

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

**AUDIT REPORT
June 30, 2012**

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

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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, 2012, 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 District as of June 30, 2012, 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, 2011, the District adopted the provisions of Governmental Accounting Standards Board (GASB) *Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions"*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal 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 7, the budgetary comparison schedule on page 43, and the schedule of funding progress for post-employment benefits other than pensions on page 45, 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 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 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 14, 2012

Beverly Hills Unified School District Management's Discussion and Analysis June 30, 2012

The annual financial audit report for the Beverly Hills Unified School District includes a Management's Discussion and Analysis (MD&A) of the District's financial performance during the fiscal year ending June 30, 2012 utilizing comparative information from 2011. 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 is a Basic Aid district, which means it receives local tax revenue and no revenue limit state aid. Basic Aid districts are subject to the same deficit that California districts have but it is referred to as a fair share reduction which results in the loss of other state revenue previously received by the district. This year the fair share reduction amounted to almost three million dollars. Although Basic Aid districts continue to pay their "fair share" of budget reductions the District's financial picture is strong. The District's audited financial reports show general revenue of \$57,324,841 and expenditures of \$59,543,352 leaving a net change deficit (revenue less expense) of \$2,218,511. Net assets for the District total \$29,394,594.

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 bound by covenants.

- The District establishes other funds to control and manage financial resources for particular purposes (i.e. repaying its 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 assist in determining whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Information contained in the governmental funds statements does not encompass the additional long-term focus of the District-wide statements, so additional information is provided with the governmental fund statements to 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.

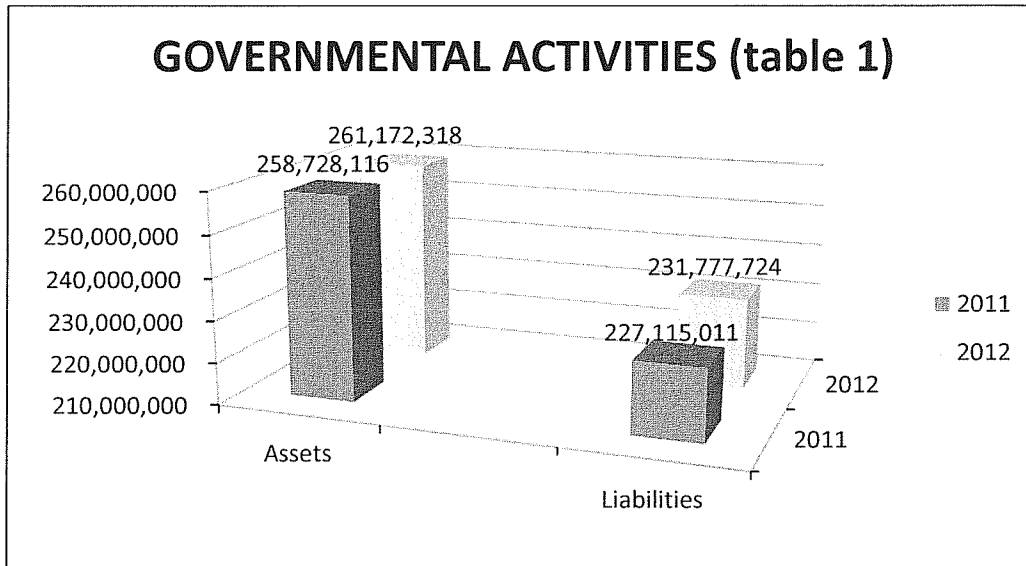
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Assets

The statement of net assets presents the financial position of the District at the end of the fiscal year, which ended June 30, 2012 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 deteriorated during the year. It should be noted that a negative change that has been expected and anticipated reflects the district in a better position than not. Assets and liabilities are generally measured using current values. One notable exception 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 2011 to 2012 for the District's governmental activities.

Governmental Activities – Table 1

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current and other assets	\$ 82,440,402	\$ 83,237,239
Capital assets	<u>178,731,916</u>	<u>175,490,877</u>
Total Assets	<u>261,172,318</u>	<u>258,728,116</u>
<u>Liabilities</u>		
Current liabilities	22,310,049	18,783,564
Long-term liabilities	<u>209,467,675</u>	<u>208,331,447</u>
Total Liabilities	<u>231,777,724</u>	<u>227,115,011</u>
<u>Net Assets</u>		
Invested in capital assets net of related debt	53,070,217	47,803,346
Restricted	1,444,605	1,922,768
Unrestricted	<u>(25,120,228)</u>	<u>(18,113,009)</u>
Total Net Assets	<u>\$ 29,394,594</u>	<u>\$ 31,613,105</u>



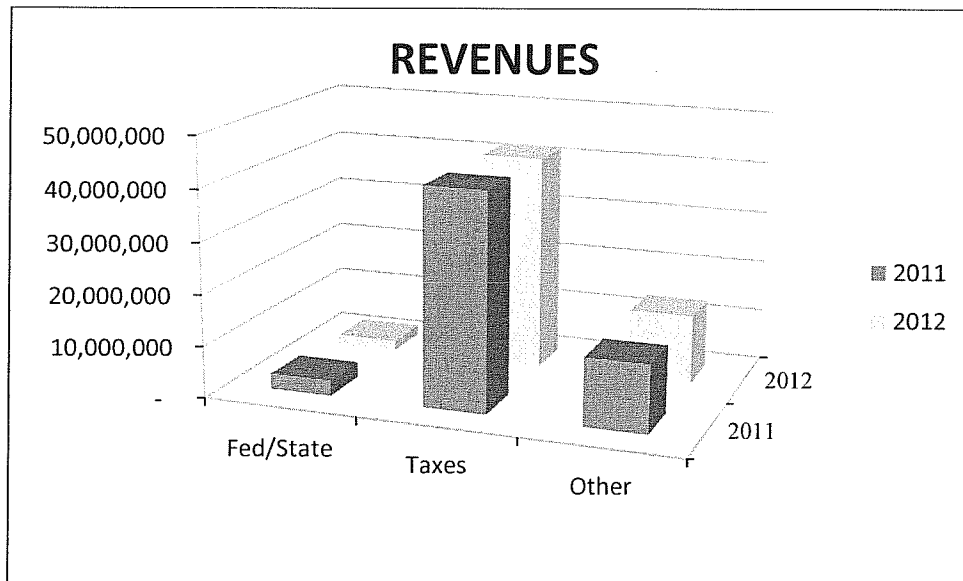
Statement of Activities

Changes in Net Assets – Table 2

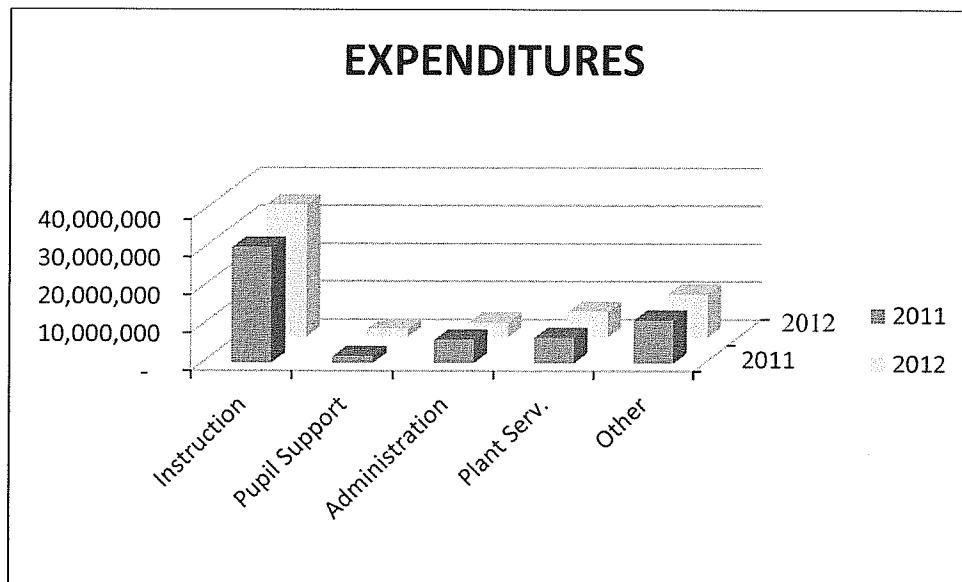
	<u>2012</u>	<u>2011</u>
<u>Revenues</u>		
General revenues		
Federal and State Aid (not restricted)	\$ 1,986,595	\$ 3,061,682
Property taxes	41,867,695	41,975,539
Other general revenues	13,470,551	13,127,907
Total Revenues	\$ 57,324,841	\$ 58,165,128
<u>Expenses (less program revenue)</u>		
Instruction related	\$ 34,997,985	\$ 30,602,433
Student Support services	2,244,448	1,848,647
Administration	3,888,041	6,207,777
Plant Services	6,860,185	6,834,579
Other	11,552,693	11,495,761
Total Expenses	\$ 59,543,352	\$ 56,989,197
Change in Net Assets	\$ (2,218,511)	\$ 1,175,931

