

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

AUDIT REPORT
June 30, 2011

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

June 30, 2011

FINANCIAL SECTION

Independent Auditor’s Report 1

Management’s Discussion and Analysis..... 3

Basic Financial Statements:

 Government-wide Financial Statements:

 Statement of Net Assets 7

 Statement of Activities..... 8

 Fund Financial Statements:

 Balance Sheet – Governmental Funds 10

 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Assets..... 13

 Statement of Revenues, Expenditures, and Changes in
 Fund Balances – Governmental Funds 14

 Reconciliation of the Governmental Funds Statement of
 Revenues, Expenditures, and Changes in Fund Balances
 to the Statement of Activities..... 16

 Statement of Assets and Liabilities – Fiduciary Funds 17

 Notes to Basic Financial Statements 18

REQUIRED SUPPLEMENTARY INFORMATION SECTION

Budgetary Comparison Schedule – General Fund 41

Post-Employment Benefit Plans Other than Pensions Trend Information 42

SUPPLEMENTARY INFORMATION SECTION

Combining and Individual Fund Financial Statements and Schedules:

 Combining Balance Sheet – Nonmajor Special Revenue Funds 44

 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances – Nonmajor Special Revenue Funds..... 46

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

 Combining Balance Sheet – Nonmajor Capital Projects Funds 51

 Combining Statement of Revenues, Expenditures, and Changes in
 Fund Balances – Nonmajor Capital Projects Funds..... 53

 Combining Schedule of Revenues, Expenditures, and Changes in
 Fund Balances – Budget and Actual – Nonmajor Capital Projects Funds 54

Organization 57

Schedule of Average Daily Attendance 58

Schedule of Instructional Time 59

Schedule of Financial Trends and Analysis..... 60

Schedule of Expenditures of Federal Awards..... 61

Note to the Schedule of Expenditures of Federal Awards 63

Reconciliation of Unaudited Actuals Report
 with Audited Financial Statements 64

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

June 30, 2011

SUPPLEMENTARY INFORMATION SECTION (CONTINUED)

Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*..... 67

Independent Auditor’s Report on State Compliance 69

Independent Auditor’s Report on Compliance with Requirements
That Could Have A Direct and Material Effect on Each Major Program
And On Internal Control over Compliance in Accordance with
OMB Circular A-133 71

FINDINGS AND RECOMMENDATIONS SECTION

Schedule of Audit Findings and Questioned Costs 75

Summary Schedule of Prior Year Audit Findings 78

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, 2011, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Education Audit Appeals Panel's *Standards and Procedures for Audit of California K-12 Local Education 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Beverly Hills Unified School District as of June 30, 2011, and the respective changes in financial position 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, 2010, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB Statement No. 59 – *Financial Instruments Omnibus*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011, 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 6, the budgetary comparison schedule on page 41, and the schedule of funding progress for post-employment benefits other than pensions on page 42, 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, financial, statistical information, 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
Culver City, California
December 5, 2011

**Beverly Hills Unified School District
Management's Discussion and Analysis
June 30, 2011**

The annual financial audit report for the Beverly Hills Unified School District presents our Management's Discussion and Analysis (MD&A) of the District's financial performance during the fiscal year ending June 30, 2011 utilizing comparative information from 2010. The MD&A should be read in conjunction with the District's financial statements contained in the independent audit prepared by Moss, Levy & Hartzheim, and LLP.

FINANCIAL HIGHLIGHTS

The District continues to be a Basic Aid district for the second year in a row. Although Basic Aid districts continue to pay their "fair share" of budget reductions the District's financial picture is strong. The District's financial reports show general revenue of \$58,165,128 and expenditures of \$56,989,197 leaving a net change (revenue less expense) of \$1,175,931. Net assets for the District total \$31,613,105.

FINANCIAL STATEMENT OVERVIEW

The audit report consists of three parts as required for the annual submission of the three parts consisting of Management's Discussion and Analysis, the financial statements, and required supplemental 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 specific fund financial statements that focus on the District's individual financial components, reporting the District's operations in more detail than the District-wide statements. The financial statements also include notes to financial information and supplementary information.
- The two district-wide financial statements report the District's net assets and how they have changed. Net assets are the difference between the District's assets and liabilities as 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.
- In assessing the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the conditions of school buildings and other facilities.
- In the district-wide financial statements, Beverly Hills Unified School District is reporting its basic services, such as regular education, special education, and administration. Property taxes and local revenue finance most of these activities. These are called Governmental Activities.
- Fiduciary fund statements provide information about the financial relationships, in which, the District acts as a trustee or agent for the benefit of others.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds instead of the District in its entirety. Funds are a series of self-balancing accounts recording cash and other resources, liabilities and residual equities for the purpose of carrying out certain activities or objectives within special regulations, restrictions or limitations. For example:

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

The District has two types of funds:

Governmental Funds include the District's basic services, which generally focus on (1) how cash and other financial assets can readily be converted to cash and pay for its expenditures (2) the balances left at year-end that are available for future spending. Consequently, the governmental fund statements provide a detailed short-term view that assists in determining whether there are more or fewer financial resources, that can be spent in the near future to financial the District's programs. Information contained in the governmental funds statements do not encompass the additional long-term focus of the District-wide statements, so additional information is provided with the governmental fund statements that explain the relationship between them.

Fiduciary Funds provide for accounting for assets that belong to others with the District as trustee or fiduciary. These funds include the students' activities funds and scholarship funds. The District is responsible for ensuring that these assets are used for their intended purposes and are reported as such. These funds are not included in the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Assets

The statement of net assets presents the financial position of the District at the end of the fiscal year (June 30th) and includes all assets and liabilities of the District. The difference between the total assets and total liabilities – net assets- is one indicator of the current financial condition of the District, while the change in the net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable except is capital assets, which are stated at historical cost less an allowance for depreciation. For the purpose of distinguishing between current and non-current assets and liabilities, current assets and liabilities are those that can be reasonably expected to either generate or use cash, as part of normal business operations, within one year of the financial statements date. The analysis below focuses on the net assets and the change in net assets from 2010 to 2011 for the District's governmental activities.

Governmental Activities – Table 1

		<u>2011</u>	<u>2010</u>
<u>Assets</u>			
	Current and other assets	\$ 83,237,239	\$ 86,385,350
	Capital assets	175,490,877	172,568,515
	Total Assets	<u>\$258,728,116</u>	<u>\$258,953,865</u>
<u>Liabilities</u>			
	Current Liabilities	\$ 9,994,0647	\$ 9,796,502
	Long-term liabilities	208,331,447	211,007,697
	Total Liabilities	<u>\$227,115,011</u>	<u>\$228,616,962</u>
<u>Net Assets</u>			
	Invested in capital assets, net of related debt	\$ 47,803,346	\$ 42,678,894
	Restricted	1,922,768	2,074,646
	Unrestricted	(18,113,009)	(14,416,637)
	Total Net Assets	<u>\$ 31,613,105</u>	<u>\$ 30,336,903</u>

