



ANNUAL FINANCIAL REPORT

JUNE 30, 2009

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
OF LOS ANGELES COUNTY
BEVERLY HILLS, CALIFORNIA
JUNE 30, 2009

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Nooshin Meshkaty	President	2009
Myra Lurie	Vice President	2011
Myra Demeter, Ph.D.	Member	2009
Steve Fenton	Member	2011
Brian Goldberg, Ph.D.	Member	2011

ADMINISTRATION

Jerry C. Gross, Ph.D.	Superintendent
Cheryl Plotkin	Assistant Superintendent, Business Services
Ilene Straus, Ed.D	Assistant Superintendent, Educational Services K-12
Alex Cherniss, Ed.D.	Director, Human Resources

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
Beverly Hills Unified School District
Beverly Hills, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Beverly Hills Unified School District (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2008-09*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Beverly Hills Unified School District, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 45 for the year ended June 30, 2009.

As discussed in the Notes to the basic financial statements, the State of California continues to suffer the effects of a recessionary economy, which directly impacts the funding requirements of the State of California to the K-12 educational community.

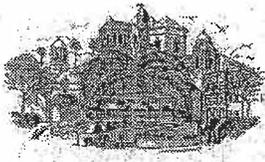
In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 12 and budgetary comparison and other postemployment information on pages 48 and 49, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

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

Vaminik, Tri, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2009



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

This section of Beverly Hills Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2009, with comparative information from 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

District-Wide Statements

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

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

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

Governmental Activities

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$17,858,630 for the fiscal year ended June 30, 2009. Of this amount, (\$1,122,783) was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2009	2008
Assets		
Current and other assets	\$ 90,995,485	\$ 22,675,015
Capital assets	143,247,265	175,018,746
Total Assets	234,242,750	197,693,761
Liabilities		
Current liabilities	16,012,641	14,400,131
Long-term obligations	200,371,479	133,363,670
Total Liabilities	216,384,120	147,763,801
Net Assets		
Invested in capital assets, net of related debt	10,866,203	41,079,995
Restricted	8,115,210	6,811,723
Unrestricted	(1,122,783)	2,038,242
Total Net Assets	\$ 17,858,630	\$ 49,929,960

The (\$1,122,783) in unrestricted net assets of governmental activities represents *accumulated* results of all past years' operations.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 14.

Table 2

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,913,325	\$ 1,989,884
Operating grants and contributions	8,913,020	8,503,670
Capital grants and contributions	666,809	-
General revenues:		
Federal and State aid not restricted	15,044,346	23,340,623
Property taxes	39,819,758	34,412,631
Other general revenues	7,880,401	6,223,212
Total Revenues	<u>74,237,659</u>	<u>74,470,020</u>
Expenses		
Instruction related	80,988,700	46,164,894
Student support services	4,118,632	3,749,173
Administration	7,719,187	4,218,318
Maintenance and operations	7,556,371	9,465,278
Other	5,926,099	3,259,156
Total Expenses	<u>106,308,989</u>	<u>66,856,819</u>
Change in Net Assets	<u><u>\$(32,071,330)</u></u>	<u><u>\$ 7,613,201</u></u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$106,308,989. However, the amount that our taxpayers ultimately financed for these activities through local taxes were \$39,819,758 because the cost was paid by those who benefited from the programs (\$1,913,325) or by other governments and organizations who subsidized certain programs with grants and contributions (\$8,913,020). We paid for the remaining "public benefit" portion of our governmental activities, \$22,924,747 in Federal and State funds and with other revenues, like interest, City JPA funds and general entitlements.

In Table 3, we have presented the cost of each of the District's largest functions - regular program instruction, instruction-related activities, other pupil services, administration, maintenance and operations, ancillary services, interest on long-term obligations and other outgo. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	2009		2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 75,010,506	\$ 67,383,784	\$ 39,985,057	\$ 33,294,696
Instruction-related activities	5,978,194	4,932,348	6,179,837	4,803,439
Other pupil services	4,118,632	1,870,440	3,749,174	1,453,043
Administration	7,719,187	7,574,297	4,218,318	4,123,288
Maintenance and operations	7,556,371	7,193,026	9,465,278	9,429,644
Ancillary services	404,865	404,865	458,630	458,630
Interest on long-term obligations	5,455,165	5,455,165	2,740,081	2,740,081
Other	66,069	1,910	60,444	60,444
Total	\$ 106,308,989	\$ 94,815,835	\$ 66,856,819	\$ 56,363,265

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2009

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, our governmental funds reported a combined fund balance of \$80,710,297, which is an increase of \$66,780,799 from last year.