The statement of activities presents the District's results of operations. The District's combined net assets totaled \$29,394,594 for 2012. The capital assets report shows a total value of \$178,731,916, net of \$49,211,695 for accumulated depreciation.

The District's 2011/2012 general revenues were \$57,324,841. Taxes levied for general purpose accounted for seventy-three percent (73%) of the District's revenue and showed no growth. Another three and one-half percent (3.5%) came from state and federal, which decreased from prior year based on the loss of one-time federal funds under the American Recovery and Reinvestment Act and an increase in the fair share reduction for a loss of state funds with the increase of the deficit from 5.81% to 8.92% (amounting to \$945,046). Local revenue or other makes up the balance of the revenues at twenty-three and one-half percent (23.5%), which includes the city JPA contribution and other miscellaneous revenues such as donations and interest earned. See chart below for graphic explanation of revenue breakdown:



The expenses increased by \$2,554,155 from the 2010/2011 fiscal year. The District's expenses include instruction and pupil related services, which amount to sixty-two and one-half (62.5%) of the total expenses reported. The administrative activities of the District were six and one-half percent (6.5%) of expenses. Plant services (maintenance and operations) were eleven and one-half percent (11.5%) of expenses. The other expenses included ancillary and community services, interest on debt, other outgo and depreciation, which was nineteen and one-half percent (19.5%) of the total expenses. 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>2012</u>	<u>2011</u>
General Fund	\$ 5,942,523	\$ 6,535,732
Building Fund	55,903,594	60,660,519
Bond Interest and Redemption Fund	4,284,742	5,046,188
County School Facility Fund	527,780	523,746
Other Governmental Funds	764,619	557,760

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 District is very aware that the economic issue within the state adversely affect the district through the payment of property taxes based on Assembly Bill 8 factor number used in distributing taxes throughout Los Angeles County and the resulting fair share reduction to other state aid to account for the deficit passed on to districts within the state. The Board of Education recognizes the impact to programs resulting from lower income and has taken appropriate action in their financial review and multi-year budgeting to address the structural deficit caused by the state's economic issues, which may impact programming in the future.

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. The district phone number is 310-551-5100. The Chief Administrative Office is Dr. Dawnalyn Murakawa-Leopard and the Executive Director of Budget is Ms. Mary Anne McCabe.

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT**STATEMENT OF NET ASSETS**June 30, 2012

Assets	<u>Governmental Activities</u>
Cash in County Treasury	\$ 72,760,772
Cash on hand and in banks	13,143
Revolving cash fund	50,000
Accounts receivable	3,548,710
Inventory	119
Prepaid expenses	437,138
Deferred charges	1,237,035
Deferred losses on refunding	4,201,051
Other assets	192,434
Land	2,933,062
Construction in progress	16,337,233
Buildings and improvements	192,553,739
Site improvements	8,776,267
Furniture and equipment	7,343,310
Less accumulated depreciation	<u>(49,211,695)</u>
 Total assets	 <u>261,172,318</u>
 Liabilities	
Accounts payable	9,131,458
Interest payable	899,391
Deferred revenue	447,600
Long-term liabilities:	
Due within one year	11,831,600
Due in more than a year	<u>209,467,675</u>
 Total liabilities	 <u>231,777,724</u>
 Net Assets	
Invested in capital assets, net of related debt	53,070,217
Restricted for:	
Capital projects	1,287,681
Education programs	156,924
Unrestricted	<u>(25,120,228)</u>
 Total net assets	 <u>\$ 29,394,594</u>

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2012

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 34,729,395	\$ 95,284	\$ 4,575,186	\$ 4,034
Instruction-related services:				
Instructional supervision and administration	1,224,091	1,750	477,321	
Instructional library, media, and technology	1,092,654			
School site administration	3,125,475	3,304	79,363	
Pupil services:				
Home-to-school transportation	93,352		93,352	
Food services	1,153,364	594,415	1,392	
All other pupil services	2,444,987	23,435	734,661	
General administration:				
Centralized data processing	304,475	16,605	191,902	
All other general administration	3,901,234	1,714	44,835	
Plant services	6,884,881	1,841	22,855	
Ancillary services	697,024	9,432	109,007	
Community services	145,447			
Interest on long-term debt	5,192,112			
Other outgo	5,563,021	368,815	4,388,639	
Depreciation (unallocated)	4,830,982			
Total governmental activities	\$ 71,382,494	\$ 1,116,595	\$ 10,718,513	\$ 4,034

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

Net assets end of fiscal year

See notes to basic financial statements

Net (Expense)
Revenue and
Changes in
Net Assets

\$ (30,054,891)

(745,020)

(1,092,654)

(3,042,808)

(557,557)

(1,686,891)

(95,968)

(3,854,685)

(6,860,185)

(578,585)

(145,447)

(5,192,112)

(805,567)

(4,830,982)

(59,543,352)

31,446,953

10,362,696

58,046

1,986,595

893,969

12,576,582

57,324,841

(2,218,511)

31,613,105

\$ 29,394,594

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Building Fund	Bond Interest and Redemption Fund
Assets			
Cash in County Treasury	\$ 9,093,103	\$ 58,054,971	\$ 4,284,742
Cash on hand and in banks			
Revolving cash fund	50,000		
Accounts receivable	3,425,283	114,019	
Inventory, at cost	119		
Prepaid expenditures	437,138		
Other assets	192,434		
	<u>13,198,077</u>	<u>58,168,990</u>	<u>4,284,742</u>
Total assets	<u>\$ 13,198,077</u>	<u>\$ 58,168,990</u>	<u>\$ 4,284,742</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 6,807,954	\$ 2,265,396	\$ -
Deferred revenue	447,600		
	<u>7,255,554</u>	<u>2,265,396</u>	
Total liabilities	<u>7,255,554</u>	<u>2,265,396</u>	
Fund balances:			
Nonspendable			
Revolving cash	50,000		
Stores inventories	119		
Prepaid expenditures	437,138		
Restricted			
Legally restricted balances	156,924		
Construction		55,903,594	
Debt service			4,284,742
Committed			
Cafeteria			
Assigned			
Hawthorne PTA	133,939		
Department of Mental Health	521,630		
Unassigned	4,642,773		
	<u>5,942,523</u>	<u>55,903,594</u>	<u>4,284,742</u>
Total fund balances	<u>5,942,523</u>	<u>55,903,594</u>	<u>4,284,742</u>
Total liabilities and fund balances	<u>\$ 13,198,077</u>	<u>\$ 58,168,990</u>	<u>\$ 4,284,742</u>