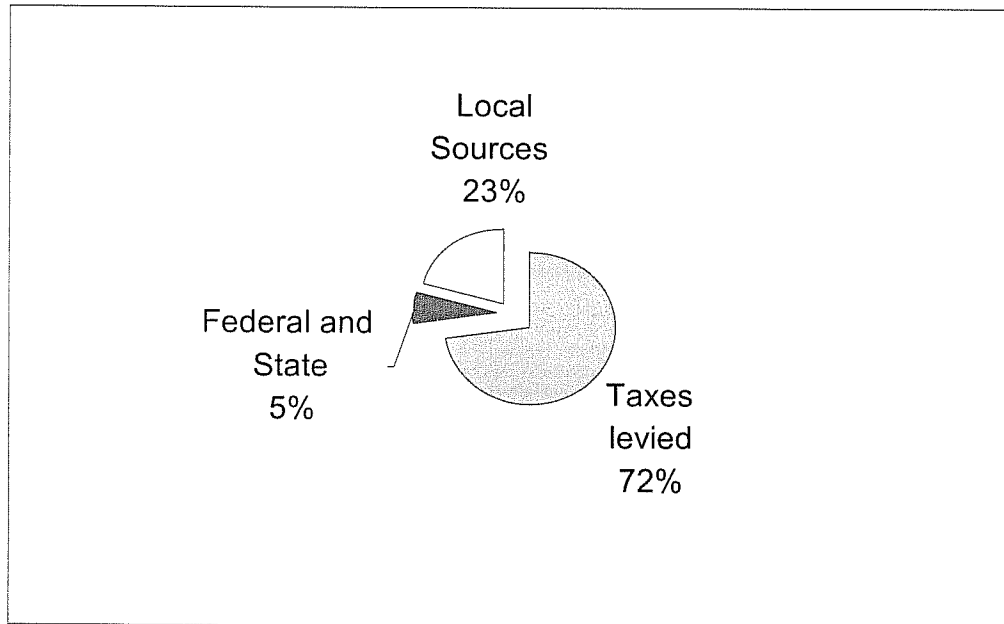
Statement of Activities

Changes in Net Assets – Table 2

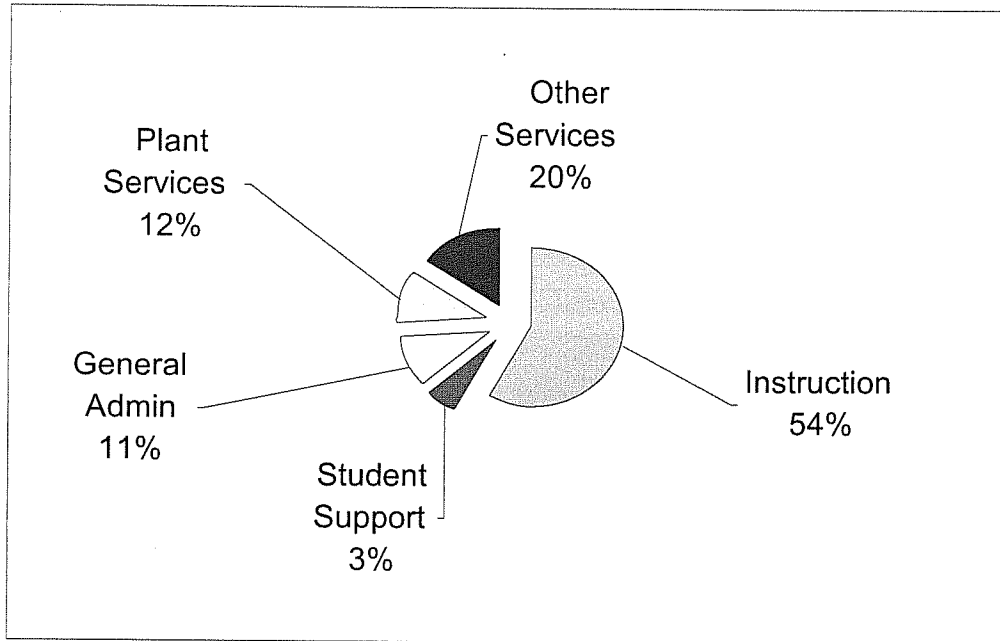
	<u>2011</u>	<u>2010</u>
<u>Revenues</u>		
General revenues		
Federal and State Aid (not restricted)	\$ 3,061,682	\$ 4,074,308
Property taxes	41,975,539	42,836,570
Other general revenues	13,127,907	14,155,734
Total Revenues	<u>\$ 58,165,128</u>	<u>\$ 61,066,612</u>
<u>Expenses (less program revenue)</u>		
Instruction related	\$ 30,602,433	\$ 29,855,136
Student support services	1,848,647	2,009,902
Administration	6,207,777	7,036,951
Plant Services	6,834,579	9,578,740
Other	11,495,761	14,960,941
Total Expenses	<u>\$ 56,989,197</u>	<u>\$ 63,441,670</u>
Changes in Net Assets	<u>\$ 1,175,931</u>	<u>(\$ 2,375,058)</u>

The statement of activities presents the District’s results of operations. The District’s combined net assets totaled \$31,613,105 for 2011. The capital assets report shows a total value of \$175,490,877, net of \$44,380,713 of accumulated depreciation.

The District’s 2010/2011 general revenues were \$58,165,128. Taxes levied for general purpose accounted for 72 percent of the District’s revenue. Another 5 percent came from state and federal aid and the remainder of 23 percent for the city JPA contribution and miscellaneous revenues. See chart below for graphic explanation of revenue breakdown:



The expenses decreased by \$6,452,473 for the 2010/2011 fiscal year. The district's expenses are for instruction and pupil services for students of the district at 57 percent. The purely administrative activities of the District accounted for 11 percent. Plant services also account for 12 percent. The chart below provides a graphic explanation of expenditure breakdown:



BALANCE SHEET

GOVERNMENTAL FUNDS

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

Total Fund Balances – Table 3

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
General Fund	\$ 6,535,732	\$ 3,248,495
Building Fund	\$60,660,519	\$ 65,508,114
Bond Interest and Redemption Fund	\$ 5,046,188	\$ 5,696,751
County School Facility Fund	\$ 523,746	\$ 628,413
Other Governmental Funds	\$ 557,760	\$ 1,367,687

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District is not aware of any existing circumstances that could significantly affect its financial health in the future at the time these financial statements were prepared. The Board of Education continues to closely monitor all activity of the District to preserve its financial solvency.

CONTRACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our community, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. If you have any questions or need additional financial information, please contact the Business Office located at 255 S. Lasky Drive, Beverly Hills, Ca 90212.

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

June 30, 2011

Assets	<u>Governmental Activities</u>
Cash in County Treasury	\$ 75,551,635
Cash on hand and in banks	48,007
Revolving cash fund	50,000
Accounts receivable	4,767,449
Inventory	23,375
Prepaid expenses	244,975
Deferred charges	1,575,254
Deferred losses on refunding	769,608
Other assets	206,936
Land	2,933,062
Construction in progress	8,531,678
Buildings and improvements	192,553,579
Site improvements	8,752,680
Furniture and equipment	7,100,591
Less accumulated depreciation	<u>(44,380,713)</u>
Total assets	<u>258,728,116</u>
Liabilities	
Accounts payable	7,006,004
Interest payable	1,220,485
Deferred revenue	562,428
Long-term liabilities:	
Due within one year	9,994,647
Due in more than a year	<u>208,331,447</u>
Total liabilities	<u>227,115,011</u>
Net Assets	
Invested in capital assets, net of related debt	47,803,346
Restricted for:	
Capital projects	975,226
Education programs	947,542
Unrestricted	<u>(18,113,009)</u>
Total net assets	<u>\$ 31,613,105</u>

See notes to financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2011

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 33,041,546	\$ 436,133	\$ 7,068,488	\$ 792
Instruction-related services:				
Instructional supervision and administration	1,027,466	9,414	308,076	
Instructional library, media, and technology	964,750			
School site administration	3,441,144	8,249	41,321	
Pupil services:				
Home-to-school transportation	123,772		122,774	
Food services	1,228,509	738,481	120,989	
All other pupil services	2,646,682	6,597	1,161,475	
General administration:				
Centralized data processing	91,426			
All other general administration	6,259,638	11,640	131,647	
Plant services	6,876,876	129	42,168	
Ancillary services	553,515	27,701	90,124	
Community services	84,417	409	1,241	
Interest on long-term debt	10,265,429			
Other outgo	230,283	24,479	134,794	
Depreciation (unallocated)	640,865			
Total governmental activities	\$ 67,476,318	\$ 1,263,232	\$ 9,223,097	\$ 792

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

\$ (25,536,133)

(709,976)

(964,750)

(3,391,574)

(998)

(369,039)

(1,478,610)

(91,426)

(6,116,351)

(6,834,579)

(435,690)

(82,767)

(10,265,429)

(71,010)

(640,865)

(56,989,197)

31,577,961

10,348,615

48,963

3,061,682

1,043,364

12,084,543

58,165,128

1,175,931

30,336,903

100,271

30,437,174

\$ 31,613,105

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General Fund	Building Fund	Bond Interest and Redemption Fund
Assets			
Cash in County Treasury	\$ 8,431,765	\$ 61,371,293	\$ 5,046,188
Cash on hand and in banks			
Revolving cash fund	50,000		
Accounts receivable	4,100,106	186,678	
Inventory, at cost	119		
Prepaid expenditures	244,975		
Other assets	206,936		
	<u>13,033,901</u>	<u>61,557,971</u>	<u>5,046,188</u>
Total assets	<u>\$ 13,033,901</u>	<u>\$ 61,557,971</u>	<u>\$ 5,046,188</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 5,935,741	\$ 897,452	\$ -
Deferred revenue	562,428		
	<u>6,498,169</u>	<u>897,452</u>	
Total liabilities	<u>6,498,169</u>	<u>897,452</u>	
Fund balances:			
Nonspendable			
Revolving cash	50,000		
Stores inventories	119		
Prepaid expenditures	244,975		
Restricted			
Legally restricted balances	947,542		
Construction		60,660,519	
Debt service			5,046,188
Committed			
Adult education program			
Cafeteria			
Assigned			
Deferred maintenance	397,620		
Unassigned	4,895,476		
	<u>6,535,732</u>	<u>60,660,519</u>	<u>5,046,188</u>
Total fund balances	<u>6,535,732</u>	<u>60,660,519</u>	<u>5,046,188</u>
Total liabilities and fund balances	<u>\$ 13,033,901</u>	<u>\$ 61,557,971</u>	<u>\$ 5,046,188</u>