Table 4

	Balances and Activity			
	July 1, 2008	Revenues	Expenditures	June 30, 2009
General Fund	\$ 7,119,956	\$ 55,702,145	\$ 58,778,884	\$ 4,043,217
Building Fund	38,879	75,251,171	6,869,842	68,420,208
Bond Interest and Redemption Fund	4,409,898	11,941,203	10,081,168	6,269,933
Adult Education Fund	275,309	845,142	1,107,398	13,053
Cafeteria Fund	141,839	1,495,547	1,599,356	38,030
Deferred Maintenance Fund	909,224	1,259,129	1,497,219	671,134
Special Reserve Fund for Other Than				
Capital Outlay Projects	5,847	148	-	5,995
Capital Facilities Fund	370,709	246,428	1,136,465	(519,328)
County School Facilities Fund	40,318	666,810	115,414	591,714
Special Reserve for Capital Outlay Projects	617,519	1,626,682	1,067,860	1,176,341
Total	\$ 13,929,498	\$ 149,034,405	\$ 82,253,606	\$ 80,710,297

The primary reasons for these changes are:

The Building Fund shows an increase of the funds ending balance to \$68,420,208 due to the General obligation bond issued in the current year.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 48.

- Significant revenue revisions made to the 2008-2009 Budget were due to categorical funding changes and donations from Parent Teacher Association (PTA).
- The Parent Teacher Association (PTA) revenue and expenditures through February 2009 are recorded as increases in the budget amounts.
- Beverly Hills Education Foundation summer school receipt is added to the local revenue budget.
- Restricted funds were adjusted based on current expectations for interest, Developer fees and State Construction Funds.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By June 30, 2009, the District had invested \$212,198,407 in a broad range of capital assets, including land, school buildings and other furniture and equipment valued over \$143,247,265. (See Table 5) (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year exceeded \$36,756,249, while the completion of the high school auditorium, modernization and acquisitions of equipment and furniture amounted to \$4,984,768 in additions to Capital Assets.

Table 5

	Governmental Activities	
	2009	2008
Land	\$ 2,933,062	\$ 2,933,062
Construction in progress	4,033,078	17,359,065
Buildings and improvements	192,115,270	174,361,946
Site improvements	8,716,286	8,240,142
Furniture and equipment	4,400,711	4,319,424
Accumulated depreciation	(68,951,142)	(32,194,893)
Total	\$ 143,247,265	\$175,018,746
This year's major additions included:		
Roofing completion	\$ 1,086,349	

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Long-Term Obligations

At year-end, the District had \$208,390,787 in general obligation bonds and other long-term obligations outstanding – an increase of 47.4 percent from last year as shown in Table 6.

The District issued debt of \$72 million and retired \$6.3 of outstanding bonds.

Table 6

	Governmental Activities	
	2009	2008
General obligation bonds (net of premium)	\$ 204,767,456	\$137,509,395
Energy lease	2,147,031	2,388,391
Accumulated vacation-net	557,594	493,352
Supplement Executive Retirement Plan	734,925	979,900
Net OPEB obligation	183,781	-
Total	\$ 208,390,787	\$141,371,038

More detailed information about the District's long-term obligations is presented in Note 9 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2009-2010 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Revenue limit/Basic Aid Funding.
2. State income for Revenue Limit/Property Tax and categoricals has been reduced and calculated per State Budget Act of 2009.
3. JPA with the city increased by cost of living adjustment.
4. One time revenues from the American Recovery and Reinvestment Act for general purpose, Title 1, and Special Education.

Expenditures are based on the following forecasts:

	<u>Staffing Ratio</u>	<u>Enrollment</u>
Grades kindergarten through third	20:1	970
Grades four through eight	29:1	1,718
Grades nine through twelve	29:1	2,055

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2009

	Governmental Activities
ASSETS	
Deposits and investments	\$ 80,218,495
Receivables	5,925,211
Prepaid expenditures	244,975
Deferred cost of issuance	2,049,203
Stores inventories	27,751
Deferred charge on refunding	2,308,824
Other current assets	221,026
Capital assets	
Land and construction in process	6,966,140
Other capital assets	205,232,267
Less: Accumulated depreciation	(68,951,142)
Total Capital Assets, Net	143,247,265
Total Assets	234,242,750
LIABILITIES	
Accounts payable	5,757,614
Interest payable	2,066,172
Deferred revenue	169,547
Long-term obligations	
Current portion of long-term obligations	8,019,308
Noncurrent portion of long-term obligations	200,371,479
Total Long-Term Obligations	208,390,787
Total Liabilities	216,384,120
NET ASSETS	
Invested in capital assets, net of related debt	10,866,203
Restricted for:	
Debt service	4,203,761
Capital projects	464,227
Educational programs	2,719,010
Other activities	728,212
Unrestricted	(1,122,783)
Total Net Assets	\$ 17,858,630