See notes to basic financial statements

Other Governmental Funds	Total Governmental Funds
\$ 1,327,956	\$ 72,760,772
13,143	13,143
	50,000
9,408	3,548,710
	119
	437,138
	192,434
<u>\$ 1,350,507</u>	<u>\$ 77,002,316</u>
\$ 58,108	\$ 9,131,458
	447,600
<u>58,108</u>	<u>9,579,058</u>
	50,000
	119
	437,138
	156,924
1,287,681	57,191,275
	4,284,742
4,718	4,718
	133,939
	521,630
	4,642,773
<u>1,292,399</u>	<u>67,423,258</u>
<u>\$ 1,350,507</u>	<u>\$ 77,002,316</u>

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total fund balances - governmental funds \$ 67,423,258

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	\$	227,943,611
Accumulated depreciation		<u>(49,211,695)</u>

Net 178,731,916

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. 1,237,035

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. 4,201,051

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. (899,391)

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	\$	(177,571,227)
Unamortized premium		(8,008,839)
Accreted interest payable		(32,108,576)
Compensated absences		(644,688)
Capital leases		(1,363,313)
OPEB		(546,445)
SERP		(996,187)
Loans payable		<u>(60,000)</u>

Total (221,299,275)

Total net assets, governmental activities \$ 29,394,594

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

	General Fund	Building Fund	Bond Interest and Redemption Fund
Revenues:			
Revenue limit sources:			
Local sources	\$ 31,546,761	\$ -	\$ -
Federal	1,674,995		
Other state	2,345,654		17,880
Other local	21,165,328	564,817	10,447,925
	<u>56,732,738</u>	<u>564,817</u>	<u>10,465,805</u>
Total revenues			
Expenditures:			
Certificated salaries	26,550,239		
Classified salaries	7,197,031	360,927	
Employee benefits	9,413,958	115,434	
Books and supplies	1,271,394	9,049	
Contracted services and other operating expenditures	9,814,346	2,247,049	
Capital outlay	77,979	5,089,283	
Other outgo	113,325		
Debt service:			
Principal	331,575		6,355,118
Interest and fiscal charges	60,592		4,872,133
Debt issuance cost			324,702
	<u>54,830,439</u>	<u>7,821,742</u>	<u>11,551,953</u>
Total expenditures			
Excess of revenues over (under) expenditures	<u>1,902,299</u>	<u>(7,256,925)</u>	<u>(1,086,148)</u>
Other Financing Sources (Uses):			
Proceeds from issuance of bond			42,230,000
Bond premium			5,790,889
Payment to refunded debt escrow			(47,696,187)
Transfers in	4,492	2,500,000	
Transfers out	(2,500,000)		
	<u>(2,495,508)</u>	<u>2,500,000</u>	<u>324,702</u>
Total other financing sources (uses)			
Net change in fund balances	(593,209)	(4,756,925)	(761,446)
Fund balance, July 1, 2011	<u>6,535,732</u>	<u>60,660,519</u>	<u>5,046,188</u>
Fund balance, June 30, 2012	<u>\$ 5,942,523</u>	<u>\$ 55,903,594</u>	<u>\$ 4,284,742</u>

See notes to basic financial statements

Other Governmental Funds	Totals Governmental Funds
\$ -	\$ 31,546,761
	1,674,995
	2,363,534
<u>1,400,623</u>	<u>33,578,693</u>
<u>1,400,623</u>	<u>69,163,983</u>
	26,550,239
435,077	7,993,035
149,618	9,679,010
41,146	1,321,589
534,547	12,595,942
24,850	5,192,112
	113,325
	6,686,693
	4,932,725
	<u>324,702</u>
<u>1,185,238</u>	<u>75,389,372</u>
<u>215,385</u>	<u>(6,225,389)</u>
	42,230,000
	5,790,889
	(47,696,187)
	2,504,492
<u>(4,492)</u>	<u>(2,504,492)</u>
<u>(4,492)</u>	<u>324,702</u>
210,893	(5,900,687)
<u>1,081,506</u>	<u>73,323,945</u>
<u>\$ 1,292,399</u>	<u>\$ 67,423,258</u>

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, 2012

Total net change in fund balances - governmental funds		\$ (5,900,687)
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 (\$8,072,021) and depreciation expense (\$4,830,982) for the period is:		3,241,039
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and issuance cost of long-term debt consumes the current financial resources of the governmental funds. However, in the statement of net assets, the issuance increases long-term liabilities and the repayment reduces long-term liabilities and the repayment reduces long-term liabilities. This is the net change of the issuance of long-term debt and the principal repayment.		12,152,880
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:		(5,618,579)
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:		(59,956)
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:		(663,085)
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, net of amortization for the period	\$ (4,408,824)	
Deferred losses on refunding amortized for the period	(1,049,678)	
Issue costs, net of amortization for the period	<u>88,379</u>	<u>(5,370,123)</u>
Changes in net assets of governmental activities		<u>\$ (2,218,511)</u>

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
June 30, 2012

	Agency Funds		Totals
	Warrant Pass-through Fund	Student Body Fund	
Assets			
Cash in County Treasury	\$ (589,930)	\$ -	\$ (589,930)
Cash on hand and in banks		951,198	951,198
Prepaid expenses	589,930		589,930
	<u>589,930</u>	<u>951,198</u>	<u>589,930</u>
Total assets	<u>\$ -</u>	<u>\$ 951,198</u>	<u>\$ 951,198</u>
Liabilities			
Due to student groups	<u>\$ -</u>	<u>\$ 951,198</u>	<u>\$ 951,198</u>
Total liabilities	<u>\$ -</u>	<u>\$ 951,198</u>	<u>\$ 951,198</u>

See notes to basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The Beverly Hills Unified School District (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 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 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, 2012, the Foundation contributed approximately \$1,000,159 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, 2012, Beverly Hills Education Foundation, Inc. reported total net assets of \$3,672,227 (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, 2012

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 established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund. The District maintains two 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.

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 two nonmajor capital projects funds:

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

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, 2012, total bank balance was \$1,347,060 of which \$178,744 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, shorter of the old or new 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, 2012, 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 \$3,270,470 for basic aid. As of June 30, 2012, the reserve balance is \$3,270,470.

When 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. 64 – Derivative Instruments

For the fiscal year ended June 30, 2012, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions." This Statement is effective for periods beginning after June 15, 2011. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. Implementation of the GASB Statement No. 64, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2012.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments at June 30, 2012 consisted of the following:

Cash and investments with County Treasury	\$ 72,170,842
Cash on hand and in banks	<u>1,014,341</u>
Total cash and investments	<u>\$ 73,185,183</u>

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

Cash in County Treasury, statement of net assets	\$ 72,760,772
Cash on hand and in banks, statement of net assets	13,143
Cash in revolving fund, statement of net assets	50,000
Cash in County Treasury, statement of fiduciary assets and liabilities	(589,930)
Cash on hand and in banks, statement of fiduciary assets and liabilities	<u>951,198</u>
Total cash and investments	<u>\$ 73,185,183</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 (\$72,170,842 as of June 30, 2012). The fair value of this pool as of that date, as provided by the plan sponsor, was \$72,170,842. 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 (\$964,341 as of June 30, 2012) 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, 2012

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	\$ 72,170,842	\$ 72,170,842	\$ -	\$ -	\$ -
Total	\$ 72,170,842	\$ 72,170,842	\$ -	\$ -	\$ -

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	\$ 72,170,842	N/A	\$ -	\$ -	\$ -	\$ -	\$ 72,170,842
Total	\$ 72,170,842		\$ -	\$ -	\$ -	\$ -	\$ 72,170,842

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, 2012

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, 2012, \$847,060 of the District's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

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

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

<u>Funds</u>	<u>Excess Expenditures</u>
Major Fund:	
General Fund:	
Contracted services and other operating expenditures	\$ 665,762

NOTE 4 – RECEIVABLES

Receivables at June 30, 2012, consist of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>
Federal Government			
Categorical Aid	\$ 1,230,408	\$ -	\$ -
State Government			
Categorical Aid	1,432,450		
Lottery	238,300		
Local Government			
Interest	24,374	114,019	1,338
Other Local Sources	499,751		8,070
	<u>\$ 3,425,283</u>	<u>\$ 114,019</u>	<u>\$ 9,408</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