See notes to financial statements

Other Governmental Funds	Total Governmental Funds
\$ 702,389	\$ 75,551,635
48,007	48,007
	50,000
480,665	4,767,449
23,256	23,375
	244,975
	206,936
<u>\$ 1,254,317</u>	<u>\$ 80,892,377</u>
\$ 172,811	\$ 7,006,004
	562,428
<u>172,811</u>	<u>7,568,432</u>
	50,000
23,256	23,375
	244,975
	947,542
975,226	61,635,745
	5,046,188
4,492	4,492
78,532	78,532
	397,620
	4,895,476
<u>1,081,506</u>	<u>73,323,945</u>
<u>\$ 1,254,317</u>	<u>\$ 80,892,377</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, 2011

Total fund balances - governmental funds \$ 73,323,945

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	\$	219,871,590
Accumulated depreciation		<u>(44,380,713)</u>

Net 175,490,877

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. 1,575,254

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. 769,608

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. (1,220,485)

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	\$	(183,341,345)
Unamortized premium		(5,596,679)
Accreted interest payable		(26,168,903)
Compensated absences		(584,732)
Capital leases		(1,634,888)
OPEB		(389,597)
SERP		(489,950)
Loans payable		<u>(120,000)</u>

Total (218,326,094)

Total net assets, governmental activities \$ 31,613,105

See notes to financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011

	General Fund	Building Fund	Bond Interest and Redemption Fund
Revenues:			
Revenue limit sources:			
State apportionments	\$ (1,354,236)	\$ -	\$ -
Local sources	31,700,651		
Federal	4,399,097		
Other state	4,155,393		17,697
Other local	16,280,871	853,845	10,448,916
	<u>55,181,776</u>	<u>853,845</u>	<u>10,466,613</u>
Total revenues			
Expenditures:			
Certificated salaries	26,009,520		
Classified salaries	7,323,605	259,813	
Employee benefits	8,748,511	80,475	
Books and supplies	1,126,118	25,362	
Contracted services and other operating expenditures	8,796,147	3,891,043	
Capital outlay	38,467	1,444,747	
Other outgo	97,975		
Debt service:			
Principal	321,105		6,397,545
Interest	71,074		4,719,631
	<u>52,532,522</u>	<u>5,701,440</u>	<u>11,117,176</u>
Total expenditures			
Excess of revenues over (under) expenditures	<u>2,649,254</u>	<u>(4,847,595)</u>	<u>(650,563)</u>
Other Financing Sources (Uses):			
Transfers in	1,143,667		
Transfers out	(511,771)		
	<u>631,896</u>		
Total other financing sources (uses)			
Net change in fund balances	<u>3,281,150</u>	<u>(4,847,595)</u>	<u>(650,563)</u>
Fund balance, July 1, 2010	3,248,495	65,508,114	5,696,751
Prior period adjustments	6,087		
Fund balances, July 1, 2010, restated	<u>3,254,582</u>	<u>65,508,114</u>	<u>5,696,751</u>
Fund balance, June 30, 2011	<u>\$ 6,535,732</u>	<u>\$ 60,660,519</u>	<u>\$ 5,046,188</u>

See notes to financial statements

Other Governmental Funds	Totals Governmental Funds
\$ -	\$ (1,354,236)
	31,700,651
102,108	4,501,205
561,988	4,735,078
<u>1,485,919</u>	<u>29,069,551</u>
<u>2,150,015</u>	<u>68,652,249</u>
474,846	26,484,366
662,397	8,245,815
342,129	9,171,115
496,167	1,647,647
407,761	13,094,951
42,274	1,525,488
1,052	99,027
	6,718,650
	<u>4,790,705</u>
<u>2,426,626</u>	<u>71,777,764</u>
<u>(276,611)</u>	<u>(3,125,515)</u>
511,771	1,655,438
<u>(1,143,667)</u>	<u>(1,655,438)</u>
<u>(631,896)</u>	
<u>(908,507)</u>	<u>(3,125,515)</u>
1,996,100	76,449,460
(6,087)	
<u>1,990,013</u>	<u>76,449,460</u>
<u>\$ 1,081,506</u>	<u>\$ 73,323,945</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, 2011

Total net change in fund balances - governmental funds	\$ (3,125,515)
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 (\$3,563,227) and depreciation expense (\$640,865) for the period is:	2,922,362
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.	6,718,650
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:	(5,805,759)
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:	3,933
In the statement 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:	131,225
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 for the period is:	
Premium amortized for the period	\$ 1,337,903
Deferred losses on refunding amortized for the period	(769,608)
Issue costs amortized for the period	<u>(237,260)</u>
	<u>331,035</u>
Changes in net assets of governmental activities	<u>\$ 1,175,931</u>

See notes to financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2011

	<u>Agency Funds</u>	
	<u>Warrant Pass-through Fund</u>	<u>Student Body Fund</u>
Assets		
Cash in County Treasury	\$ (303,211)	\$ -
Cash on hand and in banks		777,662
Prepaid expenses	<u>303,211</u>	
Total assets	<u>\$ -</u>	<u>\$ 777,662</u>
Liabilities		
Due to student groups	<u>\$ -</u>	<u>\$ 777,662</u>
Total liabilities	<u>\$ -</u>	<u>\$ 777,662</u>

See notes to financial statements

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. During the fiscal year ended June 30, 2011, the Foundation contributed approximately \$1,588,075 to the District.

Financial Statement Presentation Current audited financial information was not available at the time of the District's audit. As of June 30, 2010, Beverly Hills Education Foundation, Inc. reported total net assets of \$3,481,852 (unaudited) as provided by the Foundation.

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, 2011

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 and report all financial resources not accounted for and reported in another fund. One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) did not meet the GASB Statement No. 54 special revenue fund definition. The Special Reserve Fund is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audit financial statements.

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

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 and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes (other than debt service or capital projects) of the individual funds. The District maintains three 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.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District maintains three 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 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.
3. 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.

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). As of June 30, 2011, total bank balance was \$1,085,373 of which \$536,941 was uninsured.

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.

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 assets' 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 – Governmental Funds

As of June 30, 2011, fund balances of the governmental funds are classified as follows:

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

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

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board is the highest level of decision-making authority for the district. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or director may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

Special reserve – the board adopted a resolution to establish a special reserve in an amount of \$1,428,420 for basic aid. As of June 30, 2011, the reserve balance is \$754,046.

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Revenue Limit/Property Tax (Continued)

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.

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

GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions

For the fiscal year ended June 30, 2011, the District implemented GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in Notes 1E, 1H, and 18.

GASB Statement No. 59 – Financial Instruments Omnibus

For the fiscal year ended June 30, 2011, the District implemented GASB Statement No. 59, "*Financial Instruments Omnibus*". This Statement establishes standards to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The implementation of this Statement did not have an effect on these financial statements.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments at June 30, 2011 consisted of the following:

Cash and investments with County Treasury	\$ 75,248,424
Cash on hand and in banks	<u>875,669</u>
 Total cash and investments	 <u><u>\$ 76,124,093</u></u>

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

Cash in County Treasury, statement of net assets	\$ 75,551,635
Cash on hand and in banks, statement of net assets	48,007
Cash in revolving fund, statement of net assets	50,000
Cash in County Treasury, statement of fiduciary net assets	(303,211)
Cash on hand and in banks, statement of fiduciary net assets	<u>777,662</u>
 Total cash and investments	 <u><u>\$ 76,124,093</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 (\$75,248,424 as of June 30, 2011). The fair value of this pool as of that date, as provided by the plan sponsor, was \$75,248,424. 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 (\$825,669 as of June 30, 2011) and in the revolving fund (\$50,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation (non-interest bearing transaction accounts are entirely insured by the FDIC).

