable | (2,137,353) |
| Understatement of capital leases payable | 1,895,993 |
| Understatement of other general long-term debt | 180,000 |
| Understatement of net OPEB obligation | <u>376,118</u> |
| June 30, 2010 Audited Financial Statements Long-Term Debt | |
| Total Liabilities | <u>\$ 220,804,199</u> |

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MOSS, LEVY & HARTZHEIM LLP

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

Board of Education
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 the Beverly Hills Unified School District (the District) as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2010. 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 the 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2010-9 through 2010-11, 2010-13, and 2010-14 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs as item 2010-1 through 2010-8, 2010-12, 2010-15, and 2010-16 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying finding and recommendation section as finding 2010-17 through 2010-20 of this report.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, State Controller's Office, Department of Finance, Department of Education, 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.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
December 15, 2010



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
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 the Beverly Hills Unified School District (the District) as of and for the fiscal year ended June 30, 2010, which collectively comprise the Beverly Hills Unified School District's basic financial statements and have issued our report thereon dated December 15, 2010. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items:

| Description | Procedures in Panel's Audit Guide | Procedures Performed |
|---|--------------------------------------|-------------------------|
| Attendance accounting | | |
| Attendance Reporting | 8 | Yes |
| Kindergarten continuance | 3 | Yes |
| Independent Study | 23 | No, see next page |
| Continuation Education | 10 | No, see next page |
| Incentive for longer instructional day: | | |
| School districts | 6 | Yes |
| County offices of education | 3 | Not Applicable |
| Gann Limit Calculation | 1 | Yes |
| Early retirement incentive program | 4 | Not Applicable |
| Classroom teacher salaries | 1 | Yes |

| Description | Procedures in Panel's Audit Guide | Procedures Performed |
|--|--------------------------------------|-------------------------|
| Class size reduction: | | |
| General requirements | 7 | Yes |
| Option one classes | 3 | Yes |
| Option two classes | 4 | Not Applicable |
| Only one school serving K-3 | 4 | Not Applicable |
| Instructional materials fund: | | |
| General requirements | 8 | Yes |
| Ratios of administrative employees to teachers | 1 | Yes |
| School accountability report card | 3 | Yes |
| Contemporaneous records of attendance, for charter schools | 1 | Not applicable |
| Nonclassroom-based instruction independent study, for charter school | 15 | Not applicable |
| Mode of instruction, for charter schools | 1 | Not applicable |
| Determination of funding for nonclassroom-based instruction, for charter school | 3 | Not applicable |
| Annual Instructional minutes - classroom based, for charter schools | 3 | Not applicable |
| After school education and safety program | | |
| General requirements | 4 | Not applicable |
| After school | 4 | Not applicable |
| Before school | 5 | Not applicable |
| Public hearing requirement - receipt of funds | 1 | Yes |

We did not perform testing of independent study and continuation education because the ADA is below the State requirement for testing.

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 Findings and Recommendations Section of this report. The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them. Further, based on our examination, for the items not tested, nothing came to our attention to indicate that the Beverly Hills Unified School District had not complied with the State laws and regulations.

This report is intended solely for the information and use of the Board of Education, management, State Controller's Office, Department of Finance, and Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
December 15, 2010



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Education
Beverly Hills Unified School District
Beverly Hills, California

Compliance

We have audited the compliance of the Beverly Hills Unified School District (the 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 fiscal year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the 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 identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

As described in item 2010-17 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding cash management that are applicable to all federal programs. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses in internal control over compliance and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-9 and 2010-13 through 2010-14 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-1 through 2010-5, 2010-12, and 2010-15 through 2010-16 to be significant deficiencies.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Education, management, State Controller's Office, Department of Finance, Department of Education, 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.



Moss, Levy & Hartzheim, LLP
Beverly Hills, California
December 15, 2010

FINDINGS AND RECOMMENDATIONS SECTION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 June 30, 2010

Section I – Summary of Auditor’s Results

Financial Statements

| | | | |
|--|------------------|-----|-----------------------------|
| Type of auditor’s report issued | <u>Qualified</u> | | |
| Internal control over financial reporting: | | | |
| Material weakness(es) identified? | <u> X </u> | Yes | <u> </u> No |
| Significant deficiency(ies) identified not considered to be material weaknesses? | <u> X </u> | Yes | <u> </u> None reported |
| Noncompliance material to financial statements noted? | <u> </u> | Yes | <u> X </u> No |

Federal Awards

| | | | |
|--|--------------|-----|-----------------------------|
| Internal control over major programs: | | | |
| Material weakness(es) identified? | <u> X </u> | Yes | <u> </u> No |
| Significant deficiency(ies) identified not considered to be material weaknesses? | <u> X </u> | Yes | <u> </u> None reported |