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 75,010,506	\$ 575,538	\$ 6,384,375
Instruction-related activities:			
Supervision of instruction	1,572,539	30,619	541,060
Instructional library, media, and technology	1,007,396	1,805	3,818
School site administration	3,398,259	142,806	325,738
Pupil services:			
Home-to-school transportation	102,590	-	101,847
Food services	1,595,790	1,121,177	256,622
All other pupil services	2,420,252	-	768,546
Administration:			
Data processing	184,770	-	44,780
All other administration	7,534,417	9,173	90,937
Plant services	7,556,371	7,443	355,902
Ancillary services	404,865	-	-
Community services	66,069	-	-
Interest on long-term obligations	5,455,165	-	-
Other outgo	-	24,764	39,395
Total Governmental Activities	\$ 106,308,989	\$ 1,913,325	\$ 8,913,020
		General revenues and subventions:	
		Property taxes, levied for general purposes	
		Property taxes, levied for debt service	
		Federal and State aid not restricted to specific purposes	
		Interest and investment earnings	
		Miscellaneous	
		Subtotal, General Revenues	
		Change in Net Assets	
		Net Assets - Beginning	
		Net Assets - Ending	

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

Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets
<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
\$ 666,809	\$ (67,383,784)
-	(1,000,860)
-	(1,001,773)
-	(2,929,715)
-	(743)
-	(217,991)
-	(1,651,706)
-	(139,990)
-	(7,434,307)
-	(7,193,026)
-	(404,865)
-	(66,069)
-	(5,455,165)
-	64,159
<u>\$ 666,809</u>	<u>(94,815,835)</u>
	29,613,877
	10,205,881
	15,044,346
	783,358
	<u>7,097,043</u>
	<u>62,744,505</u>
	(32,071,330)
	49,929,960
	<u>\$ 17,858,630</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009**

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	\$ 5,336,457	\$ 68,028,367	\$ 6,269,933
Receivables	2,561,848	396,225	-
Due from other funds	1,377,004	-	-
Prepaid expenditures	244,975	-	-
Stores inventories	-	-	-
Other current assets	221,026	-	-
Total Assets	\$ 9,741,310	\$ 68,424,592	\$ 6,269,933
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 5,522,257	\$ 4,384	\$ -
Due to other funds	6,289	-	-
Deferred revenue	169,547	-	-
Total Liabilities	5,698,093	4,384	-
Fund Balances:			
Reserved for:			
Revolving cash	50,000	-	-
Stores inventories	-	-	-
Prepaid expenditures	244,975	-	-
Legally restricted programs	2,719,010	-	-
Unreserved:			
Designated	1,029,232	-	-
Undesignated, reported in:			
Special revenue funds	-	-	-
Debt service funds	-	-	6,269,933
Capital projects funds	-	68,420,208	-
Total Fund Balance	4,043,217	68,420,208	6,269,933
Total Liabilities and Fund Balances	\$ 9,741,310	\$ 68,424,592	\$ 6,269,933

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

County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 5,427	\$ 578,311	\$ 80,218,495
1,797,310	1,169,828	5,925,211
-	856,289	2,233,293
-	-	244,975
-	27,751	27,751
-	-	221,026
<u>\$ 1,802,737</u>	<u>\$ 2,632,179</u>	<u>\$ 88,870,751</u>
\$ 961	\$ 230,012	\$ 5,757,614
1,210,062	1,016,942	2,233,293
-	-	169,547
<u>1,211,023</u>	<u>1,246,954</u>	<u>8,160,454</u>
-	-	50,000
-	27,751	27,751
-	-	244,975
-	-	2,719,010
-	-	1,029,232
-	700,461	700,461
-	-	6,269,933
591,714	657,013	69,668,935
<u>591,714</u>	<u>1,385,225</u>	<u>80,710,297</u>
<u>\$ 1,802,737</u>	<u>\$ 2,632,179</u>	<u>\$ 88,870,751</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total Fund Balance - Governmental Funds		\$ 80,710,297
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	\$212,198,407	
Accumulated depreciation is:	<u>(68,951,142)</u>	
Net Capital Assets		143,247,265
The District refunded portions of its 1998 and 2002 General Obligation Bonds. The difference between the amount that was sent to the trustee of the escrow account and the amount of the principal outstanding on the refunded obligations is amortized as an adjustment to interest expense over the remaining life of the refunded bonds. This balance represents the unamortized deferred charges on refunding remaining balance at June 30, 2009.		2,308,824
Expenditures relating to issuance for the fiscal year were recognized in modified accrual basis, but should not be recognized in accrual basis.		2,049,203
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(2,066,172)
Long-term obligations, including general obligation bonds and other long-term obligations, are not due and payable in the current period and, therefore, are not reported as obligations in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	(196,441,024)	
Supplement executive retirement plan	(734,925)	
Energy lease	(2,147,031)	
Compensated absences	(557,594)	
Unamortized premium	(8,326,432)	
Net OPEB obligation	<u>(183,781)</u>	
Total Long-Term Obligations		<u>(208,390,787)</u>
Total Net Assets - Governmental Activities		<u><u>\$ 17,858,630</u></u>