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, 2011

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	\$ 75,248,424	\$ 75,248,424	\$ -	\$ -	\$ -
Total	\$ 75,248,424	\$ 75,248,424	\$ -	\$ -	\$ -

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	\$ 75,248,424	N/A	\$ -	\$ -	\$ -	\$ -	\$ 75,248,424
Total	\$ 75,248,424		\$ -	\$ -	\$ -	\$ -	\$ 75,248,424

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, 2011

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, 2011, \$536,941 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:	
Employee benefits	\$ 633,754
Contracted services and other operating expenditures	448,771
Capital outlay	467
Other outgo	97,975
Nonmajor Funds:	
Adult Education Fund:	
Certificated salaries	4,880
Contracted services and other operating expenditures	3,098
Other outgo	1,052
Cafeteria Fund:	
Books and supplies	18,220

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 4 – RECEIVABLES

Receivables at June 30, 2011, consist of the following:

	General Fund	Building Fund	Other Governmental Funds
Federal Government			
Categorical Aid	\$ 1,626,724	\$ -	\$ 20,100
State Government			
Categorical Aid	1,819,987		1,353
Lottery	353,757		
Local Government			
Interest	25,355	186,678	3,512
Other Local Sources	274,283		455,700
	<u>\$ 4,100,106</u>	<u>\$ 186,678</u>	<u>\$ 480,665</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 Transfers

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

Interfund transfers for the 2010-2011 fiscal year are as follows:

Fund	Transfers In	Transfers Out
Major Fund:		
General Fund	\$ 1,143,667	\$ 511,771
Nonmajor Funds:		
Adult Education Fund	116,226	
Cafeteria Fund	395,545	
Deferred Maintenance Fund		397,620
Special Reserve Fund for Capital Outlay Projects Fund		746,047
	<u>\$ 1,655,438</u>	<u>\$ 1,655,438</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deletions	Transfers	Balance June 30, 2011
Capital assets, not being depreciated:					
Land	\$ 2,933,062	\$ -	\$ -	\$ -	\$ 2,933,062
Construction in progress	5,775,131	3,482,928		(726,381)	8,531,678
Total capital assets, not being depreciated	<u>8,708,193</u>	<u>3,482,928</u>		<u>(726,381)</u>	<u>11,464,740</u>
Capital assets being depreciated:					
Buildings and improvements	192,239,026			314,553	192,553,579
Site improvements	8,752,680				8,752,680
Furniture and equipment	6,608,464	80,299		411,828	7,100,591
Total capital assets being depreciated	<u>207,600,170</u>	<u>80,299</u>		<u>726,381</u>	<u>208,406,850</u>
Less accumulated depreciation for:					
Buildings and improvements	36,569,393	(225,609)			36,343,784
Site improvements	3,696,605	117,302			3,813,907
Furniture and equipment	3,473,850	749,172			4,223,022
Total accumulated depreciation	<u>43,739,848</u>	<u>640,865</u>			<u>44,380,713</u>
Total capital assets, being depreciated, net	<u>163,860,322</u>	<u>(560,566)</u>		<u>726,381</u>	<u>164,026,137</u>
Total capital assets	<u>\$ 172,568,515</u>	<u>\$ 2,922,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,490,877</u>

Depreciation expense of \$640,865 was charged to governmental activities as unallocated.

NOTE 7 – LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the fiscal year ended June 30, 2011, is shown below:

	Balance July 1, 2010	Prior Period Adjustments	Additions	Deletions	Balance June 30, 2011	Due within One Year
General obligation bonds:						
Principal balance	\$ 189,738,890	\$ -	\$ -	\$ 6,397,545	\$ 183,341,345	\$ 6,355,118
Unamortized premium	6,934,582			1,337,903	5,596,679	1,337,903
Accreted interest payable	20,355,026		7,308,851	1,494,974	26,168,903	1,725,076
Compensated absences	588,665			3,933	584,732	
Energy program equipment lease payable	1,895,993			261,105	1,634,888	271,575
Other postemployment benefits (OPEB)	376,118	(100,271)	477,658	363,908	389,597	
Supplement executive retirement plan (SERP)	734,925			244,975	489,950	244,975
Loan payable	<u>180,000</u>			<u>60,000</u>	<u>120,000</u>	<u>60,000</u>
Totals	<u>\$ 220,804,199</u>	<u>\$ (100,271)</u>	<u>\$ 7,786,509</u>	<u>\$ 10,164,343</u>	<u>\$ 218,326,094</u>	<u>\$ 9,994,647</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.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 8 – GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Bonds Outstanding June 30, 2011	
				Outstanding July 1, 2010	Issued / Redeemed		
6/2001	5/2020	4.00-5.50%	13,600,000	\$ 8,680,000	\$ - / \$ 660,000	\$ 8,020,000	
5/2002	8/2016	3.00-5.90%	44,999,260	4,204,260	965,000	3,239,260	
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	33,808,601	3,387,328	30,421,273	
7/2005	8/2026	2.70-5.25%	36,384,991	28,301,365	1,385,217	26,916,148	
1/2009	8/2033	2.50-8.10%	72,044,664	72,044,664		72,044,664	
				<u>\$ 189,738,890</u>	<u>\$ -</u>	<u>\$ 6,397,545</u>	<u>\$ 183,341,345</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, 2011, the principal balance outstanding was \$8,020,000.

The bonds mature through 2020 as follows:

Fiscal Year Ended	Principal	Interest	Total
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	880,000	273,075	1,153,075
2017-2020	4,085,000	578,600	4,663,600
	<u>\$ 8,020,000</u>	<u>\$ 2,376,000</u>	<u>\$ 10,396,000</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, 2011, the principal balance of the un-callable bonds outstanding was \$3,239,260. The accreted interest on the capital appreciation bonds balance as of June 30, 2011 was \$609,029.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

NOTE 8 – GENERAL OBLIGATION BONDS (Continued)

General Obligation Bonds, 2002 Series A Continued)

The bonds mature through 2017 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Interest	Total
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>\$ 3,239,260</u>	<u>\$ 1,120,740</u>	<u>\$ 107,050</u>	<u>\$ 4,467,050</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 \$444,180, and an unamortized premium of \$2,078,910 as of June 30, 2011. 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, 2011 is \$42,700,000.

The bonds mature through 2031 as follows:

Fiscal Year Ended	Principal	Interest	Total
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	435,000	2,060,231	2,495,231
2017-2021	4,600,000	9,880,952	14,480,952
2022-2026	15,900,000	7,363,750	23,263,750
2027-2031	21,145,000	2,795,375	23,940,375
	<u>\$ 42,700,000</u>	<u>\$ 30,445,992</u>	<u>\$ 73,145,992</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2011

NOTE 8 – GENERAL OBLIGATION BONDS (Continued)

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 \$171,774, an unamortized deferred losses on refunding amounting to \$769,608, and an unamortized premium of \$1,126,119 as of June 30, 2011. 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, 2011, was \$30,421,273 and \$26,916,148, respectively. The accreted interest on the capital appreciation bonds balance as of June 30, 2011 was \$8,703,047 and \$8,832,060, respectively.

The Series A bonds mature through 2023 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Total
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	2,690,448	1,805,007	4,495,455
2017-2021	11,681,680	10,804,818	22,486,498
2022-2023	3,943,303	5,054,196	8,997,499
	<u>\$ 30,421,273</u>	<u>\$ 23,480,389</u>	<u>\$ 53,901,662</u>

The Series B bonds mature through 2027 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Total
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	1,997,870	1,347,049	3,344,919
2017-2021	8,224,514	7,986,689	16,211,203
2022-2026	8,339,205	12,563,102	20,902,307
2027	1,665,330	3,171,669	4,836,999
	<u>\$ 26,916,148</u>	<u>\$ 28,401,080</u>	<u>\$ 55,317,228</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

NOTE 8 – GENERAL OBLIGATION BONDS (Continued)

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 \$959,300 and an unamortized premium of \$2,391,650 as of June 30, 2011. 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, 2011, was \$72,044,664. The accreted interest on the capital appreciation bonds balance as of June 30, 2011 was \$8,024,767.

The bonds mature through 2034 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Interest	Total
2012	\$ -	\$ -	\$ 534,463	\$ 534,463
2013			534,463	534,463
2014			534,463	534,463
2015	350,000		530,087	880,087
2016	760,000		515,261	1,275,261
2017-2021	11,350,000		1,637,469	12,987,469
2022-2026	14,362,974	21,537,026		35,900,000
2027-2031	26,025,640	58,974,360		85,000,000
2032-2034	19,196,050	63,803,950		83,000,000
	<u>\$ 72,044,664</u>	<u>\$144,315,336</u>	<u>\$ 4,286,206</u>	<u>\$ 220,646,206</u>

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, 2011, \$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, 2011, 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.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

NOTE 9 – COMPENSATED ABSENCES

The accumulated unpaid employee vacation for the District at June 30, 2011, amounted to \$584,732.

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, 2011, was \$1,634,888.

The repayment schedule for the lease is as follows:

Fiscal Year Ended	Principal	Interest	Total
2012	\$ 271,575	\$ 60,603	\$ 332,178
2013	282,465	49,714	332,179
2014	293,791	38,387	332,178
2015	305,572	26,606	332,178
2016	317,825	14,353	332,178
2017	163,660	2,429	166,089
	<u>\$ 1,634,888</u>	<u>\$ 192,092</u>	<u>\$ 1,826,980</u>

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 2011, the District contributed \$363,908 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.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

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

Annual required contribution	\$ 480,957
Interest on net OPEB Obligation	13,792
Adjustment to annual required contribution	<u>(17,091)</u>
Annual OPEB cost (expense)	477,658
Contributions made	<u>(363,908)</u>
Increase in net OPEB obligation	<u>113,750</u>
Net OPEB obligation - beginning of fiscal year	376,118
Prior period adjustments	<u>(100,271)</u>
Net OPEB obligation - beginning of fiscal year, restated	<u>275,847</u>
Net OPEB obligation - end of fiscal year	<u><u>\$ 389,597</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 2011, 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	\$ 492,834	81.32%	\$ 275,847
6/30/2011	\$ 477,658	76.19%	\$ 389,597

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$4,140,873, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,140,873.