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

| | | | |
|---|--------------|-----|------------------|
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a) | <u> X </u> | Yes | <u> </u> No |
|---|--------------|-----|------------------|

Identification of major programs

| | |
|--|---|
| <u>CFDA Number (s)</u> | <u>Name of Federal Program or Cluster</u> |
| <u>84.010, 84.389A</u> | <u>Title I, Part A Cluster</u> |
| <u>84.027, 84.173, 84.391A, 84.392</u> | <u>Special Education Cluster</u> |
| <u>84.394</u> | <u>State Fiscal Stabilization</u> |

| | |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 300,000</u> |
|--|-------------------|

| | | | |
|--|--------------|-----|------------------|
| Auditee qualified as low-risk auditee: | <u> X </u> | Yes | <u> </u> No |
|--|--------------|-----|------------------|

State Awards

| | | | |
|--|---------------|-----|-----------------------------|
| Internal control over state programs: | | | |
| Material weakness(es) identified? | <u> </u> | Yes | <u> X </u> No |
| Significant deficiency(ies) identified not considered to be material weaknesses? | <u> X </u> | Yes | <u> </u> None reported |

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 June 30, 2010

Section II – Financial Statement Findings

FINDING 2010-1
INTERNAL CONTROLS
30000

Condition:

During the test of cash disbursements, we examined forty invoices and related documentation and noted that three of the forty invoices selected had open purchase orders, but the invoices lacked payment approval stamps or signatures indicating approval for purchase. Below are additional details of the finding.

| Issue Date | Check Number/ Warrant Number | Vendor | Amount by Warrant |
|-------------------|---|--------------------------|--------------------------|
| 08/04/09 | 17391105 | McKinley Elevator Corp | \$ 150.00 |
| 06/21/10 | 18150551 | All City Management Serv | \$ 11,293.11 |
| 02/26/10 | 17866986 | AT&T | \$ 3,548.20 |

Effect:

Without review and approval of individual invoices, inappropriate and excessive charges may go about undetected.

Cause:

There is a lack of control and oversight of disbursements.

Recommendation:

We recommend that the District ensure that all invoices submitted for payment are reviewed and defaced by an appropriate member of management in accordance with District policies.

LEA's Corrective Action Plan:

All invoices are reviewed and signed off on by authorized signers in the business office prior to the processing of any payment. In the case of these "open purchase orders" the normal method of administrative sign off was overlooked. Moving forward, open purchase orders will have the same method of checks and balances as any other type of purchase order. Each administrator will review and confirm that their departmental expenditures are in conformance with their budget, board policy, Education, Government, and Public Contract Codes. A requisition, as a precursor to a purchase order, will be created to provide an additional check and balance for the expenditures. The district will train all personnel in the review of invoices and contracts are in conformance with the approved expenditures. This will include a signature and date on the source document submitted for payment.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 June 30, 2010

Section II – Financial Statement Findings (Continued)

FINDING 2010-2
INTERNAL CONTROLS
30000

Condition:

During the test of cash disbursements, we examined forty invoices and related documentation and noted that an individual invoice was paid twice in two separate instances. The first instance involves the duplicate payment of invoice number 944981772 for \$964.70 to Houghton Mifflin for books. Accounts payable was not aware of the duplicate entry as the amount for invoices paid was entered and paid as a batch in the amount of \$4,958.66. The invoice entered for this batch is 94499614. The second instance was a duplicate payment for invoice number S3564928. The District system failed to detect a duplicate invoice because the second invoice number entered was 83564928. Below are additional details of the finding.

| Issue Date | Check Number/ Warrant Number | Vendor | Amount by Warrant |
|------------|---------------------------------|-------------------------|-------------------|
| 10/09/09 | 17543314 | Houghton Mifflin | \$ 4,958.66 |
| 03/02/10 | 17873839 | Express Pipe Supply Co. | \$ 274.90 |

Effect:

Duplicate payments may go undetected and expenditures may become overstated.

Cause:

There is a lack of review and reconciliation between warrant detail and invoice detail.

Recommendation:

We recommend that payments made to the same vendor for multiple invoices be entered individually rather than as a batch. Moreover, we also recommend a reconciliation between warrant detail and invoice detail prior to payment as vendors may incorrectly bill in excess of what is ordered.