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009**

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Revenue limit sources	\$ 30,530,639	\$ -	\$ -
Federal sources	3,861,234	-	-
Other State sources	7,651,490	-	17,543
Other local sources	13,658,782	545,122	11,923,660
Total Revenues	55,702,145	545,122	11,941,203
EXPENDITURES			
Current			
Instruction	38,579,092	-	-
Instruction-related activities:			
Supervision of instruction	1,567,670	-	-
Instructional library, media and technology	1,007,396	-	-
School site administration	2,938,144	-	-
Pupil services:			
Home-to-school transportation	102,590	-	-
	-	-	-
All other pupil services	2,420,252	-	-
Administration:			
Data processing	184,770	-	-
All other administration	3,884,256	-	-
Plant services	6,940,426	-	-
Facility acquisition and construction	6,621	4,208,457	-
Ancillary services	404,865	-	-
Community services	66,069	-	-
Debt service			
Principal	392,178	-	6,286,024
Interest and other	193,858	2,661,385	3,795,144
Total Expenditures	58,688,187	6,869,842	10,081,168
Excess (Deficiency) of Revenues Over Expenditures	(2,986,042)	(6,324,720)	1,860,035
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Other sources	-	74,706,049	-
Transfers out	(90,697)	-	-
Net Financing Sources (Uses)	(90,697)	74,706,049	-
NET CHANGE IN FUND BALANCES	(3,076,739)	68,381,329	1,860,035
Fund Balance - Beginning	7,119,956	38,879	4,409,898
Fund Balance - Ending	\$ 4,043,217	\$ 68,420,208	\$ 6,269,933

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

County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 30,530,639
-	212,193	4,073,427
665,000	1,720,124	10,054,157
1,810	3,450,062	29,579,436
<u>666,810</u>	<u>5,382,379</u>	<u>74,237,659</u>
-	616,744	39,195,836
-	4,869	1,572,539
-	-	1,007,396
-	460,115	3,398,259
-	-	102,590
-	1,599,356	1,599,356
-	-	2,420,252
-	-	184,770
-	-	3,884,256
-	615,945	7,556,371
115,414	3,111,269	7,441,761
-	-	404,865
-	-	66,069
-	-	6,678,202
-	-	6,650,387
<u>115,414</u>	<u>6,408,298</u>	<u>82,162,909</u>
<u>551,396</u>	<u>(1,025,919)</u>	<u>(7,925,250)</u>
-	90,697	90,697
-	-	74,706,049
-	-	(90,697)
-	90,697	74,706,049
<u>551,396</u>	<u>(935,222)</u>	<u>66,780,799</u>
<u>40,318</u>	<u>2,320,447</u>	<u>13,929,498</u>
<u>\$ 591,714</u>	<u>\$ 1,385,225</u>	<u>\$ 80,710,297</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2009

Total Net Change in Fund Balances - Governmental Funds \$ 66,780,799
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

This is the amount by which depreciation exceeds capital outlays expense in the period.

Capital outlays	\$ 4,984,768	
Depreciation expense	<u>(36,756,249)</u>	(31,771,481)

In the statement of activities, certain operating expense - compensated absences (vacation) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was less than the amounts earned by:

(64,242)

In the statement of activities Other Postemployment Benefit Obligations (OPEB) are measured by an actuarially determined Annual Required Contribution (ARC). In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, amounts contributed toward the OPEB obligation were less than the ARC by \$183,781.

(183,781)

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the statement of net assets and does not affect the statement of activities:

General obligation bond	(74,706,049)
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Governmental funds report the effect of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these related items:

Premium on issuance	1,067,492
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The accompanying notes are an integral part of these financial statements.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES (Continued) FOR THE YEAR ENDED JUNE 30, 2009

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net assets and does not affect the statement of activities.