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, 2009, 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 8% for future years trending down to an ultimate 5% increase for 2013 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 level dollar method over 30 years. The remaining amortization period at July 1, 2019 was thirty years.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

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:

Fiscal Year Ended	Total Payment
2012	\$ 244,975
2013	244,975
	<u>\$ 489,950</u>

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
2012	\$ 60,000
2013	60,000
	<u>\$ 120,000</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, 2011, 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 2011, 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.

NOTE 14 - RISK MANAGEMENT (Continued)

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 2010-2011 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, 2011, 2010, and 2009 were \$2,152,957, \$2,266,756, and \$2,355,179, 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.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2011

NOTE 16 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 2010-2011 was 10.707% 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, 2011, 2010, and 2009, were \$740,585, \$655,840, and \$847,615, respectively, and equal 100% of the required contributions for each fiscal year.

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

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2011.

NOTE 18 – PRIOR PERIOD ADJUSTMENTS

Period adjustments were made due to the following reasons.

Reason for adjustments	Government-wide Statements
Overstatement of OPEB liability	\$ 100,271
	<u>\$ 100,271</u>

Restatement in an amount of \$6,087 in special reserve fund for other than capital outlay projects fund is due to implementation of GASB statement no. 54. The fund is no longer considered as special revenue fund under GASB Statement No. 54. As a result, the District combined the fund with District's general fund.

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REQUIRED SUPPLEMENTARY INFORMATION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue limit sources:				
State apportionments	\$ -	\$ -	\$ (1,354,236)	\$ (1,354,236)
Local sources	32,863,180	31,505,554	31,700,651	195,097
Federal	2,152,802	4,190,392	4,399,097	208,705
Other state	3,862,537	2,005,715	4,155,393	2,149,678
Other local	13,185,000	15,802,073	16,280,871	478,798
Total revenues	<u>52,063,519</u>	<u>53,503,734</u>	<u>55,181,776</u>	<u>1,678,042</u>
Expenditures:				
Certificated salaries	23,701,572	26,128,387	26,009,520	118,867
Classified salaries	7,469,499	7,398,411	7,323,605	74,806
Employee benefits	9,410,820	8,114,757	8,748,511	(633,754)
Books and supplies	1,108,222	1,463,000	1,126,118	336,882
Contracted services and other operating expenditures	7,429,095	8,347,376	8,796,147	(448,771)
Capital outlay		38,000	38,467	(467)
Other outgo			97,975	(97,975)
Debt service				
Principal	321,105	321,105	321,105	
Interest	71,075	71,075	71,074	1
Total expenditures	<u>49,511,388</u>	<u>51,882,111</u>	<u>52,532,522</u>	<u>(650,411)</u>
Excess of revenues over (under) expenditures	<u>2,552,131</u>	<u>1,621,623</u>	<u>2,649,254</u>	<u>1,027,631</u>
Other Financing Sources (Uses):				
Transfers in		1,116,770	1,143,667	26,897
Transfers out	(143,150)	(279,040)	(511,771)	(232,731)
Total other financing sources (uses)	<u>(143,150)</u>	<u>837,730</u>	<u>631,896</u>	<u>(205,834)</u>
Net change in fund balance	<u>2,408,981</u>	<u>2,459,353</u>	<u>3,281,150</u>	<u>821,797</u>
Fund balance, July 1, 2010	3,248,495	3,248,495	3,248,495	
Restatements			6,087	6,087
Fund balance, July 1, 2010, restated	<u>3,248,495</u>	<u>3,248,495</u>	<u>3,254,582</u>	<u>6,087</u>
Fund balance, June 30, 2011	<u>\$ 5,657,476</u>	<u>\$ 5,707,848</u>	<u>\$ 6,535,732</u>	<u>\$ 827,884</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS TREND INFORMATION
 June 30, 2011

Schedule of Funding Progress for Retiree Health Plan

Actuarial Valuation Date	Unit Credit Cost Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
7/1/07	\$ 3,771,449	\$ -	\$ 3,771,449	0%	\$26,649,916	14.15%
7/1/09	\$ 4,140,873	\$ -	\$ 4,140,873	0%	\$25,206,465	16.43%

SUPPLEMENTARY INFORMATION SECTION

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2011

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Than Capital Outlay Projects Fund
Assets				
Cash in County Treasury	\$ 74,847	\$ 82,215	\$ -	\$ -
Cash on hand and in banks	5,525	42,482		
Accounts receivable	9,728	21,878		
Due from other funds				
Inventory, at cost		23,256		
Total assets	\$ 90,100	\$ 169,831	\$ -	\$ -
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 85,608	\$ 68,043	\$ -	\$ -
Total liabilities	85,608	68,043		
Fund balances:				
Nonspendable				
Stores inventories		23,256		
Committed				
Adult education program	4,492			
Cafeteria		78,532		
Total fund balances	4,492	101,788		
Total liabilities and fund balances	\$ 90,100	\$ 169,831	\$ -	\$ -

Totals

\$ 157,062
48,007
31,606

23,256

259,931

\$ 153,651

153,651

23,256
4,492

78,532

106,280

\$ 259,931

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, 2011

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Than Capital Outlay Projects Fund
Revenues:				
Federal	\$ 19,436	\$ 82,672	\$ -	\$ -
Other state	556,281	5,707		
Other local	280,567	747,374	4,358	
Total revenues	<u>856,284</u>	<u>835,753</u>	<u>4,358</u>	
Expenditures:				
Certificated salaries	474,846			
Classified salaries	195,667	466,730		
Employee benefits	161,231	180,898		
Books and supplies	11,835	433,696	21,344	
Contracted services and other operating expenditures	120,262	118,329	67,471	
Other outgo	1,052			
Total expenditures	<u>964,893</u>	<u>1,199,653</u>	<u>88,815</u>	
Excess of revenues over (under) expenditures	<u>(108,609)</u>	<u>(363,900)</u>	<u>(84,457)</u>	
Other Financing Sources (Uses):				
Transfers in	116,226	395,545		
Transfers out			(397,620)	
Total other financing sources (uses)	<u>116,226</u>	<u>395,545</u>	<u>(397,620)</u>	
Net change in fund balances	<u>7,617</u>	<u>31,645</u>	<u>(482,077)</u>	
Fund balances (deficit), July 1, 2010	(3,125)	70,143	482,077	6,087
Restatements				(6,087)
Fund balances (deficit), July 1, 2010, restated	<u>(3,125)</u>	<u>70,143</u>	<u>482,077</u>	
Fund balances, June 30, 2011	<u>\$ 4,492</u>	<u>\$ 101,788</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Totals</u>	
\$	102,108
	561,988
	<u>1,032,299</u>
	<u>1,696,395</u>
	474,846
	662,397
	342,129
	466,875
	306,062
	<u>1,052</u>
	<u>2,253,361</u>
	<u>(556,966)</u>
	511,771
	<u>(397,620)</u>
	<u>114,151</u>
	<u>(442,815)</u>
	555,182
	<u>(6,087)</u>
	<u>549,095</u>
\$	<u><u>106,280</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, 2011

	Adult Education Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal	\$ 58,521	\$ 19,436	\$ (39,085)
Other state	541,456	556,281	14,825
Other local	353,619	280,567	(73,052)
Total revenues	<u>953,596</u>	<u>856,284</u>	<u>(97,312)</u>
Expenditures:			
Certificated salaries	469,966	474,846	(4,880)
Classified salaries	215,403	195,667	19,736
Employee benefits	167,998	161,231	6,767
Books and supplies	13,482	11,835	1,647
Contracted services and other operating expenditures	117,164	120,262	(3,098)
Other outgo		1,052	(1,052)
Total expenditures	<u>984,013</u>	<u>964,893</u>	<u>19,120</u>
Excess of revenues over (under) expenditures	<u>(30,417)</u>	<u>(108,609)</u>	<u>(78,192)</u>
Other Financing Sources (Uses):			
Transfers in		116,226	116,226
Transfers out			
Total other financing sources (uses)		<u>116,226</u>	<u>116,226</u>
Net change in fund balances	<u>(30,417)</u>	<u>7,617</u>	<u>38,034</u>
Fund balances (deficit), July 1, 2010	(3,125)	(3,125)	
Restatements			
Fund balances (deficit), July 1, 2010, restated	<u>(3,125)</u>	<u>(3,125)</u>	
Fund balances, June 30, 2011	<u>\$ (33,542)</u>	<u>\$ 4,492</u>	<u>\$ 38,034</u>