LEA’s Corrective Action Plan:

Multiple invoices to be paid to one vendor will no longer be paid in batches but rather individually. This will enable the District to avoid a double payment situation such as the one noted by the auditors for \$964.70. Thankfully, the District received the reimbursement from the vendor for this overpayment. A District requisition and subsequent purchase order will be created for each expenditure. The detail of the purchases will be included in the body of the purchase order so that can be checked against the purchase and invoice numbers will be used as part of the payment process so duplicates do not occur.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 June 30, 2010

Section II – Financial Statement Findings (Continued)

FINDING 2010-3
INTERNAL CONTROLS
30000

Condition:

During the test of cash disbursements, we examined forty invoices and related documentation and noted that in two of the forty invoices examined, there were inconsistencies and errors in account coding of expenses. Monthly payments to the vendor “William Scotsman” for portable restroom delivery was coded to “5890 – Other Services” which, per our examination of the general ledger accounts, should be coded instead to “5610 – Rentals, Leases, and Repairs”. In addition, another disbursement tested did not have detailed account coding information written on the supporting documentation.

| Issue Date | Check Number/ Warrant Number | Vendor | Amount by Warrant |
|-------------------|---|----------------------|--------------------------|
| 05/05/10 | 18045634 | William Scotsman | \$ 1,126.04 |
| 08/20/09 | 4157 | Art Services Melrose | \$ 318.78 |

Effect:

The miscoding of expenses may result in a misstatement of the financial statements.

Cause:

For the first item, the cause of the incorrect coding of expense items is attributed to a lack of thorough assessment of the chart of expenditure accounts. For the second item, there is a lack of oversight of disbursements.

Recommendation:

We recommend the District ensure that payments for invoices are thoroughly reviewed to determine correction account coding and that information is attached as part of the supporting documentation.

LEA’s Corrective Action Plan:

District staff will provide training on Standardized Account Code (SACs) Structure to assist in the proper coding. The business office does review for account code structure to be in compliance with the California Schools Accounting Manual (CSAM). Additionally, administrative oversight will be used to signoff on each requisition upon review and confirmation of correct account string.

Section II – Financial Statement Findings (Continued)

FINDING 2010-4
INTERNAL CONTROLS
30000

Condition:

During the test of payroll, we examined thirty employee personnel files, and noted that the employment application form for one employee was not present.

Effect:

Without the availability of employment applications we are unable to verify the hire date of the employee to determine vacation accruals and benefits, legal means of acquisition of employment, as well as other substantial information.

Cause:

The cause of an unavailable employment file can be attributed to a lack of such document source or a lack of retention and/or organization of such document.

Recommendation:

We recommend the District obtain and retain employment applications for the purposes stated in the effect.

LEA's Corrective Action Plan:

All employment applications will be verified for each personnel file. In the cases where an employment application is not in the personnel file, it will be noted. Human Resources has worked endlessly on process and structure for the department with the change in administration. In addition, each employee is brought forward to the Board with the employment date(s) to also allow for proper verification of employment benefits.

Section II – Financial Statement Findings (Continued)

FINDING 2010-5
INTERNAL CONTROLS
30000

Condition:

During the review of internal control at school cafeteria sites, the following were noted:

1. Cash receipts are not reconciled with deposits. Upon review of individual deposits, we noted differences between daily deposits and cash receipts.
2. Nutrition sales recap reports are not being utilized to document the number of meals served during a day.

Effect:

1. When procedures are not in place to reconcile cash receipts with deposits, it is difficult to ensure that all amounts collected by the school cafeteria are deposited.
2. When nutrition sales recap reports are not utilized, it is difficult to reconcile the numbers of meals served and the number of meals sold.

Cause:

The cause can be attributed to a lack of control and oversight over receipt of cash in the cafeterias.

Recommendation:

We recommend that the District implement policies and procedures to ensure that the following are performed:

1. All deposits made by the school cafeteria sites are reconciled to cash receipts issued by an appropriate member of management and any differences be investigated and documented.
2. Nutrition sales recap reports are utilized, reviewed, and reconciled with cash receipts to ensure that the number of meals served is appropriate based on the number of meals sold and cash collected.

LEA's Corrective Action Plan:

The internal controls associated with the collection of cash and the proper accounting for food sold has been a work in progress and will always have room for improvement. Administration will provide additional training at the next in-service session on proper completion of the form and to verify with the actual cash submitted. The manager currently monitors each cash drawer at the high school for proper cash collection count. Additionally, the District will contract for a Food Service audit to specifically identify concerns related to cash collections, programmatic implementation, and quality of production.