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 2011-2012 fiscal year are as follows:

Fund	Transfers In	Transfers Out
Major Fund:		
General Fund	\$ 4,492	\$ 2,500,000
Nonmajor Funds:		
Adult Education Fund		4,492
Building Fund	2,500,000	
Totals	<u>\$ 2,504,492</u>	<u>\$ 2,504,492</u>

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deletions	Transfers	Balance June 30, 2012
Capital assets, not being depreciated:					
Land	\$ 2,933,062	\$ -	\$ -	\$ -	\$ 2,933,062
Construction in progress	8,531,678	7,805,555			16,337,233
Total capital assets, not being depreciated	<u>11,464,740</u>	<u>7,805,555</u>			<u>19,270,295</u>
Capital assets being depreciated:					
Buildings and improvements	192,553,579	160			192,553,739
Site improvements	8,752,680	23,587			8,776,267
Furniture and equipment	7,100,591	242,719			7,343,310
Total capital assets being depreciated	<u>208,406,850</u>	<u>266,466</u>			<u>208,673,316</u>
Less accumulated depreciation for:					
Buildings and improvements	36,343,784	3,839,989			40,183,773
Site improvements	3,813,907	359,221			4,173,128
Furniture and equipment	4,223,022	631,772			4,854,794
Total accumulated depreciation	<u>44,380,713</u>	<u>4,830,982</u>			<u>49,211,695</u>
Total capital assets, being depreciated, net	<u>164,026,137</u>	<u>(4,564,516)</u>			<u>159,461,621</u>
Total capital assets	<u>\$ 175,490,877</u>	<u>\$ 3,241,039</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,731,916</u>

Depreciation expense of \$4,830,982 was charged to governmental activities as unallocated.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

NOTE 7 – LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the fiscal year ended June 30, 2012, is shown below:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Due within One Year
General obligation bonds:					
Principal balance	\$ 183,341,345	\$ 42,230,000	\$ 48,000,118	\$ 177,571,227	\$ 6,930,567
Unamortized premium	5,596,679	5,790,889	3,378,729	8,008,839	1,963,943
Accreted interest payable	26,168,903	7,407,860	1,468,187	32,108,576	1,774,595
Compensated absences	584,732	666,888	606,932	644,688	
Energy program equipment lease payable	1,634,888		271,575	1,363,313	282,465
Other postemployment benefits (OPEB)	389,597	496,119	339,271	546,445	387,252
Supplement executive retirement plan (SERP)	489,950	939,015	432,778	996,187	432,778
Loan payable	120,000		60,000	60,000	60,000
Totals	\$ 218,326,094	\$ 57,530,771	\$ 54,557,590	\$ 221,299,275	\$ 11,831,600

- General Obligation Bonds are paid from tax revenues and are reported in the Bond Interest and Redemption Fund.
- Energy program equipment lease payable, SERP and OPEB are paid from unrestricted resources in the General Fund.
- Accumulated unpaid employee vacation is paid from the resources of the fund for which the employee salary is funded.
- Loan payable is paid from the Capital Facilities Fund.

NOTE 8 – GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2012
				Bonds Outstanding July 1, 2011	Issued	Redeemed	
6/2001	5/2020	4.00-5.50%	\$ 13,600,000	\$ 8,020,000	\$ -	\$ 700,000	\$ 7,320,000
5/2002	8/2016	3.00-5.90%	44,999,260	3,239,260		1,100,000	2,139,260
8/2005	8/2030	3.40-5.00%	45,000,000	42,700,000		41,645,000	1,055,000
7/2005	6/2023	2.70-5.25%	47,354,973	30,421,273		3,238,333	27,182,940
7/2005	8/2026	2.70-5.25%	36,384,991	26,916,148		1,316,785	25,599,363
1/2009	8/2033	2.50-8.10%	72,044,664	72,044,664			72,044,664
4/2012	8/2030	2.00-5.00%	42,230,000		42,230,000		42,230,000
				\$ 183,341,345	\$ 42,230,000	\$ 48,000,118	\$ 177,571,227

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

NOTE 8 – GENERAL OBLIGATION BONDS (Continued)

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, 2012, the principal balance outstanding was \$7,320,000.

The bonds mature through 2020 as follows:

Fiscal Year			
Ended	Principal	Interest	Total
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	930,000	224,675	1,154,675
2018-2020	3,155,000	353,925	3,508,925
	<u>\$ 7,320,000</u>	<u>\$ 1,934,900</u>	<u>\$ 9,254,900</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 an in-substance defeased debt. As of June 30, 2012, the principal balance of the un-callable bonds outstanding was \$2,139,260. The accreted interest on the capital appreciation bonds balance as of June 30, 2012 was \$698,134.

The bonds mature through 2017 as follows:

Fiscal Year		Accreted		
Ended	Principal	Interest	Interest	Total
2013	\$ 1,260,000	\$ -	\$ 28,350	\$ 1,288,350
2014				
2015				
2016				
2017	879,260	1,120,740		2,000,000
	<u>\$ 2,139,260</u>	<u>\$ 1,120,740</u>	<u>\$ 28,350</u>	<u>\$ 3,288,350</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

NOTE 8 – GENERAL OBLIGATION BONDS (Continued)

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 had an unamortized cost of issuance totaling \$444,180, and an unamortized premium of \$2,078,910 as of June. The cost of issuance and premium on the bonds were amortized utilizing the straight-line method over the life of the debt. The bonds interest rates ranged from 3.40 percent to 5.00 percent.

In April 2012, the District issued 2012 General Obligation Refunding Bonds to refinance portion of the District’s outstanding General Obligation Bonds, Election of 2002, Series B in amount of \$42,230,000. As of June 30, 2012, the principal balance of the remaining outstanding was \$1,055,000.

The bonds mature through 2031 as follows:

Fiscal Year Ended	Principal	Interest	Total
2013	\$ 100,000	\$ 39,512	\$ 139,512
2014	175,000	34,481	209,481
2015	345,000	24,300	369,300
2016	435,000	8,700	443,700
	<u>\$ 1,055,000</u>	<u>\$ 106,993</u>	<u>\$ 1,161,993</u>

2005 Refunding Bonds Series A and B

In July 2005, the District issued General Obligation Refunding Bonds Series A and B in the amount of \$47,354,973 and \$36,384,991, respectively. The bonds were issued for the purpose of providing funds to refinance two previously outstanding bonds issues including the 1998 Series B and the 2002 Series A bonds. The 2005 Refunding Bonds Series A and B had combined cost of issuance, deferred losses on refunding, and premium that was fully amortized during the fiscal year ending June 30, 2012. The cost of issuance, deferred charge, and premium were 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, 2012 was \$27,182,940 and \$25,599,363, respectively. The accreted interest on the capital appreciation bonds balance as of June 30, 2012 was \$9,559,909 and \$10,220,415, respectively.

The Series A bonds mature through 2023 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Total
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	2,565,057	1,931,193	4,496,250
2018-2022	11,135,441	11,353,057	22,488,498
2023	1,924,485	2,574,764	4,499,249
	<u>\$ 27,182,940</u>	<u>\$ 22,250,572</u>	<u>\$ 49,433,512</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

NOTE 8 – GENERAL OBLIGATION BONDS (Continued)

2005 Refunding Bonds Series A and B (Continued)

The Series B bonds mature through 2027 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Total
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	905,051	699,493	1,604,544
2018-2022	9,029,328	9,445,887	18,475,215
2023-2027	8,294,670	13,576,080	21,870,750
	<u>\$ 25,599,363</u>	<u>\$ 27,905,822</u>	<u>\$ 53,505,185</u>

2008 General Obligation Bond Series 2009

In January 2009 the District issued General Obligation Bonds Series 2009 in the amount of \$72,044,664. The bonds included \$12,460,000 in Current Interest bonds and \$59,584,664 in Capital Appreciation bonds totaling to the \$72,044,664. The Capital Appreciation bonds of \$59,584,664 accrete to a \$203,900,000 maturity value. The bonds were issued for the purpose of providing funds to refinance new construction, additions to and modernization of school facilities for the District. The unamortized cost of issuance totaled \$959,299 and an unamortized premium of \$2,283,756 as of June 30, 2012. 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, 2012, was \$72,044,664. The accreted interest on the capital appreciation bonds balance as of June 30, 2012 was \$11,630,118.