Cafeteria Fund			Deferred Maintenance Fund		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ 90,925	\$ 82,672	\$ (8,253)	\$ -	\$ -	\$ -
5,840	5,707	(133)			
808,228	747,374	(60,854)	3,410	4,358	948
904,993	835,753	(69,240)	3,410	4,358	948
477,423	466,730	10,693			
208,490	180,898	27,592			
415,476	433,696	(18,220)	21,752	21,344	408
122,520	118,329	4,191	90,133	67,471	22,662
1,223,909	1,199,653	24,256	111,885	88,815	23,070
(318,916)	(363,900)	(44,984)	(108,475)	(84,457)	24,018
279,040	395,545	116,505	(373,602)	(397,620)	(24,018)
279,040	395,545	116,505	(373,602)	(397,620)	(24,018)
(39,876)	31,645	71,521	(482,077)	(482,077)	
70,143	70,143		482,077	482,077	
70,143	70,143		482,077	482,077	
\$ 30,267	\$ 101,788	\$ 71,521	\$ -	\$ -	\$ -

(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, 2011

	Totals		Variance Positive (Negative)
	Final Budget	Actual	
Revenues:			
Federal	\$ 149,446	\$ 102,108	\$ (47,338)
Other state	547,296	561,988	14,692
Other local	1,165,257	1,032,299	(132,958)
Total revenues	<u>1,861,999</u>	<u>1,696,395</u>	<u>(165,604)</u>
Expenditures:			
Certificated salaries	469,966	474,846	(4,880)
Classified salaries	692,826	662,397	30,429
Employee benefits	376,488	342,129	34,359
Books and supplies	450,710	466,875	(16,165)
Contracted services and other operating expenditures	329,817	306,062	23,755
Other outgo		1,052	(1,052)
Total expenditures	<u>2,319,807</u>	<u>2,253,361</u>	<u>66,446</u>
Excess of revenues over (under) expenditures	<u>(457,808)</u>	<u>(556,966)</u>	<u>(99,158)</u>
Other Financing Sources (Uses):			
Transfers in	279,040	511,771	232,731
Transfers out	(373,602)	(397,620)	(24,018)
Total other financing sources (uses)	<u>(94,562)</u>	<u>114,151</u>	<u>208,713</u>
Net change in fund balances	<u>(552,370)</u>	<u>(442,815)</u>	<u>109,555</u>
Fund balances (deficit), July 1, 2010	549,095	549,095	
Restatements			
Fund balances (deficit), July 1, 2010, restated	<u>549,095</u>	<u>549,095</u>	
Fund balances, June 30, 2011	<u>\$ (3,275)</u>	<u>\$ 106,280</u>	<u>\$ 109,555</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
June 30, 2011

	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects Fund	Totals
Assets				
Cash in County Treasury	\$ 5,150	\$ 540,177	\$ -	\$ 545,327
Accounts receivable	446,330	2,729		449,059
Total assets	\$ 451,480	\$ 542,906	\$ -	\$ 994,386
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 19,160	\$ -	\$ 19,160
Total liabilities		19,160		19,160
Fund balances:				
Restricted				
Construction	451,480	523,746		975,226
Total fund balances	451,480	523,746		975,226
Total liabilities and fund balances	\$ 451,480	\$ 542,906	\$ -	\$ 994,386

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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, 2011

	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects Fund	Totals
Revenues:				
Other local	\$ 446,317	\$ 792	\$ 6,511	\$ 453,620
Total revenues	<u>446,317</u>	<u>792</u>	<u>6,511</u>	<u>453,620</u>
Expenditures:				
Books and supplies			29,292	29,292
Contracted services and other operating expenditures		101,699		101,699
Capital outlay		3,760	38,514	42,274
Total expenditures		<u>105,459</u>	<u>67,806</u>	<u>173,265</u>
Excess of revenues over (under) expenditures	<u>446,317</u>	<u>(104,667)</u>	<u>(61,295)</u>	<u>280,355</u>
Other Financing Sources (Uses):				
Transfers out			(746,047)	(746,047)
Total other financing sources (uses)			<u>(746,047)</u>	<u>(746,047)</u>
Net change in fund balances	446,317	(104,667)	(807,342)	(465,692)
Fund balances, July 1, 2010	<u>5,163</u>	<u>628,413</u>	<u>807,342</u>	<u>1,440,918</u>
Fund balances, June 30, 2011	<u>\$ 451,480</u>	<u>\$ 523,746</u>	<u>\$ -</u>	<u>\$ 975,226</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, 2011

	Capital Facilities Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other local	\$ 75,150	\$ 446,317	\$ 371,167
Total revenues	<u>75,150</u>	<u>446,317</u>	<u>371,167</u>
Expenditures:			
Books and supplies			
Contracted services and other operating expenditures	25,000		25,000
Capital outlay	<u>50,000</u>		<u>50,000</u>
Total expenditures	<u>75,000</u>		<u>75,000</u>
Excess of revenues over (under) expenditures	<u>150</u>	<u>446,317</u>	<u>446,167</u>
Other Financing Sources (Uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Net change in fund balances	150	446,317	446,167
Fund balances (deficit), July 1, 2010	<u>5,163</u>	<u>5,163</u>	
Fund balances, June 30, 2011	<u><u>\$ 5,313</u></u>	<u><u>\$ 451,480</u></u>	<u><u>\$ 446,167</u></u>

County School Facilities Fund			Special Reserve Fund for Capital Outlay Projects Fund		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ 16,000	\$ 792	\$ (15,208)	\$ 6,087	\$ 6,511	\$ 424
16,000	792	(15,208)	6,087	6,511	424
			29,292	29,292	
103,000	101,699	1,301			
7,000	3,760	3,240	38,514	38,514	
110,000	105,459	4,541	67,806	67,806	
(94,000)	(104,667)	(10,667)	(61,719)	(61,295)	424
			600,000		(600,000)
			(724,918)	(746,047)	(21,129)
			(124,918)	(746,047)	(621,129)
(94,000)	(104,667)	(10,667)	(186,637)	(807,342)	(620,705)
628,413	628,413		807,342	807,342	
\$ 534,413	\$ 523,746	\$ (10,667)	\$ 620,705	\$ -	\$ (620,705)

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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, 2011

	Totals		Variance Positive (Negative)
	Final Budget	Actual	
Revenues:			
Other local	\$ 97,237	\$ 453,620	\$ 356,383
Total revenues	<u>97,237</u>	<u>453,620</u>	<u>356,383</u>
Expenditures:			
Books and supplies	29,292	29,292	
Contracted services and other operating expenditures	128,000	101,699	26,301
Capital outlay	95,514	42,274	53,240
Total expenditures	<u>252,806</u>	<u>173,265</u>	<u>79,541</u>
Excess of revenues over (under) expenditures	<u>(155,569)</u>	<u>280,355</u>	<u>435,924</u>
Other Financing Sources (Uses):			
Transfers in	600,000		(600,000)
Transfers out	(724,918)	(746,047)	(21,129)
Total other financing sources (uses)	<u>(124,918)</u>	<u>(746,047)</u>	<u>(621,129)</u>
Net change in fund balances	(280,487)	(465,692)	(185,205)
Fund balances (deficit), July 1, 2010	<u>1,440,918</u>	<u>1,440,918</u>	
Fund balances, June 30, 2011	<u>\$ 1,160,431</u>	<u>\$ 975,226</u>	<u>\$ (185,205)</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2011

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, 2011 were as follows:

GOVERNING BOARD

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

ADMINISTRATION

Mr. Richard Douglas
Interim Superintendent

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

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

Dr. Dawnalyn Murakawa-Leopard, Ed.D.
Assistant Superintendent, Human Resources

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Fiscal Year Ended June 30, 2011

	Original Second Period Report	Original Annual Report
Elementary		
Kindergarten	187	188
First through Third	668	669
Fourth through Sixth	889	890
Seventh and Eighth	693	693
Home and Hospital	2	3
Special Education	71	72
	<u>2510</u>	<u>2,515</u>
Subtotals		
High School		
Ninth through Twelfth	1886	1,879
Continuation Education	15	14
Home and Hospital	4	4
Special Education	73	73
	<u>1,978</u>	<u>1,970</u>
Subtotals		
Totals	<u>4,488</u>	<u>4,485</u>
	Hours of Attendance	
Supplemental Instructional Hours		
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, 2011

Grade Level	1982-83 Actual Minutes	Revised 1982-83 Actual Minutes	1986-87 Minutes Requirement	Revised 1986-87 Minutes Requirement	2010-11 Actual Minutes	Number of Traditional Days	Status
Kindergarten	30,216	29,377	36,000	35,000	38,280	180	In Compliance
Grade 1	53,204	51,726	50,400	49,000	50,065 [1]	180	In Compliance
Grade 2	53,204	51,726	50,400	49,000	50,065 [1]	180	In Compliance
Grade 3	53,204	51,726	50,400	49,000	50,065 [1]	180	In Compliance
Grade 4	53,204	51,726	54,000	52,500	53,595	180	In Compliance
Grade 5	53,204	51,726	54,000	52,500	53,595	180	In Compliance
Grade 6	53,204	51,726	54,000	52,500	65,784	180	In Compliance
Grade 7	53,204	51,726	54,000	52,500	65,784	180	In Compliance
Grade 8	53,204	51,726	54,000	52,500	65,784	180	In Compliance
Grade 9	62,920	61,172	64,800	63,000	64,710	180	In Compliance
Grade 10	62,920	61,172	64,800	63,000	64,710	180	In Compliance
Grade 11	62,920	61,172	64,800	63,000	64,710	180	In Compliance
Grade 12	62,920	61,172	64,800	63,000	64,710	180	In Compliance