Section II – Financial Statement Findings (Continued)

FINDING 2010-6
INTERNAL CONTROLS – ASSOCIATED STUDENT BODY
30000

Condition:

The following were noted during our review of internal control at the High School ASB:

1. The Associated Student Body (ASB) Accountant prepares checks, mails checks, prepares deposits, prepares inventory purchases, maintains inventory records, records cash receipts and disbursements, maintains the general ledger, reconciles bank accounts, and investigates discrepancies or issues related to cash.
2. Bank reconciliations were not prepared on a timely basis.
3. Proper safeguard of ASB properties such as candy, sodas, gym clothes, event tickets, etc., was not present.
4. The reconciliation of cash and cash receipts were not performed in a timely manner. Cash receipts from evening ASB events were deposited into a cash box and stored in the Administrator's safe where it would not be counted by the ASB Accountant until the following day. Additionally, cash from the ASB office would also not be counted and reconciled until the ASB Accountant finds time in her schedule to do so.
5. Blank checks were not stored in a secure area. There were some blank checks stored near the printer area which was not a locked and secured space.
6. The minutes were not prepared properly and were not printed and signed by the ASB council member. The deficiencies in the preparation of the minutes include a missing formal process in recording meetings and a missing record of ASB approved expenditures and activities.

Effect:

The effect of the lack of segregation of duty and lack of safeguarding of assets can lead to misappropriation of funds that may go undetected. Moreover, bank statements and cash receipts that are not reconciled in a timely manner leads to errors and misappropriation of funds that can go undetected.

Cause:

The internal control deficiencies listed can be attributed to a lack of segregation of duties, neglect to perform accounting tasks in a timely manner, and also lack of oversight of the ASB office.

Recommendation:

We recommend that the District implement procedures to ensure that there is adequate segregation of duties at the ASB school sites. Also, procedures should be implemented to ensure proper safeguarding of ASB inventory and assets and timely reconciliation of all ASB accounts.

LEA's Corrective Action Plan:

ASB procedures and policies will be reviewed by the business office in accordance with FCMAT's ASB Manual to ensure that internal controls are present. Currently, the bookkeeper has her bank reconciliations reviewed by site administration and the advisor works in collaboration with the bookkeeper for additional checks and balances. Administration signs all checks and reviews the back-up documentation so that can also assist in the tightening of internal controls. The ASB bookkeeper interacts with the Business Office for fiscal questions and processes that occur during the normal course of doing business. The Business Office will review the inventory control, and audit the operations to support the high school at least quarterly.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2010

Section II – Financial Statement Findings (Continued)

FINDING 2010-7
INTERNAL CONTROLS – ASSOCIATED STUDENT BODY
30000

Condition:

During our test of cash disbursements of the Associated Student Body account, we examined thirty canceled checks, invoices, and related documentation and noted that for two of the thirty examined, which were both employee reimbursements, original receipts were not attached with the check/disbursement voucher request form. Below are additional details of the finding.

| Issue Date | Check Number | Amount |
|-------------------|---------------------|---------------|
| 04/13/10 | 17805 | \$ 2,533.96 |
| 04/30/10 | 521 | \$ 6,435.60 |

Effect:

Without supporting documentation for cash disbursements, it is difficult to verify if payments made were appropriate for ASB funds.

Cause:

The lack of accompanying receipts can be attributed to a lack of control and oversight of the ASB school site.

Recommendation:

We recommend that the District require receipts or other supporting documentation for all invoices.

LEA's Corrective Action Plan:

The High School ASB will reimburse for original receipts only. If there is an absence of a receipt, then an affidavit will be required for reimbursement. Staff and students will be notified that original detailed receipts are required.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 June 30, 2010

Section II – Financial Statement Findings (Continued)

FINDING 2010-8
INTERNAL CONTROLS – ASSOCIATED STUDENT BODY
30000

Condition:

During our test of cash receipts for the Associated Study Body (ASB) accounts, we noted the following:

1. Four of the twenty-five items tested did not have sufficient supporting documentation accompanying the receipt.

| Date | Receipt Number | Source | Amount |
|-------------|-----------------------|--------------------|---------------|
| 10/26/09 | 120263 | ZZ_Madrigals | \$ 1,047.50 |
| 12/10/09 | 120793 | ZZ_Student council | \$ 242.00 |
| 12/11/09 | 120799 | ZZ_Basketball Boys | \$ 395.00 |
| 12/17/09 | 120855 | ZZ_Robotics | \$ 2,500.00 |

2. Cash count forms lacked detail other than a total and signature.
3. One of the twenty-five items tested was for a fundraising event and lacked a supporting fundraising request.

| Date | Receipt Number | Source | Amount |
|-------------|-----------------------|---------------|---------------|
| 10/26/09 | 120263 | ZZ_Madrigals | \$ 1,047.50 |

Effect:

Without supporting documentation for cash receipts, it is difficult to detect or prevent a misappropriation of funds.