The bonds mature through 2034 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Interest	Total
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	1,175,000		487,188	1,662,188
2018-2022	11,809,424	1,150,281	2,765,576	15,725,281
2023-2027	16,877,405	26,122,595		43,000,000
2028-2032	28,340,385	71,159,615		99,500,000
2033-2034	12,732,450	44,267,550		57,000,000
	<u>\$ 72,044,664</u>	<u>\$142,700,041</u>	<u>\$ 5,367,038</u>	<u>\$ 220,111,743</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

NOTE 8 – GENERAL OBLIGATION BONDS (Continued)

2012 General Obligation Refunding Bonds

In April 2012 the District issued 2012 General Obligation Refunding Bonds in the amount of \$42,230,000. The bonds were issued for the purpose of providing funds to refinance General Obligation Bonds, 2002 Series B. The unamortized cost of issuance totaled \$321,012 and an unamortized premium of \$5,725,083 as of June 30, 2012. The cost of issuance and premium are all amortized utilizing the straight-line method through 2031. The bonds interest rates range from 2.00 percent to 5.00 percent. The outstanding principal at June 30, 2012, was \$42,230,000.

The bonds mature through 2031 as follows:

Fiscal Year Ended	Principal	Interest	Total
2013	\$ 485,000	\$ 1,471,614	\$ 1,956,614
2014		1,868,488	1,868,488
2015		1,868,488	1,868,488
2016		1,868,488	1,868,488
2017	520,000	1,858,088	2,378,088
2018-2022	7,035,000	8,755,515	15,790,515
2023-2027	16,845,000	5,800,815	22,645,815
2028-2031	17,345,000	1,527,706	18,872,706
	<u>\$ 42,230,000</u>	<u>\$ 25,019,202</u>	<u>\$ 67,249,202</u>

Debt Defeasance

The refunded bonds of the 1998 Series B were redeemed on June 1, 2008 and the 2002 Series A bonds were redeemed on April 18, 2012.

In April 2012, the callable portions of the 2002 Series B 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 payments on the bonds until the redemption date.

The difference between the debt service of the original bonds and the refunding bonds is \$4,481,121. The refunding resulted in a decrease of the District's total debt service payments by \$2,642,008 and an economic gain (difference between the present values of the old and new debt) of \$2,051,968. 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, 2012, \$41,645,000 remains outstanding on the 2002 Series B defeased bonds.

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, 2012, the trustee account for the 2002 Series B bonds was valued at \$47,696,187. As the investments are in an irrevocable trust for the purpose of debt defeasance, the investments in the trustee accounts are not reflected in these financial statements.

NOTE 9 – COMPENSATED ABSENCES

The accumulated unpaid employee vacation for the District at June 30, 2012, amounted to \$644,688.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

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, 2012, was \$1,363,313.

The repayment schedule for the lease is as follows:

Fiscal Year Ended	Principal	Interest	Total
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>\$ 1,363,313</u>	<u>\$ 131,489</u>	<u>\$ 1,494,802</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 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 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 2012, the District contributed \$339,271 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, 2012

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

Annual OPEB and Net OPEB Obligation (Continued)

Annual required contribution	\$ 500,615
Interest on net OPEB Obligation	18,806
Adjustment to annual required contribution	<u>(23,302)</u>
Annual OPEB cost (expense)	496,119
Contributions made	<u>(339,271)</u>
Increase in net OPEB obligation	156,848
Net OPEB obligation - beginning of fiscal year	<u>389,597</u>
Net OPEB obligation - end of fiscal year	<u><u>\$ 546,445</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 2012, 2011, and 2010 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$ 492,834	81.32%	\$ 275,847
6/30/2011	\$ 477,658	76.19%	\$ 389,597
6/30/2012	\$ 496,119	68.39%	\$ 546,445

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. The schedule of funding progress for retiree health plan is referenced on page 45.

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, 2009 was thirty years.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2012

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
2013	\$ 432,778
2014	187,803
2015	187,803
2016	187,803
	<u>\$ 996,187</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
2013	\$ 60,000

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, 2012, 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 2012, 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 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 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 2011-2012 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$2,176,222, \$2,152,957, and \$2,266,756, respectively, and equal 100% of the required contributions for each fiscal year.

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement 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, 2012

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 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 2011-2012 was 10.923% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2012, 2011, and 2010, were \$691,631, \$740,585, and \$655,840, 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, 2012.

NOTE 18 – SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through December 14, 2012, the date of these financial statements were available to be issued, and has determined there were no material events requiring disclosure.

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REQUIRED SUPPLEMENTARY INFORMATION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue limit sources:				
Local sources	\$ 31,793,130	\$ 32,825,362	\$ 31,546,761	\$ (1,278,601)
Federal	1,792,209	1,833,019	1,671,141	(161,878)
Other state	1,299,660	1,920,494	2,345,654	425,160
Other local	15,400,614	20,345,931	21,169,182	823,251
Total revenues	50,285,613	56,924,806	56,732,738	(192,068)
Expenditures:				
Certificated salaries	25,901,128	26,550,239	26,550,239	
Classified salaries	6,830,583	7,197,031	7,197,031	
Employee benefits	8,707,595	9,413,958	9,413,958	
Books and supplies	1,200,000	1,271,394	1,271,394	
Contracted services and other operating expenditures	7,745,137	9,148,584	9,814,346	(665,762)
Capital outlay		77,979	77,979	
Other outgo		113,325	113,325	
Debt service				
Principal	631,575	331,575	331,575	
Interest	60,592	60,592	60,592	
Total expenditures	51,076,610	54,164,677	54,830,439	(665,762)
Excess of revenues over (under) expenditures	(790,997)	2,760,129	1,902,299	(857,830)
Other Financing Sources (Uses):				
Transfers in		4,492	4,492	
Transfers out		(2,500,000)	(2,500,000)	
Total other financing sources (uses)		(2,495,508)	(2,495,508)	
Net change in fund balance	(790,997)	264,621	(593,209)	(857,830)
Fund balance, July 1, 2011	6,535,732	6,535,732	6,535,732	
Fund balance, June 30, 2012	\$ 5,744,735	\$ 6,800,353	\$ 5,942,523	\$ (857,830)

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT
POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS TREND INFORMATION
June 30, 2012

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%

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2012

	Adult Education Fund	Cafeteria Fund	Totals
Assets			
Cash in County Treasury	\$ -	\$ 41,613	\$ 41,613
Cash on hand and in banks		13,143	13,143
Accounts receivable		8,070	8,070
	<u>\$ -</u>	<u>\$ 62,826</u>	<u>\$ 62,826</u>

Liabilities and Fund Balances

Liabilities:			
Accounts payable	\$ -	\$ 58,108	\$ 58,108
Total liabilities		<u>58,108</u>	<u>58,108</u>
Fund balances:			
Committed			
Cafeteria		4,718	4,718
Total fund balances		<u>4,718</u>	<u>4,718</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 62,826</u>	<u>\$ 62,826</u>