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

		Number of Grades	Minimum Minutes	
Minimum Required	First through third	3	49,000	147,000
	Fourth through sixth	3	52,500	157,500
	Seventh and eighth	2	52,500	105,000
		<u>8</u>		<u>409,500</u>
	Total Minimum Average			51,188
Actual Offering	First through third	3	50,065	150,195
	Fourth through sixth	3	53,595	160,785
	Seventh and eighth	2	65,784	131,568
		<u>8</u>		<u>442,548</u>
	Total Minimum Average			55,319
	Minimum Average Surplus			4,131

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30, 2011

General Fund	(Budget) 2012	2011	2010	2009
Revenues and other financial sources	\$ 50,285,613	\$ 56,325,443	\$ 55,552,008	\$ 55,702,145
Expenditures	50,776,610	52,532,522	54,696,433	58,688,187
Other uses and transfers out		511,771	638,692	90,697
Total outgo	50,776,610	53,044,293	55,335,125	58,778,884
Changes in fund balance (deficit)	(490,997)	3,281,150	216,883	(3,076,739)
Prior period adjustments		6,087	(1,011,605)	
Ending fund balance	\$ 6,044,735	\$ 6,535,732	\$ 3,248,495	\$ 4,043,217
Available reserves	\$ 4,989,384	\$ 4,895,476	\$ 2,180,436	\$ 1,773,607
Available reserves as a percentage of total outgo	9.8%	9.2%	3.9%	3.0%
Total long-term debt	\$ 208,331,447	\$ 218,326,094	\$ 220,804,199	\$ 208,390,787
Average daily attendance at P-2	4,244	4,488	4,759	5,088

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 increased by \$2,492,515 over the past two fiscal years. The fiscal year 2011-2012 budget projects a decrease of \$490,997. 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 surplus in the two of the past three fiscal years, and anticipates an operating deficit during the 2011-12 fiscal year. Total long-term debt has increased by \$9,935,307 over the past two fiscal years.

Average daily attendance has decreased by 600 over the past two fiscal years. A decrease of 244 ADA is anticipated during the fiscal year 2011-2012.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

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	\$ 343,053
ARRA - NCLB Title I , Part A, Basic Grants Low Income and Neglected	84.389A	3011	196,456
NCLB Title I, Part G, Advanced Placement (AP) Test Fee Reimbursement Program	84.330	0000	4,149
NCLB - Title II, Part A, Improving Teacher Quality	84.367	4035	125,658
NCLB - Title III Limited English Proficiency (LEP) Student Program	84.365	4203	24,592
NCLB: Title II, Part D, Enhancing Education Through Technology	84.318	4045	318
NCLB: Title III, Immigrant Education Program	84.365	4201	23,806
NCLB - Title IV Part A: Safe & Drug Free Schools	84.186	3710	4,297
Special Ed: IDEA - Basic Local Assistance Entitlement, Part B	84.027	3310	1,103,463
ARRA Special Ed: IDEA - Local Assist	84.391A	3313	579,118
Special Ed: IDEA - Preschool Grant, Part B	84.173	3315	36,088
ARRA Special Ed: IDEA - Preschool Grant	84.392	3319	14,800
Special Ed: IDEA - Preschool Local Entitlement	84.027A	3320	65,386
ARRA Special Ed: IDEA - Preschool Local Entitlement	84.391	3324	31,780
Special Ed: IDEA - Local Staff Development	84.173A	3340	214
Special Ed: IDEA - Preschool Local Staff Development	84.173A	3345	448
Vocational & Applied Technology Secondary II C	84.048	3550	24,894
Adult Basic Education & ESL	84.002A	3905	57,532
ARRA State Fiscal Stabilization Fund	84.394	3200	753,403
Education Jobs Fund - SB 847	84.410	3205	1,024,424
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126A	3410	<u>3,569</u>
Total U.S. Department of Education			<u>4,417,448</u>
U.S. Department of Agriculture:			
Passed through of California Department Education (CDE):			
National School Lunch	10.555	5310	<u>82,672</u>
Total U.S. Department of Agriculture			<u>82,672</u>
Total Expenditures of Federal Awards			<u>\$ 4,500,120</u>
Reconciliation of Total Expenditures of Federal Awards to Total Federal Revenues			
Expenditures of Federal Awards			\$ 4,500,120
State Fiscal Stabilization Fund Received but Not Yet Spent in Current Fiscal Year	84.394	3200	<u>1,085</u>
Total Federal Revenues			<u>\$ 4,501,205</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, 2011

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 ACTUALS REPORT WITH
AUDITED FINANCIAL STATEMENTS
 June 30, 2011

	<u>General Fund*</u>	<u>Adult Education Fund</u>	<u>Cafeteria Fund</u>
June 30, 2011 Unaudited Actuals Report Fund Balances	\$ 6,448,504	\$ 4,492	\$ 101,788
Understatement of cash in County Treasury			
(Overstatement)/Understatement of accounts receivable	(540,410)		
Understatement of prepaid expenditures	244,975		
Overstatement/(Understatement) of accounts payable	<u>382,663</u>		
June 30, 2011 Audited Financial Statements Fund Balances	<u>\$ 6,535,732</u>	<u>\$ 4,492</u>	<u>\$ 101,788</u>

* Included Special Reserve Fund for Other Than Capital Outlay Projects Fund Fund Balance in an amount of \$754,046

	<u>Bond Interest and Redemption Fund</u>
June 30, 2011 Unaudited Actuals Report Fund Balances	<u>\$ 5,046,188</u>
June 30, 2011 Audited Financial Statements Fund Balances	<u>\$ 5,046,188</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
\$ -	\$ -	\$ 60,493,684	\$ 451,480	\$ 523,746	\$ -
		166,835			
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,660,519</u>	<u>\$ 451,480</u>	<u>\$ 523,746</u>	<u>\$ -</u>

	<u>Long-Term Debt</u>
June 30, 2011 Unaudited Actuals Report	
Total Liabilities	\$ 211,943,631
Understatement of general obligation bonds payable	6,568,348
(Overstatement) of capital leases payable	(261,105)
(Overstatement) of other general long-term debt	(184,975)
Understatement of compensated absences	246,716
Understatement of net OPEB obligation	<u>13,479</u>
June 30, 2011 Audited Financial Statements Long-Term Debt	
Total Liabilities	<u>\$ 218,326,094</u>

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

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 (District) as of and for the fiscal year ended June 30, 2011, which collectively comprise the Beverly Hills Unified School District's basic financial statements and have issued our report thereon dated December 1, 2011. 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.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over financial reporting, as described in the accompanying schedule of findings and questioned costs, as items 2011-1 through 2011-4 that we consider to be significant deficiencies in internal control over financial reporting. 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.

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 no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 them.

This report is intended solely for the information and use of the Board, management, State Controller's Office, Department of Finance, 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
Culver City, California
December 5, 2011



MOSS, LEVY & HARTZHEIM LLP

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INDEPENDENT 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, 2011, which collectively comprise the Beverly Hills Unified School District's basic financial statements and have issued our report thereon dated December 5, 2011. We conducted our audit 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*. We have also audited the District's compliance with the requirements specified in the Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Education Agencies*, applicable to the District's statutory requirements identified below for the fiscal year ended June 30, 2011. Compliance with the requirements referred to above are the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The auditing standards referred to above require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements 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.

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 Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (See next page)
Continuation Study	10	No (See next page)
Instructional Time for		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes

Description	Procedures in Panel's Audit Guide	Procedures Performed
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Class Size Reduction		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or Charters Schools with only One School Serving	4	Not Applicable
After School Education and Safety Program		
General Requirements	4	Not Applicable
After School	4	Not Applicable
Before School	5	Not Applicable
Contemporaneous Records of Attendance, for Charter Schools	1	Not Applicable
Mode of Instruction, for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study, for Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction, for Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based, for Charter Schools	3	Not Applicable

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

In our opinion, the Beverly Hills Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the fiscal year ended June 30, 2011.