Cause:

There is a lack of oversight on the part of the ASB office.

Recommendation:

We recommend that all cash receipts remitted to the ASB be accompanied by adequate supporting documentation.

LEA’s Corrective Action Plan:

Rationale for cash collection documents will be reviewed with school site staff in following the FCMAT ASB Manual procedures. Training will be done for staff and students for the proper completion of cash count forms and how the activity will be identified to provide additional detail.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2010

Section II – Financial Statement Findings (Continued)

FINDING 2010-9
INTERNAL CONTROLS
30000

Condition:

During our year-end fieldwork, we examined the general ledger and benefits payments and noted that medical insurance premiums for retirees under the age of 65 paid by the District were not booked to expenditures.

Effect:

The effect of the not booking medical insurance fees for retirees under 65 is an understatement of the cost of benefit by \$232,229.

Cause:

The District was unaware of the expense.

Recommendation:

We recommend that the District recognize and accrue the liability for medical insurance fees for retirees under the age of 65 for the fiscal year 2009-2010 as well as prior years.

LEA's Corrective Action Plan:

The payment of these benefits was budgeted in the adopted budget and subsequent 1st Interim budget. The District was aware of this expense yet this had not been reconciled before the books were closed. A plan has been established and this expense is budgeted to be cleared in the current fiscal year. The accounting for retirees and resulting premium issues had been identified by administration and we are making appropriate changes to the account codes charged to address retiree paid and district paid benefits. A change in the carrier effective January 1, 2011 will also assist in the process as well as the proper reconciliation of premiums charged and accompanying retiree contributions. A change in personnel has provided additional review and training opportunities in the fiscal accountability.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2010

Section II – Financial Statement Findings (Continued)

FINDING 2010-10
INTERNAL CONTROLS
30000

Condition:

During our year-end fieldwork, we examined capital assets and noted that there were errors in the calculation of accumulated depreciation in the prior year audit report. Additionally, the District's capital assets schedules could not be reconciled to the summary in the prior year's financial statements. Moreover, the depreciation schedule lacked a standard method for depreciation during the year of acquisition as we noted certain year depreciation for assets acquired to be a half-year's and others to be full year's depreciation.

Effect:

The finding resulted in an understatement of assets in the amount of \$32,197,921 for the fiscal year ending June 30, 2009.

Cause:

The error in depreciation occurred as a result of Excel spreadsheet referencing errors. Rather than referencing fiscal year 2008-2009 depreciations in the capital assets summary page, accumulated depreciations for fiscal year 2008-2009 were referenced instead. A lack of review for reasonable accounting balances can also be attributed to this error. The cause for reconciliation issues of the capital assets schedule for 2009-2010 can be attributed to deletions of fully depreciated assets in the 2009-2010 that were not accounted for as deletions. Rather, the deletions were merely taken out of the capital assets schedule without notice of a deletion. Adding back deletions to the capital assets schedule for 2009-2010, we were able to reconcile the capital asset balances. Furthermore, a lack of standard accounting for depreciation of capital assets during the year of acquisition can be attributed to the inconsistency in depreciation of newly acquired assets.

Recommendation:

We recommend that the District perform a study of capital assets.

LEA's Corrective Action Plan:

While the District is perplexed by the fact that this depreciation of assets was not accounted for in the 2009 audit, the District does ultimately take responsibility for this error. The District has reviewed the information on the formulas used in the past for capital assets and depreciation as a result of the audit and acknowledges the need to improve the calculations done in the data collection. Staff will be reviewing the asset inventory and recommendation to complete a new study.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2010

Section II – Financial Statement Findings (Continued)

FINDING 2010-11
INTERNAL CONTROLS
30000

Condition:

During our year-end fieldwork, we noted that the District had more than 200 employees; therefore, they require a new Governmental Accounting Standards Board (GASB) Statement No. 45 study. The prior study was prepared in fiscal year 2007-2008.

Effect:

The liability of other post employment benefits may be misstated.

Cause:

The prior GASB Statement No. 45 study was performed in the fiscal year 2007-2008.

Recommendation:

We recommend the District conduct a new GASB Statement No. 45 study.