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, 2012

	Adult Education Fund	Cafeteria Fund	Totals
Revenues:			
Other local	\$ -	\$ 1,056,293	\$ 1,056,293
Total revenues	<u> </u>	<u>1,056,293</u>	<u>1,056,293</u>
Expenditures:			
Classified salaries		435,077	435,077
Employee benefits		149,618	149,618
Books and supplies		41,146	41,146
Contracted services and other operating expenditures		<u>527,522</u>	<u>527,522</u>
Total expenditures		<u>1,153,363</u>	<u>1,153,363</u>
Excess of revenues over (under) expenditures		<u>(97,070)</u>	<u>(97,070)</u>
Other Financing Sources (Uses):			
Transfers out	<u>(4,492)</u>		<u>(4,492)</u>
Total other financing sources (uses)	<u>(4,492)</u>		<u>(4,492)</u>
Net change in fund balances	(4,492)	(97,070)	(101,562)
Fund balances , July 1, 2011	<u>4,492</u>	<u>101,788</u>	<u>106,280</u>
Fund balances, June 30, 2012	<u>\$ -</u>	<u>\$ 4,718</u>	<u>\$ 4,718</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, 2012

	Adult Education Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other local	\$ -	\$ -	\$ -
Total revenues			
Expenditures:			
Classified salaries			
Employee benefits			
Books and supplies			
Contracted services and other operating expenditures			
Total expenditures			
Excess of revenues over (under) expenditures			
Other Financing Sources (Uses):			
Transfers out	(4,492)	(4,492)	
Total other financing sources (uses)	(4,492)	(4,492)	
Net change in fund balances	(4,492)	(4,492)	
Fund balances , July 1, 2011	4,492	4,492	
Fund balances, June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Cafeteria Fund			Totals		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ 1,502,000	\$ 1,056,293	\$ (445,707)	\$ 1,502,000	\$ 1,056,293	\$ (445,707)
1,502,000	1,056,293	(445,707)	1,502,000	1,056,293	(445,707)
533,207	435,077	98,130	533,207	435,077	98,130
227,317	149,617	77,700	227,317	149,617	77,700
41,147	41,147		41,147	41,147	
661,953	527,522	134,431	661,953	527,522	134,431
1,463,624	1,153,363	310,261	1,463,624	1,153,363	310,261
38,376	(97,070)	(135,446)	38,376	(97,070)	(135,446)
			(4,492)	(4,492)	
			(4,492)	(4,492)	
38,376	(97,070)	(135,446)	33,884	(101,562)	(135,446)
101,788	101,788		106,280	106,280	
\$ 140,164	\$ 4,718	\$ (135,446)	\$ 140,164	\$ 4,718	\$ (135,446)

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
June 30, 2012

	Capital Facilities Fund	County School Facilities Fund	Totals
Assets			
Cash in County Treasury	\$ 758,563	\$ 527,780	\$ 1,286,343
Accounts receivable	1,338		1,338
	<u>759,901</u>	<u>527,780</u>	<u>1,287,681</u>
Total assets	<u>\$ 759,901</u>	<u>\$ 527,780</u>	<u>\$ 1,287,681</u>
Liabilities and Fund Balances			
Fund balances:			
Restricted			
Construction	\$ 759,901	\$ 527,780	\$ 1,287,681
	<u>759,901</u>	<u>527,780</u>	<u>1,287,681</u>
Total liabilities and fund balances	<u>\$ 759,901</u>	<u>\$ 527,780</u>	<u>\$ 1,287,681</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2012

	Capital Facilities Fund	County School Facilities Fund	Totals
Revenues:			
Other local	\$ 340,296	\$ 4,034	\$ 344,330
Total revenues	<u>340,296</u>	<u>4,034</u>	<u>344,330</u>
Expenditures:			
Contracted services and other operating expenditures	7,025		7,025
Capital outlay	<u>24,850</u>		<u>24,850</u>
Total expenditures	<u>31,875</u>		<u>31,875</u>
Net change in fund balances	308,421	4,034	312,455
Fund balances, July 1, 2011	<u>451,480</u>	<u>523,746</u>	<u>975,226</u>
Fund balances, June 30, 2012	<u>\$ 759,901</u>	<u>\$ 527,780</u>	<u>\$ 1,287,681</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, 2012

	Capital Facilities Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other local	\$ 80,999	\$ 340,296	\$ 259,297
Total revenues	<u>80,999</u>	<u>340,296</u>	<u>259,297</u>
Expenditures:			
Contracted services and other operating expenditures	15,000	7,025	7,975
Capital outlay	<u>311,000</u>	<u>24,850</u>	<u>286,150</u>
Total expenditures	<u>326,000</u>	<u>31,875</u>	<u>294,125</u>
Net change in fund balances	(245,001)	308,421	553,422
Fund balances, July 1, 2011	<u>451,480</u>	<u>451,480</u>	
Fund balances, June 30, 2012	<u>\$ 206,479</u>	<u>\$ 759,901</u>	<u>\$ 553,422</u>

County School Facilities Fund			Totals		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ 10,000	\$ 4,034	\$ (5,966)	\$ 90,999	\$ 344,330	\$ 253,331
10,000	4,034	(5,966)	90,999	344,330	253,331
250,000		250,000	15,000 561,000	7,025 24,850	7,975 536,150
250,000		250,000	576,000	31,875	544,125
(240,000)	4,034	244,034	(485,001)	312,455	797,456
523,746	523,746		975,226	975,226	
\$ 283,746	\$ 527,780	\$ 244,034	\$ 490,225	\$ 1,287,681	\$ 797,456

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SUPPLEMENTARY INFORMATION SECTION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2012

The Beverly Hills Unified School District (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, 2012 were as follows:

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Dr. Brian David Goldberg, Ph.D.	President	December, 2014
Mr. Jacob (Jake) Manaster	Vice President	December, 2013
Mr. Noah Margo	Member	December, 2014
Ms. Lisa Korbatov	Member	December, 2013
Mr. Lewis Hall	Member	December, 2014

ADMINISTRATION

Dr. Gary W. Woods
Superintendent

Dr. Dawnalyn Murakawa-Leopard, Ed.D.
Chief Administrative Officer

Dr. Jennifer Tedford
Chief Academic Officer

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Fiscal Year Ended June 30, 2012

	Original Second Period Report	Revised Second Period Report	Original Annual Report	Revised Annual Report
Elementary				
Kindergarten	203	203	203	203
First through Third	671	671	673	673
Fourth through Sixth	888	888	889	889
Seventh and Eighth	667	667	668	668
Home and Hospital	3	3	3	3
Special Education	61	61	61	61
	<u>2493</u>	<u>2493</u>	<u>2,497</u>	<u>2,497</u>
Subtotals				
High School				
Ninth through Twelfth	1834	1838	1,822	1,831
Continuation Education	11	11	12	12
Home and Hospital	4	4	5	5
Special Education	68	68	70	70
	<u>1,917</u>	<u>1,921</u>	<u>1,909</u>	<u>1,918</u>
Subtotals				
Totals	<u><u>4,410</u></u>	<u><u>4,414</u></u>	<u><u>4,406</u></u>	<u><u>4,415</u></u>

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.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
 For the Fiscal Year Ended June 30, 2012

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>Revised 1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>Revised 1986-87 Minutes Requirement</u>	<u>2011-12 Actual Minutes</u>	<u>Number of Traditional Days</u>	<u>Status</u>
Kindergarten	30,216	28,202	36,000	33,600	40,500	180	In Compliance
Grade 1	53,204	49,657	50,400	47,040	51,165	180	In Compliance
Grade 2	53,204	49,657	50,400	47,040	51,165	180	In Compliance
Grade 3	53,204	49,657	50,400	47,040	51,165	180	In Compliance
Grade 4	53,204	49,657	54,000	50,400	54,765	180	In Compliance
Grade 5	53,204	49,657	54,000	50,400	54,765	180	In Compliance
Grade 6	53,204	49,657	54,000	50,400	64,002	180	In Compliance
Grade 7	53,204	49,657	54,000	50,400	64,002	180	In Compliance
Grade 8	53,204	49,657	54,000	50,400	64,002	180	In Compliance
Grade 9	62,920	58,725	64,800	60,480	65,105	180	In Compliance
Grade 10	62,920	58,725	64,800	60,480	65,105	180	In Compliance
Grade 11	62,920	58,725	64,800	60,480	65,105	180	In Compliance
Grade 12	62,920	58,725	64,800	60,480	64,119	180	In Compliance