General obligation bonds	\$ 6,286,024
Supplement executive retirement plan	244,975
Other long-term obligations - equipment lease	241,360

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

Amortization of debt premium	1,235,009	
Amortization of cost of issuance	(193,983)	
Amortization of deferred amount on refunding	(769,608)	
Combined adjustment		<u>271,418</u>

Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the result of two factors. First, accrued interest on the general obligation bonds increased by \$164,800 and second, \$73,045 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

	<u>(237,845)</u>
Change in Net Assets of Governmental Activities	<u><u>\$(32,071,330)</u></u>

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	<u>Agency Funds</u>
ASSETS	
Deposits and investments	<u>\$ 749,553</u>
LIABILITIES	
Due to student groups	<u>\$ 749,553</u>

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Beverly Hills Unified School District (the District) was unified in 1935, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates four elementary, one high school, and one adult school.

A reporting entity is comprised of the primary government, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Beverly Hills Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

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

For financial reporting purposes the component unit discussed below is not reported in the District's financial statements. The component unit meets the criteria established in Government Accounting Standards Board (GASB) Statement No.14 as amended by Statement No. 39 based on its significance and relationship to the District. However, based on the reasons indicated below the Beverly Hills Education Foundation is not included in this report.

The Beverly Hills Education Foundation The Beverly Hills Education Foundation Inc. (the Foundation) is a legally separate, tax-exempt entity. The Foundation's sole purpose is to provide financial support for Beverly Hills Unified School District. Although the District does not control the timing or the amount of receipts of the Foundation, the majority of the resources held by the Foundation can only be used by, or for the benefit of the District. The Foundation is considered a component unit of the District. During the year ended June 30, 2009, the Foundation contributed approximately \$1,069,762 to the District.

Financial Statement Presentation For financial statement purposes, the Foundation's financial activity should be discretely presented in the District's financial statements. However, current audited financial information was not available at the time of the District's audit. As of June 30, 2008, Beverly Hills Education Foundation, Inc. reported total net assets of \$4,100,356 (unaudited).

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* Sections 15125-15262)

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.)

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Special Reserve Fund for Other Than Capital Outlay Projects The Special Reserve Fund for Other Than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (*Education Code* Section 42840)

Capital Project Funds The Capital Project Funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

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

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and of the District and for each governmental function, and excludes fiduciary activity. 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, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

Fund Financial Statements Fund Financial Statements report detailed information about the district. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

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

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

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

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

Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2009, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the General and Debt Service Funds represent investments required by debt covenants, and existing government code, to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance, and state reporting requirements.

Stores Inventories

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

Capital Assets and Depreciation

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net assets. The valuation basis for capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Deferred Issuance Costs, Premiums and Discounts

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

Deferred Charge on Refunding

The deferred charge on refunding in the government-wide financial statements represents the difference between the cost of the old debt and the cost of the refunding. As the amount is directly related to the debt, the amount is deferred and amortized over the life of the debt using the straight line method.

Fund Balance Reserves and Designations

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

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The government-wide financial statements report \$8,115,210 of restricted net assets.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

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

Changes in Accounting Principles

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

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

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District has implemented the provisions of this Statement on or before fiscal year ended June 30, 2009.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

New Accounting Pronouncements

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the financial statements for periods beginning after June 15, 2010. Early implementation is encouraged.

In April 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for State and local governments into the GASB authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of State and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. GASB Statement No. 55 is effective immediately.

In April 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature. GASB Statement No. 56 is effective immediately.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2009, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 80,218,495
Fiduciary funds	749,553
Total Deposits and Investments	<u>\$ 80,968,048</u>

Deposits and investments as of June 30, 2009, consist of the following:

Cash on hand and in banks	\$ 757,371
Cash in revolving	50,000
Investments	80,160,677
Total Deposits and Investments	<u>\$ 80,968,048</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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

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

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
County Pooled Investment Funds	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Weighted Average Maturity

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

Investment Type	Carrying Value	Fair Value	Weighted Average Maturity In Days
County Pool	<u>\$80,160,677</u>	<u>\$80,529,416</u>	495

Credit Risk

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

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End	
			S&P	Moody's
County Pool	<u>\$ 80,529,416</u>	None	AAAm	Aaa

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2009, \$12,277 of deposits with financial institutions were exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 - RECEIVABLES