LEA's Corrective Action Plan:

The District administration has received a proposal to update the GASB 45 study for compliance and to make sure that the values included are accurate and valid at this time. It will be going to the Board for appropriate action in January, 2011.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 June 30, 2010

Section II – Financial Statement Findings (Continued)

FINDING 2010-12
INTERNAL CONTROLS
30000

Condition:

During our audit of compensated absences, we examined timesheets and memorandums requesting payout of vacation for the month of June, referencing the vacation accruals schedule provided by the District, and noted the following:

- Two employees requested a payout of vacation; however, vacation balances were not adjusted for the payout.

| Name | Vacation Days Paid Out | Amount |
|-------------|-------------------------------|---------------|
| Employee A | 12 | \$ 2,161.92 |
| Employee B | 8 | \$ 1,762.56 |

- One employee's hourly pay rate used in the calculation of vacation accrual liability is not current and also the formula used for her calculation is incorrect.

| Name | Hourly Rate Per Vacation Accrual Schedule | Hourly Rate Per Salary Schedule | Vacation Hours Accrued | Total Variance including formula error |
|-------------|--|--|---------------------------------------|---|
| Employee C | \$ 26.93 | \$ 27.51 | 254.96 | \$ 5,031.41 |

Effect:

For item 1, the effect of the payout without adjustment to vacation accruals resulted in overstated vacation accruals in the amount of 8 days for one employee and 12 days for the other, or a total dollar amount of \$3,924.48. For item 2, the effect of the discrepancy in vacation accrual liability is an overstatement in the amount of \$5,031.41.

Cause:

A lack of accurate record keeping and reconciliation by payroll personnel.

Recommendation:

We recommend that the District reconcile vacation accruals more accurately, reconciling with reference to memorandums for payout as a separate procedure.

LEA's Corrective Action Plan:

The complete vacation payout schedule will be reviewed and reconciled by the benefits office. Administration has identified an electronic data collection system that will provide up to date and ready time reporting of leave and the cost associated with that.

Section II – Financial Statement Findings (Continued)

FINDING 2010-13
INTERNAL CONTROLS
30000

Condition:

During our audit, we recommended numerous adjusting journal entries. Substantially, all of the entries were to either correct bookkeeping errors or to reverse accruals and other adjustments that should have been made by the accounting department during the fiscal year 2009-2010.

Effect:

Along with inaccurate account balances and additional time required to complete the audit, proposing numerous journal entries decreases the reliability of the District's financial information.

Cause:

The cause of these numerous adjusting journal entries can be attributed to a lack of understanding and/or reconciliation of accounting balances in the areas affected.

Recommendation:

The District should reconcile the general ledger accounts for accounts receivable, accounts payable, and miscellaneous payroll liabilities to supporting documentation on a monthly basis.

LEA's Corrective Action Plan:

The administration in the Business Office has changed and is improving processes and areas of responsibility. Training of existing staff to review the ledger based on areas of responsibilities and provide checks and balances to journals. Business Office staff will request a co-worker to review and acknowledge a review of data and that the rationale makes sense.

FINDING 2010-14
INTERNAL CONTROLS
30000

Condition:

During our year-end fieldwork, we noted that journal entries lacked proper approval by responsible employee(s) and explanations accompanying journal entries were inadequate in some instances.

Effect:

Journal entries without evidence of proper approval or explanation present the risk of inaccurate account balances and may lead to a risk of misappropriation of assets.

Cause:

A lack of oversight and implementation of control can be attributed to journal entries being entered without approval and supporting explanations.

Recommendation:

We recommend the adoption of a policy whereby all journal entries are approved by the business officer or other designated member of management. All entries should be approved by the reviewer. Also, we recommend that all journal entries be accompanied with a full explanation, referencing supporting data if need be.

LEA's Corrective Action Plan:

All journal entries will be approved by business office administration. Additionally, backup information will be provided for support if available.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2010

Section II – Financial Statement Findings (Continued)

FINDING 2010-15
MISCELLANEOUS
60000

Condition:

During our audit of the District, we noted lack of continuity in the Business Service Department, specifically in the key positions. These positions perform responsibilities that affect the efficiency of the business service department.

Effect:

The lack of continuity of staff in the Business Service Department may result in a breach of internal controls, as existing and newly hired staff may become overloaded with work in areas that they are not trained for.

Cause:

N/A

Recommendation:

We recommend that the District take appropriate actions to ensure continuity of qualified personnel in key positions.

LEA's Corrective Action Plan:

The District will make every effort to ensure that continuity in staffing will be maintained. The District recognizes that turnover can attribute to inefficiencies and commits to doing everything in its power to provide employees with the training and support necessary to do their work.

FINDING 2010-16
MISCELLANEOUS
60000

Condition:

The District contracted out general repair and maintenance to a third party contractor. However, the final "Master Plan" was not available for review for two consecutive years.

Effect:

Without the final "Master Plan", it is difficult to verify if payments made were appropriate.