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2012

General Fund	(Budget) 2013	2012	2011	2010
Revenues and other financial sources	<u>\$ 51,680,448</u>	<u>\$ 56,737,230</u>	<u>\$ 56,325,443</u>	<u>\$ 55,552,008</u>
Expenditures	53,737,905	54,830,439	52,532,522	54,696,433
Other uses and transfers out	<u>500,000</u>	<u>2,500,000</u>	<u>511,771</u>	<u>638,692</u>
Total outgo	<u>54,237,905</u>	<u>57,330,439</u>	<u>53,044,293</u>	<u>55,335,125</u>
Changes in fund balance (deficit)	<u>(2,557,457)</u>	<u>(593,209)</u>	<u>3,281,150</u>	<u>216,883</u>
Prior period adjustments			<u>6,087</u>	<u>(1,011,605)</u>
Ending fund balance	<u>\$ 3,385,066</u>	<u>\$ 5,942,523</u>	<u>\$ 6,535,732</u>	<u>\$ 3,248,495</u>
Available reserves	<u>\$ 2,897,809</u>	<u>\$ 4,642,773</u>	<u>\$ 4,895,476</u>	<u>\$ 2,180,436</u>
Available reserves as a percentage of total outgo	<u>5.3%</u>	<u>8.1%</u>	<u>9.2%</u>	<u>3.9%</u>
Total long-term debt	<u>\$ 209,467,675</u>	<u>\$ 221,299,275</u>	<u>\$ 218,326,094</u>	<u>\$ 220,804,199</u>
Average daily attendance at P-2	<u>4,408</u>	<u>4,414</u>	<u>4,488</u>	<u>4,759</u>

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

The General Fund balance has increased by \$2,694,028 over the past two fiscal years. The fiscal year 2012-2013 budget projects a decrease of \$2,557,457. 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 2012-13 fiscal year. Total long-term debt has increased by \$475,255 over the past two fiscal years.

Average daily attendance has decreased by 346 over the past two fiscal years. A decrease of 6 ADA is anticipated during the fiscal year 2012-2013.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

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	\$ 434,876
NCLB Title I, Part G, Advanced Placement (AP) Test Fee Reimbursement Program	84.330	0000	4,290
NCLB - Title II, Part A, Improving Teacher Quality	84.367	4035	128,380
NCLB - Title III Limited English Proficiency (LEP) Student Program	84.365	4203	25,992
NCLB: Title III, Immigrant Education Program	84.365	4201	8
NCLB: Title IV Part A: Safe & Drug Free Schools	84.186	3710	1,976
Special Ed: IDEA - Basic Local Assistance Entitlement, Part B	84.027	3310	895,051
Special Ed: IDEA - Preschool Grant, Part B	84.173	3315	21,855
Special Ed: IDEA - Preschool Local Entitlement	84.027A	3320	35,757
Special Ed: IDEA - Preschool Local Staff Development	84.173A	3345	412
Vocational & Applied Technology Secondary II C	84.048	3550	20,392
Adult Basic Education & ESL	84.002A	3905	21,844
ARRA State Fiscal Stabilization Fund	84.394	3200	68,964
Education Jobs Fund - SB 847	84.410	3205	15,198
			1,674,995
Total U.S. Department of Education			1,674,995
Total Expenditures of Federal Awards			\$ 1,674,995

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, 2012

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, 2012

	<u>General Fund*</u>	<u>Adult Education Fund</u>	<u>Cafeteria Fund</u>
June 30, 2012 Unaudited Actuals Report Fund Balances	\$ 3,246,922	\$ -	\$ 84,718
(Overstatement)/Understatement of cash in County Treasury	3,264,187		(80,000)
(Overstatement)/Understatement of accounts receivable	6,283		
(Understatement) of accounts payable	(665,764)		
Overstatement of deferred revenue	<u>90,895</u>		
June 30, 2012 Audited Financial Statements Fund Balances	<u>\$ 5,942,523</u>	<u>\$ -</u>	<u>\$ 4,718</u>

* Included Special Reserve Fund for Other Than Capital Outlay Projects Fund Fund Balance in an amount of \$3,270,470

	<u>Bond Interest and Redemption Fund</u>
June 30, 2012 Unaudited Actuals Report Fund Balances	<u>\$ 4,284,742</u>
June 30, 2012 Audited Financial Statements Fund Balances	<u>\$ 4,284,742</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.

Special Reserve Fund for Other Than Capital Outlay Projects Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund
\$ 3,270,470	\$ 55,903,594	\$ 759,901	\$ 527,780
(3,264,187) (6,283)			
<u>\$ -</u>	<u>\$ 55,903,594</u>	<u>\$ 759,901</u>	<u>\$ 527,780</u>

	Long-Term Debt
June 30, 2012 Unaudited Actuals Report	
Total Liabilities	\$ 228,413,347
(Overstatement) of general obligation bonds payable	(6,836,382)
(Overstatement) of capital leases payable	(543,150)
Understatement of other general long-term debt	81,262
Understatement of compensated absences	61,671
Understatement of net OPEB obligation	<u>122,527</u>
June 30, 2012 Audited Financial Statements Long-Term Debt	
Total Liabilities	<u>\$ 221,299,275</u>

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MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2012. 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 2012-1 through 2012-3 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, as described in the accompanying schedule of findings and questioned costs, as item 2012-4.

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, and the 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 14, 2012



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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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 Beverly Hills Unified School District (District)'s compliance with the types of compliance requirements described in the Standards and Procedures for Audits of California K - 12 Local Educational Agencies 2011-2012, issued by the California Education Audit Appeals Panel as regulations for the fiscal year ended June 30, 2012. Compliance with the requirements of laws, regulations, contracts, and grants listed below 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 in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States; and the Standards and Procedures for Audits of California K - 12 Local Educational Agencies 2011-2012, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above 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 on the District's compliance with the state laws and regulations referred to above.

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:

Table with 3 columns: Description, Procedures in Panel's Audit Guide, Procedures Performed. Rows include Attendance Reporting, Teacher Certification and Misassignments, Kindergarten Continuance, Independent Study, Continuation Education, Instructional Time for School Districts, County Offices of Education, Instructional Materials General Requirements, Ratios of Administrative Employees to Teachers, Classroom Teacher Salaries.

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
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	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 K-3	4	Not Applicable
After School Education and Safety Program		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Contemporaneous Records of Attendance, for Charter Schools	3	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	4	Not Applicable

We did not perform testing of continuation education because the ADA was below the State requirement for testing.

In our opinion, the 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, 2012. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with the Education Audit Appeal Panel's, *Standards and Procedures for Audits of California K-12 Local Educational Agencies* and which is described in the accompanying Schedule of Findings and Questioned costs as item 2012-4. We did not audit the District's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, State Controller's Office, Department of Finance, 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 14, 2012



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, 2012. 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, 2012.

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 14, 2012

FINDINGS AND RECOMMENDATIONS SECTION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 June 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ Yes	<u> X </u> No	
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes	<u> X </u> 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	<u> X </u> No
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Identification of major programs

<u>CFDA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.027A, 84.173, 84.173A</u>	<u>Special Education Cluster</u>

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

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

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section II – Financial Statement Findings

FINDING 2012-1
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. There is no oversight or control over voids, reversed transactions, or account transactions, including waivers and reductions. Transactions are not reviewed for excessiveness.
3. Signed minutes of the ASB Council were not available to 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:

The district hired additional clerical support to provide internal controls for the ASB office in 2011/12 and had to replace the original hire due to promotion after four months so additional training was required. This position provides more internal controls to address the findings. The ASB Technician has been a one person office based on size of school (1800 students) and the ASB/Textbook Technician support added allows for more segregation of duties and check and balance.