Receivables at June 30, 2009, consisted of inter-governmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government					
Categorical aid	\$ 1,009,685	\$ -	\$ -	\$ 3,005	\$ 1,012,690
State Government					
Apportionment	468,692	-	-	748,291	1,216,983
Categorical aid	441,324	-	-	-	441,324
Lottery	340,519	-	-	-	340,519
Local Government					
Interest	22,258	396,225	1,809	17,178	437,470
Other Local Sources	279,370	-	1,795,501	401,354	2,476,225
Total	<u>\$ 2,561,848</u>	<u>\$ 396,225</u>	<u>\$ 1,797,310</u>	<u>\$ 1,169,828</u>	<u>\$ 5,925,211</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 2,933,062	\$ -	\$ -	\$ 2,933,062
Construction in progress	17,359,065	2,700,272	16,026,259	4,033,078
Total Capital Assets Not Being Depreciated	<u>20,292,127</u>	<u>2,700,272</u>	<u>16,026,259</u>	<u>6,966,140</u>
Capital Assets Being Depreciated				
Buildings and improvements	174,361,946	17,753,324	-	192,115,270
Site improvements	8,240,142	476,144	-	8,716,286
Furniture and equipment	4,319,424	81,287	-	4,400,711
Total Capital Assets Being Depreciated	<u>186,921,512</u>	<u>18,310,755</u>	<u>-</u>	<u>205,232,267</u>
Less Accumulated Depreciation				
Buildings and improvements	26,739,661	30,619,027	-	57,358,688
Site improvements	2,702,137	3,058,913	-	5,761,050
Furniture and equipment	2,753,095	3,078,309	-	5,831,404
Total Accumulated Depreciation	<u>32,194,893</u>	<u>36,756,249</u>	<u>-</u>	<u>68,951,142</u>
Governmental Activities Capital Assets, Net	<u>\$ 175,018,746</u>	<u>\$ (15,745,222)</u>	<u>\$ 16,026,259</u>	<u>\$ 143,247,265</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 33,080,624
All other administration	3,675,625
Total Depreciation Expenses Governmental Activities	<u>\$ 36,756,249</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2009, between major and non-major governmental funds, are as follows:

Due To	Due From			Total
	General Fund	County School Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 910,062	\$ 466,942	\$ 1,377,004
Non-Major Governmental Funds	6,289	300,000	550,000	856,289
Total	\$ 6,289	\$ 1,210,062	\$ 1,016,942	\$ 2,233,293

Operating Transfers

Interfund transfers for the year ended June 30, 2009, consisted of the following:

Transfer To	Transfer From
	General Fund
Non-Major Governmental Funds	\$ 90,697
The General Fund transferred to the Cafeteria Fund (Non-Major) for operating costs.	\$ 69,890
The General Fund transferred to the Deferred Maintenance (Non-Major) Fund as a contribution.	20,807
Total	\$ 90,697

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2009, consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	\$ 587,896	\$ 1,120	\$ -	\$ 37,057	\$ 626,073
State apportionment	1,083,283	-	-	-	1,083,283
Salaries and benefits	3,851,078	3,264	961	192,955	4,048,258
Total	\$ 5,522,257	\$ 4,384	\$ 961	\$ 230,012	\$ 5,757,614

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2009, consists of the following:

	General Fund
Federal financial assistance	\$ 160,045
State categorical aid	9,502
Total	<u>\$ 169,547</u>

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

The District issued \$5,000,000 Tax and Revenue Anticipation Notes bearing interest at 3.50 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 30, 2009. By June 2009, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Due in One Year
General obligation bonds	\$130,609,339	\$ 72,117,709	\$ 6,286,024	\$196,441,024	\$ 6,288,286
Premiums on general obligation bonds	6,900,056	2,661,385	1,235,009	8,326,432	1,235,009
Energy program equipment lease payable	2,388,391	-	241,360	2,147,031	251,038
Accumulated unpaid employee vacation	493,352	64,242	-	557,594	-
Supplement Executive Retirement Plan (SERP)	979,900	-	244,975	734,925	244,975
Net OPEB obligation	-	434,478	250,697	183,781	-
	<u>\$141,371,038</u>	<u>\$ 75,277,814</u>	<u>\$ 8,258,065</u>	<u>\$208,390,787</u>	<u>\$ 8,019,308</u>

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2008	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2009
6/2001	5/2020	4.00-5.50%	13,600,000	\$ 9,915,000	\$ -	\$ -	\$ 605,000	\$ 9,310,000
5/2002	8/2016	3.00-5.90%	44,999,260	5,645,063	-	73,045	440,000	5,278,108
8/2005	8/2030	3.40-5.00%	45,000,000	42,700,000	-	-	-	42,700,000
7/2005	7/2024	2.70-5.25%	47,354,973	41,057,767	-	-	3,708,080	37,349,687
7/2005	8/2026	2.70-5.25%	36,384,991	31,291,509	-	-	1,532,944	29,758,565
1/2009	8/2033	2.50-8.10%	72,044,664	-	72,044,664	-	-	72,044,664
				\$130,609,339	\$72,044,664	\$ 73,045	\$ 6,286,024	\$196,441,024

Debt Service Requirements to Maturity

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, 2009, the principal balance outstanding was \$9,310,000.