Cause:

A lack of oversight from the District office.

Recommendation:

The District staff should reconcile the base amounts established by the management company and provide details supporting (project names, cost bases per budgeted projects, and estimated time requirements) the cost being submitted on the management fee schedule. Monthly documentation should be provided to governance for full disclosure of contractual arrangements with an approved "Final Master Plan".

LEA's Corrective Action Plan:

The Board of Education has put key personnel in place to properly review expenditures as they are tied to the Draft Master Plan. Board is taking appropriate action on contractual obligations and the COC reviews expenditures in addition to staff.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2010

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-17
FEDERAL COMPLIANCE
CASH MANAGEMENT
50000

Programs:

All federal programs

Criteria:

The Code of Federal Regulations, Title 34 - Education, Part 80 – *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and local Governments, Subpart C - Post Award Requirements, Section 80.21. Payment*, requires grantees and sub-grantees to remit interest earned on federal advances.

Condition:

During our review of compliance with OMB Circular A-133, it was noted that interest earned on the unspent federal program funds advance was not calculated and returned at least on a quarterly basis.

Effect:

The District is not in compliance with OMB Circular A-133 cash management requirement.

Cause:

The District is not aware of the requirement.

Questioned Costs:

\$14,700

Recommendation:

We recommend that the District review the information bulletin #254 dated on February 17, 2010 from the Los Angeles County of Education concerning the interest earned on federal funds administered through the California Department of Education (CDE) for procedures on how to calculate the interest earned on unspent federal program funds advances. The District should calculate and return back to CDE, at least quarterly, interest earned on federal program funds in excess of \$100.

LEA's Corrective Action Plan:

Cash review and management has become a very regular process in the district. Staff will align the review for cash balances to include interest earned on cash balances for the federal programs as identified and will make the necessary transfer of interest multiple times during the year. Interest was calculated, but the process will be updated and realigned.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 June 30, 2010

Section IV – State Award Findings

FINDING 2010-18
ATTENDANCE
10000

Criteria:

Per Education Code Section 41601, “the average daily attendance in the regular elementary, junior high, and high schools, including continuation schools and classes and opportunity schools and classes, maintained by the school districts shall be determined by dividing the total number of days of attendance allowed in all full school months in each period by the number of days in the schools are actually taught in all full school months in each period, exclusive of Saturdays or Sundays and exclusive of weekend makeup classes pursuant to Section 37228.”

Condition:

During the testing of the Second Principal and Annual reports of attendance submitted to the California Department of Education, we reconciled the supporting documents by verifying the District’s Average Daily Attendance for each reporting line item and noted that there were errors in the formulas in the District’s summary.

Effect:

The District is not in compliance with Education Code Section 41601.

Cause:

Oversight on part of the staff preparing the report.

Questioned Cost:

| | Original Second Period Report | Revised Second Period Report | Original Annual Report | Revised Annual Report |
|---|-------------------------------------|------------------------------------|------------------------------|-----------------------------|
| Elementary | 2642 | 2,621 | 2,652 | 2,621 |
| High School | 2135 | 2,138 | 2,131 | 2,134 |
| Totals | <u>4,777</u> | <u>4,759</u> | <u>4,783</u> | <u>4,755</u> |
| Variance at Second Period Report | | (18) | | |
| Apportionment per ADA | | <u>\$ 7,032.00</u> | | |
| Questioned Amount, understated (overstated) | | <u>\$ (126,576)</u> | | |

Recommendation:

We recommend the District verify that attendance reports are in compliance with Education Code Section 41601.

LEA’s Corrective Action Plan:

The reports for attendance data collection have been used by multiple personnel over time. The data collection worksheets will be recreated to verify the formulas are accurate. In addition, the timelines for reporting attendance by sites and for Non-Public School will be reviewed so the reporting period data is consistently used by period.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2010

Section IV – State Award Findings (Continued)

FINDING 2010-19
Kindergarten Retention
40000

Criteria:

According to Education Code Section Section 48011, “*A child who, consistent with Section 48000, has been admitted to the kindergarten maintained by a private or a public school in California or any other state, and who has completed one school year therein, shall be admitted to the first grade of an elementary school unless the parent or guardian of the child and the school district agree that the child may continue in kindergarten for not more than an additional school year.*” The District should have a signed parental agreement to continue form, approved in form and content by the California Department of Education, for each pupil continued in kindergarten after completing one school year of kindergarten.