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
Culver City, California
December 5, 2011



MOSS, LEVY & HARTZHEIM LLP

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON 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 could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2011. 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 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.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered 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.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 a material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

This report is intended solely for the information and use of the 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
Culver City, California
December 5, 2011

FINDINGS AND RECOMMENDATIONS SECTION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 June 30, 2011

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not considered
 to be material weaknesses? X Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not considered
 to be material weaknesses? _____ Yes X None reported

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

Any audit findings disclosed that are required to be
 reported in accordance with Circular A-133,
 Section .510 (a) _____ Yes X 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>
<u>84.410</u>	<u>Education Jobs Fund</u>

Dollar threshold used to distinguish between Type A
 and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee: _____ Yes X No

State Awards

Internal control over state programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified not considered
 to be material weaknesses? _____ Yes X None reported

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

Section II – Financial Statement Findings

FINDING 2011-1
INTERNAL CONTROLS – CAFETERIA CASH COLLECTION
30000

Condition:

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

1. Cash receipts are collected, but not entered immediately into the system.
2. Inventory items are removed and not accounted for when removed. The number of inventory items will not correctly correlate to the cash receipts/sales from the register.
3. Cash receipts are not reconciled with deposits. Upon review of individual deposits, we noted differences between daily deposits and cash receipts.

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 inventory items are not accounted for, it is difficult to reconcile the number of inventory items physically present with the number of inventory items listed.

Cause:

The cause can be attributed to a lack of control and oversight over receipt of cash and inventory 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. Inventory reports are utilized, reviewed, and reconciled with physical counts to ensure that the number of inventory items agrees to the reports.

LEA's Corrective Action Plan:

The audit finding identified a Food Service Employee, taking cash from students without using a register (holding cash in hand) to facilitate a long line and move students through during their meal period. The cash handling systems have changed with the addition of our new program consultant (Chartwells), whereby more registers are used and we have switched to a "cashless" line system, so funds are not held by cashiers. Cash collection is monitored to deposit detail while closely monitoring overages and shortages.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2011

Section II – Financial Statement Findings (Continued)

FINDING 2011-2
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 in a timely manner.
3. The reconciliations 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. Students are given cash receipts to drop off at ASB stores. 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.
4. There is no oversight or control over voids, reversed transactions, or account transactions, including waivers and reductions. Transactions are not reviewed for excessiveness.
5. There is a lack of an internal control process, segregation of duties, and audit trail for daily/weekly closeout of registers and cash counts. Closing occurs in one to three week intervals, not daily. Daily count sheets are not being completed by advisors and cashiers.
6. An unauthorized person is working in the ASB office as a temporary worker.
7. Raffles cash from outside sources is received even though raffles are disallowed.
8. Signed minutes of the ASB Council were not available for review.

Effect:

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

In February, 2011 the District contracted with a separate audit firm for internal audit serves with the express scope to review the ASB findings in the audit report and assist the District in a corrective action plan. The review of audit findings, review of current updated practices, meeting with administrators, and updates procedures resulted. District administration concern for the internal controls provided for adding a half time fiscal technician to support the ASB for cash reconciliation, deposit review, inventory reconciliation, and review of financial statements. In addition, the District office is monitoring monthly financial reports, minutes, and ASB budgets with quarterly review of minutes and disbursements.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2011

Section II – Financial Statement Findings (Continued)

FINDING 2011-3
INTERNAL CONTROLS – ASSOCIATED STUDENT BODY
30000

Condition:

During our test of cash disbursements of the Associated Student Body account, we examined 14 canceled checks, invoices, and related documentation and noted the following:

1. Two of the fourteen disbursements examined did not have original invoices attached with the check/disbursement voucher request form.
2. One out of fourteen disbursements examined was for a total of \$4,254.25. However, a recalculation of the amount due totaled \$4,132.70, which was a difference of \$121.55.
3. One out of fourteen disbursements was paid to the order of “Clearing PTSA” that paid both registration and PTSA membership.
4. One out of fourteen disbursements was for an unallowable expenditure.
5. One out of fourteen disbursements was paid from a pro-forma hotel invoice.

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 original invoices or other supporting documentation for all disbursements.

LEA’s Corrective Action Plan:

The High School ASB will only reimburse with original receipts. ASB has notified all students and staff of the new requirement. As a last resort, an affidavit may be submitted with the proper approval of High School principal, Assistant Superintendent of Business or their designees.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2011

Section II – Financial Statement Findings (Continued)

FINDING 2011-4
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. One of the seventeen items tested did not have sufficient supporting documentation accompanying the receipt.
2. One of the seventeen items tested was for basketball concessions and lacked supporting documentation other than the dollar amount written on the envelope. The deposit amount was higher than the dollar amount written.
3. One of the seventeen items tested was the result of a raffle. However, raffles are a disallowed fundraising event.
4. Five of the seventeen items tested had totals on the daily money count that did not tie to supporting documents.
5. Three of the seventeen items tested did not have signatures of the preparers on the Daily Money Count. There should be two signatures on each count and any changes made. The daily count sheet should show a clear trail of petty cash funds issued and received.
6. One of the seventeen items tested was an adjustment for short/over cash and it was noted that the webstore and ASB server do not automatically reconcile. Adjustments must be made to the server because the two systems are not in sync.
7. The composition of cash and checks expected and noted on the closeout forms did not agree with composition noted in the actual payments summary of receipts.

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:

In February, 2011 the District contracted with a separate audit firm for internal audit serves with the express scope to review the ASB findings in the audit report and assist the District in a corrective action plan. The review of audit findings, review of current updated practices, meeting with administrators, and updates procedures resulted. District administration concern for the internal controls provided for adding a half time fiscal technician to support the ASB for cash reconciliation, deposit review, inventory reconciliation, and review of financial statements.

Changes in procedures have been put into place regarding obtaining the change box (log created), procedures for turning in cash and counting "in," and the fiscal technician is responsible for reconciling/balancing out each cash drawer at the end of the school day to the daily receipts per collection window.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
 June 30, 2011

Section I – 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

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.

Current Status:

Implemented

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
 June 30, 2011

Section I – Financial Statement Findings (Continued)

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.

Current Status:

Implemented

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

Recommendation:

We recommend the District ensure that payments for invoices are thoroughly reviewed to determine correct 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 sign off on each requisition upon review and confirmation of correct account string.

Current Status:

Implemented

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2011

Section I – 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.

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.

Current Status:

Implemented

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.

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.

Current Status:

Not implemented. See current year finding 2011-1.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
 June 30, 2011

Section I – 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.

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.

Current Status:

Not implemented. See current year finding 2011-2.

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
 June 30, 2011

Section I – Financial Statement Findings (Continued)

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.

Current Status:

Not implemented. See current year finding 2011-3.

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

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.

Current Status:

Not implemented. See current year finding 2011-4.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2011

Section I – 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.

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.

Current Status:

Implemented

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 a full year's depreciation.

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.

Current Status:

Implemented

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
 June 30, 2011

Section I – 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.

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.

Current Status:

Implemented

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

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.

Current Status:

Implemented

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2011

Section I – 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.

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.

Current Status:

Implemented

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.

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.

Current Status:

Implemented

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2011

Section I – 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.

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.

Current Status:

Implemented

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.

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.

Current Status:

Implemented

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
 June 30, 2011

Section II – Federal Award Findings and Questioned Costs

FINDING 2010-17
FEDERAL COMPLIANCE
CASH MANAGEMENT
50000

Programs:

A. Title I, Part A Cluster:

- NCLB Title I, Part A-Basic Grants Low Income (CFDA No.:84.010)
- ARRA- NCLB Title I, Part A-Basic Grants Low Income (CFDA No.:84.389A)

Special Education Cluster:

- Special Ed: IDEA-Basic Local Assistance Entitlement, Part B (CFDA No.:84.027)
- Special Ed: IDEA-Preschool Grant, Part B (CFDA No.:84.173)
- ARRA Special Ed: IDEA-Local Assist (CFDA No.:84.391A)
- ARRA Special Ed: IDEA-Preschool (CFDA No.:84.392)

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. The questioned costs were computed based on the unspent federal program funds of \$160,000, \$94,667, \$685,333, and \$9,467 for NCLB Title I, Part A-Basic Grants Low Income, ARRA- NCLB Title I, Part A-Basic Grants Low Income, ARRA Special Ed: IDEA-Local Assist , and ARRA Special Ed: IDEA-Preschool, respectively, multiplied by the interest rate of 1.5%.

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:

Title I, Part A Cluster:

- | | |
|---|-------------|
| – NCLB Title I, Part A-Basic Grants Low Income (CFDA No.:84.010) | \$ 2,400.00 |
| – ARRA- NCLB Title I, Part A-Basic Grants Low Income (CFDA No.:84.389A) | 1,420.00 |

Special Education Cluster:

- | | |
|---|---------------------|
| – ARRA Special Ed: IDEA-Local Assist (CFDA No.:84.391A) | 10,280.00 |
| – ARRA Special Ed: IDEA-Preschool (CFDA: No.:84.392) | <u>142.00</u> |
| | <u>\$ 14,242.00</u> |

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
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2011

Current Status:

Implemented

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
 June 30, 2011

Section III – 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.

Current Status:

Implemented

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2011

Section III – 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.

Current Status:

Implemented