The bonds mature through 2020 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2010	\$ 630,000	\$ 502,600	\$ 1,132,600
2011	660,000	477,400	1,137,400
2012	700,000	441,100	1,141,100
2013	740,000	402,600	1,142,600
2014	785,000	361,900	1,146,900
2015-2019	4,680,000	1,109,075	5,789,075
2020	1,115,000	61,325	1,176,325
Total	\$ 9,310,000	\$ 3,356,000	\$ 12,666,000

General Obligation Bonds, 2002 Series A

On May 30, 2002, the District issued \$44,999,260 of General Obligation Bonds. The bonds included \$44,120,000 in current interest bonds and \$879,260 in Capital Appreciation bonds totaling to the \$44,999,260. The Capital Appreciation bonds of \$879,260 accrete to a \$2,000,000 maturity value. The bonds were issued to finance the addition and modernization of school facilities. Interest rates range from 3.00 percent to 5.90 percent. In July 2005, the callable portion of the bonds was refinanced with the 2005 Refunding Bond Series B. As such, the callable portion of this issue has been considered as in-substance defeased debt. As of June 30, 2009, the principal balance of the un-callable bonds outstanding including accretion was \$5,278,109.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

The bonds mature through 2017 as follows:

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Interest to Maturity	Total
2010	\$ 660,000	\$ -	\$ 1,963,719	\$ 2,623,719
2011	965,000	-	1,932,044	2,897,044
2012	1,100,000	-	1,890,744	2,990,744
2013	1,260,000	-	934,372	2,194,372
2014	-	-	-	-
2015-2017	1,293,109	1,509,163	906,022	3,708,294
Total	<u>\$ 5,278,109</u>	<u>\$ 1,509,163</u>	<u>\$ 7,626,901</u>	<u>\$ 14,414,173</u>

General Obligation Bonds, 2002 Series B

In August 2005, the District issued General Obligation Bonds, Election of 2002 Series B in the amount of \$45,000,000. The bonds were issued to finance certain addition and modernization of school facilities. The bonds have an unamortized cost of issuance totaling \$466,389, and an unamortized premium of \$2,286,690 as of June 30, 2009. The cost of issuance and premium on the bonds are amortized utilizing the straight-line method over the life of the debt. The bonds interest rates range from 3.40 percent to 5.00 percent. The outstanding principal at June 30, 2009 is \$42,700,000.

The bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2010	\$ -	\$ 2,092,794	\$ 2,092,794
2011	-	2,092,794	2,092,794
2012	-	2,092,794	2,092,794
2013	100,000	2,091,044	2,191,044
2014	175,000	2,086,013	2,261,013
2015-2019	2,930,000	10,187,828	13,117,828
2020-2024	11,500,000	8,737,188	20,237,188
2025-2029	18,630,000	4,774,500	23,404,500
2030-2031	9,365,000	476,625	9,841,625
Total	<u>\$ 42,700,000</u>	<u>\$ 34,631,580</u>	<u>\$ 77,331,580</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

2005 Refunding Bonds Series A and B

In July 2005, the District issued General Obligation Refunding Bonds Series A and B in the amount of \$47,354,973 and \$36,384,991, respectively. The bonds were issued for the purpose of providing funds to refinance two previously outstanding bonds issues including the 1998 Series B and the 2002 Series A bonds. The 2005 Refunding Bonds Series A and B have a combined unamortized cost of issuance totaling \$515,322, an unamortized deferred charge on refunding amounting to \$2,308,824, and an unamortized premium of \$3,378,357 as of June 30, 2009. The cost of issuance, deferred charge and premium are all amortized utilizing the straight-line method through 2012. The bonds interest rates range from 2.70 percent to 5.25 percent. The outstanding principal at June 30, 2009, is \$37,349,687 and \$29,758,565, respectively.