The support position closes out the daily registers and allows for a separate count of the aggregate for the daily deposits. District administration has requested and received access to the software to view financial statements and to monitor activity and provide spot audits as deemed necessary.

Staff attendance at the FCMAT ASB workshop has been encouraged and scheduled for December 2012. A School administrator responsible for ASB will also be attending to allow for a better understanding and continued dialog of controls necessary. A review has been tentatively set for January, 2013 to review protocols to address more controls.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section II – Financial Statement Findings (Continued)

FINDING 2012-1(Continued)
INTERNAL CONTROLS – ASSOCIATED STUDENT BODY
30000

LEA's Corrective Action Plan (Continued):

Inventory was counted by entire team to validate inventory in 2011/2012 and prices were validated. Packing slips are received and merchandise counted so that the proper entry can be entered and then later verified by the 2nd clerical person.

The night deposits from school activities are bagged and sealed so they cannot be tampered with without knowledge. Due to site security concerns at a late hour, funds are removed to the safe and counted in a controlled environment the following day and balanced to ticket sales using at least two counters together as a check and balance. Variances are noted and researched.

Training on the software for the additional clerical position is an ongoing process. Staff has concentrated on cash management and daily closeouts since that is where the bulk of revenue was. Support staff filed back-up for check requests and provided additional review on amount and proper sign off. We will continue this internal control practice. Part of the ASB class is the appropriate action on disbursements, which include review of invoices and what they are for. Students in addition review check requests after administrative authorization so multiple personnel are reviewing.

Bank reconciliation is done using the software and is the responsibility of the ASB/Textbook Technician for check and balance. Notice of timely reconciliation was also due to training but staff is maintaining proper timing but has been noted.

Students maintain meeting minutes as part of the normal class activity on a computer. Signed copies are maintained within the teaching environment and signed copies will be maintained in the ASB office prior to writing the checks. The minutes are required to issue warrants and at the time of the audit may not have been readily available for review.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section II – Financial Statement Findings (Continued)

FINDING 2012-2
INTERNAL CONTROLS – ASSOCIATED STUDENT BODY
30000

Condition:

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

1. Nineteen of the twenty disbursements examined did not have minutes approved section on the disbursement voucher forms filled out.
2. Two of the twenty disbursements examined did not have original invoices attached with the check/disbursement voucher request form.
3. All twenty disbursements were not being defaced in any manner.
4. One of the twenty disbursements examined has check address that does not match with invoice address. A handwritten note was on the invoice saying to mail the check to different address.
5. One out of twenty disbursements examined was for a total of \$17,886.86. However, the invoice amount due was in a total of \$21,384.86, which was a difference of \$3,498.

Effect:

1. Without the properly filling out disbursement voucher forms, it is not in compliance with the formal ASB's policies and procedures.
2. Without supporting documentation for cash disbursements, it is difficult to verify if payments made were appropriate for ASB funds.
3. Without cancelling invoices or supporting documentation when invoice was paid, the invoices are susceptible to unintentional duplicate payment.
4. Without mailing the payments to the same address on the invoices, it increases the risk of misappropriation of funds.
5. Without making the payments agreed with the amount on the invoices, it increases the risk of misappropriation of funds.

Cause:

Lack of control and oversight of the ASB school site.

Recommendation:

1. We recommend that minutes approval sections on the disbursement voucher forms are properly filled out.
2. We recommend that all supporting documentation are maintained in files to ensure the accuracy of the vendors and amounts paid, resulting a better audit trail.
3. We recommend that the paid invoices are marked with a "PAID" stamp while they are in the custody of the check preparer or singer. The stamp should provide for notation of check number, date, and the initials of the individual who reviewed the invoice detail and approved payment to reduce the risk of duplicate payments.
4. We recommend that check address for payments is agreed with invoices address. If vendor's mailing address disagrees with invoice address, the reason of mailing the payments to a different address should be noted and approved by an appropriate official.
5. We recommend that there should be a reason stated and an approval by an appropriate official when the payments are made in an amount different than the invoice amounts.

Section II – Financial Statement Findings (Continued)

FINDING 2012-2 (Continued)
INTERNAL CONTROLS – ASSOCIATED STUDENT BODY
30000

LEA's Corrective Action Plan (Continued):

The minutes approval sections on the disbursement voucher forms have been the responsibility of the ASB treasurer to complete upon the action of the ASB. The disbursements can be tracked back to the requested approval form that is part of the minutes. Staff will be working with students to maintain proper completion.

Staff will establish protocols to stamp paid on all invoices to show they have been processed. Original receipts are requested but in the case of the findings, there may have been other items covered that were not ASB. The discrepancy for the amount as shown as an exception included a credit memo that was taken into account for the reduction in the amount paid. Staff will continue to match all invoices for the payments to make sure all credits and adjustments are taken timely so the funds are protected. Written procedures will be reviewed and reestablished with staff.

Use of remittance addresses are normally used but if there have been instances of mail not being received timely such as in athletic registration events, invoices have been forwarded to coaches to walk the necessary documents to the proper area not to circumvent. Staff will record explanations on the document to reflect changes in addresses and or amounts based on the billing of certain activities that do one billing invoice but allow for various payments.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section II – Financial Statement Findings (Continued)

FINDING 2012-3
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. Five of the twenty items tested was for tickets sold and has actual cash counted that is over or under the recalculated dollar amount written on the ticket sale reports. In addition, these tickets sold are not being tracked with sequential tickets. It was also noted that the ABS accountant was selling the tickets at the game. Further, two of these five items have changes on the ticket count reports for numbers of tickets sold.
2. Seven of the twenty items tested did not have sufficient supporting documentation accompanying the receipt. Three of these seven items were for donations.

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:

The change of tickets from regular sales, to VIP tickets, and including donations is constant in our programs. Staff will address this and identify ways to regulate the variances in the reconciliation by moving to a more automated system.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section III – Federal Award Findings

There were no findings on the federal awards.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2012

Section IV – State Award Findings

FINDING 2012-4
ATTENDANCE
40000

Criteria:

Education Code Section 41601 states that, "For the purposes of this chapter, the governing board of each school district shall report to the Superintendent of Public Instruction during each fiscal year the average daily attendance of the district for all full school months during (1) the period between July 1 and December 31, inclusive, to be known as the "first period" report for the first principal apportionment, and (2) the period between July 1 and April 15, inclusive, to be known as the "second period" report for the second principal apportionment. Each county superintendent of schools shall report the average daily attendance for the schools and classes maintained by him or her and the average daily attendance for the county school tuition fund."

Condition:

During our compliance audit of attendance reporting, we noted that ADA for independent study was not included in the second period attendance report and annual attendance report.

Effect:

Units of Average Daily Attendance (ADA) for Independent study were not included in attendance reporting submitted to the California Department of Education.

Questioned cost:

Not applicable. The District is a basic aid school district.

Cause:

There is a lack of oversight on the part of the District.

Recommendation:

We recommend that the District report ADA for independent study on its second period attendance report and annual attendance report.

LEA's Corrective Action Plan:

The independent study ADA was not included due to concern it was counted twice (as in regular ed already). This practice has been the same for the last two years as well. Thus under reporting the ADA, which we are not funded at due to being a basic aid district.

We have verified that students are not counted in the regular count as well based on the coding used in Aeries. Staff will make sure to include this additional ADA on the report and also reflect it as independent study in the report section kept separate and will report data separately as required in the "other section" of the state attendance report. An appropriate adjustment will be filed.

Section I – 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.

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.

Current Status:

Implemented

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2012

Section I – 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.

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.

Current Status:

Not implemented, see current fiscal year finding 2012-1

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2012

Section I – 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.

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.

Current Status:

Not implemented, see current fiscal year finding 2012-2

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2012

Section I – 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.

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.

Current Status:

Not implemented, see current fiscal year finding 2012-3