Condition:

During the test of kindergarten continuance, we obtained a list of kindergarten pupils in the selected kindergarten classes for the year audited and the year prior. We compared the enrollment lists and identified pupils who continued in kindergarten after completing one school year of kindergarten and noted that signed parental agreement to continue forms were not retained/obtained for one pupil at Beverly Vista Elementary School and one pupil at Hawthorne Elementary School.

Effect:

The District is not in compliance with Education Code Section 48011

Cause:

Oversight on part of the elementary school’s staff responsible for preparing the signed parental agreement.

Questioned Cost:

2 ADA multiplied by \$7,032 per ADA = \$14,064

Recommendation:

We recommend the District verify that every pupil retained in kindergarten after completing one school year of kindergarten have a properly completed and signed parental agreement retained.

LEA’s Corrective Action Plan:

Staff will review the requirements for pupils retained in kindergarten and work closely with site personnel to address the exception as specified. Sites will be asked to set up an audit file for the purpose of providing necessary copies on the retention of kindergarten pupils.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 June 30, 2010

Section IV – State Award Findings (Continued)

FINDING 2010-20
Class Size Reduction
40000

Criteria:

The form J-7 Class Size Reduction submitted to the California Department of Education must reconcile to supporting documents to verify the District’s average daily enrollment calculations.

Condition:

During the test of class size reduction, we verified the mathematical accuracy of the Class Size Reduction Program claim form submitted to the California Department of Education and noted that the form was not prepared properly and did not report one 20-student class in grade one.

Effect:

The District is not in compliance and understates the number of eligible CSR pupils.

Cause:

Oversight on part of the staff preparing the form J-7.

Questioned Cost:

| | Originally Submitted | | Per Corrected | |
|----------------------------------|----------------------|-----------------------------|---------------------|-----------------------------|
| Number of enrolled in each class | Number class each | Total pupils per class size | Number classes each | Total pupils per class size |
| 14 | 1 | 14 | 1 | 14 |
| 15 | 4 | 60 | 4 | 60 |
| 16 | 7 | 112 | 7 | 112 |
| 17 | 7 | 119 | 7 | 119 |
| 18 | 2 | 36 | 2 | 36 |
| 19 | 12 | 228 | 12 | 228 |
| 20 | 12 | 240 | 13 | 260 |
| 21 | | | | |
| 20.45 - 21.44 | 5 | 95 | 5 | 95 |
| Total | 50 | 904 | 51 | 924 |
| Total Classes | | 50 | | 51 |
| Total Eligible Pupils | | 920 | | 924 |
| Avg. Pupils per Class | | 18.08 | | 18.12 |
| Total Apportionment | | \$ 968,184 | | \$ 989,604 |
| Variance = 20 Pupils x | \$1,071 = | \$ 21,420 | Under-reported | |

Recommendation:

We recommend the District verify that form J-7 is prepared properly and amend its fiscal year 2009-10 J-7 CSR Form to report eligible CSR pupils.

LEA’s Corrective Action Plan:

The District will amend the 2009-10 J-7 report and resend to the state to seek additional funding. Training on completion of forms and review by coworkers will become normal process to avoid errors. Current administration will review all spreadsheets used in the past to make sure formulas have no errors and the data used is consistent with the period of time and the correct grade levels.

Section I – Financial Statement Findings

FINDING 2009-1
INTERNAL CONTROLS
30000

Condition:

Food Services has some inadequate internal controls present for employees who are required to access their authorized locations. The auditor has noted that some presented employees have unlimited access to the school using the code and/or key card, of others outside of normal school or work hours without the knowledge or permission of District administration.

Recommendation:

The District should regularly review and improve current policies and procedures of entry logs, emphasizing adherence to proper internal controls. The District should perform appropriate supervision while providing needed assistance to achieve this goal.

District Response:

The District has started an action plan to review and implement all controls within the food services program.

Status:

Implemented.

FINDING 2009-2
MISCELLANEOUS
60000

Condition:

The payment schedules and invoices provided by the District for testing did not agree with the Management Fee Schedule available in the facilities department. The detail listing of projects to support the overall base used in calculating the project management fee (4.5 percent) and the program management fee (2 percent) appears to have been based on the “Draft Facilities Master Plan,” dated August 26, 2008. We were not able to locate a final “Master Plan” adopted by the Board.

Recommendation:

The District staff should reconcile the base amounts established by the management company and provide details supporting (project names, cost bases per budgeted projects, and estimated time requirements) the cost being submitted on the management fee schedule. Monthly documentation should be provided to governance for full disclosure of contractual arrangements with an approved “Final Master Plan”.

District Response:

The District is in the process of selecting a new management company and will provide a “Final Master Plan” prior to starting.

Status:

Not Implemented. See Finding 2010-16