The bonds mature through 2024 as follows:

Series A Fiscal Year	Principal	Accreted Interest	Total
2010	\$ 3,541,086	\$ 899,269	\$ 4,440,355
2011	3,387,328	1,068,147	4,455,475
2012	3,238,333	1,229,817	4,468,150
2013	3,093,843	1,384,077	4,477,920
2014	2,953,501	1,530,809	4,484,310
2015-2019	12,852,565	9,626,220	22,478,785
2020-2024	8,283,031	9,709,469	17,992,500
Total	<u>\$ 37,349,687</u>	<u>\$ 25,447,808</u>	<u>\$ 62,797,495</u>

The bonds mature through 2027 as follows:

Series B Fiscal Year	Principal	Accreted Interest	Total
2010	\$ 1,457,200	\$ 354,843	\$ 1,812,043
2011	1,385,217	426,827	1,812,044
2012	1,316,785	495,259	1,812,044
2013	1,251,724	560,320	1,812,044
2014	2,100,414	1,080,130	3,180,544
2015-2019	8,687,266	6,625,288	15,312,554
2020-2024	8,555,761	10,800,158	19,355,919
2025-2027	5,004,198	8,840,927	13,845,125
Total	<u>\$ 29,758,565</u>	<u>\$ 29,183,752</u>	<u>\$ 58,942,317</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

2008 General Obligation Bond Series 2009

In January 2009 the District issued General Obligation Bonds Series 2009 in the amount of \$72,044,664. The bonds included \$12,460,000 in Current Interest bonds and \$59,584,664 in Capital Appreciation bonds totaling to the \$72,044,664. The Capital Appreciation bonds of \$59,584,664 accrete to a \$203,900,000 maturity value. The bonds were issued for the purpose of providing funds to refinance new construction, additions to and modernization of school facilities for The District. The unamortized cost of issuance totaled \$1,067,491 and an unamortized premium of \$2,661,385 as of June 30, 2009. The cost of issuance and premium are all amortized utilizing the straight-line method through 2033. The bonds interest rates range from 2.50 percent to 8.10 percent. The outstanding principal at June 30, 2009, is \$72,044,664

The bonds mature through 2034 as follows:

<u>Fiscal Year</u>	<u>Principal Including Accreted Interest</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ -	\$ 253,870	\$ 253,870
2011	-	534,463	534,463
2012	-	534,463	534,463
2013	-	534,463	534,463
2014	-	534,463	534,463
2015-2019	6,060,000	2,451,298	8,511,298
2020-2024	12,271,834	9,526,916	21,798,750
2025-2029	23,440,320	42,559,680	66,000,000
2030-2034	30,272,510	92,727,490	123,000,000
Total	<u>\$ 72,044,664</u>	<u>\$ 149,657,106</u>	<u>\$ 221,701,770</u>

Debt Defeasance

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

Because the transaction qualifies as a legal defeasance the obligations for the defeased bonds have been removed from the District's financial statements. At June 30, 2009, \$44,520,000 is outstanding on the 1998 Series B defeased bonds while \$35,795,000 remains outstanding on the 2002 Series A defeased bonds. The difference between the debt service of the original bonds and the refunding bonds is \$7,278. The economic gain present value savings as calculated using the bond yield is \$355,331.

The Trustee maintains invested funds in reserve to execute the bond calls on the scheduled redemption dates based upon the trust agreement and service the non-callable portions until the call dates as required under the original bond terms. At June 30, 2009, the trustee account for the 1998 Series B Bond had a market value of \$47,651,653 and the trustee account for the 2002 Series A bonds was valued at \$37,768,620. As the investments are in an irrevocable trust for the purpose of debt defeasance, the investments in the trustee accounts are not reflected in these financial statements.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Energy Program Equipment Lease

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

The annual interest rate is 3.95 percent. Principal and interest payments begin February 15, 2006, and are due quarterly for a term of 11 years. The principal balance outstanding at June 30, 2009, was \$2,147,031.

The repayment schedule for the lease is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2010	\$ 251,038	\$ 81,140	\$ 332,178
2011	261,105	71,074	332,179
2012	271,575	60,604	332,179
2013	282,465	49,714	332,179
2014	293,791	38,387	332,178
2015-2017	787,057	43,388	830,445
Total	<u>\$ 2,147,031</u>	<u>\$ 344,307</u>	<u>\$ 2,491,338</u>

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2009, amounted to \$557,594.

Supplemental Employee Retirement Program (SERP)

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

The future SERP payments are as follows:

<u>Fiscal Year</u>	<u>Total Payment</u>
2010	\$ 244,975
2011	244,975
2012	244,975
Total	<u>\$ 734,925</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Other Postemployment Benefit (OPEB) Obligation

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2009. The District's annual required contribution for the year ended June 30, 2009, was \$434,478 and contributions made by the District during the year were \$250,697, which resulted in a net OPEB obligation of \$183,781. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefit plan.

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	County School Facilities Fund	Non-Major Governmental Funds	Total
Reserved						
Revolving cash	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Stores inventories	-	-	-	-	27,751	27,751
Prepaid expenditures	244,975	-	-	-	-	244,975
Restricted programs	2,719,010	-	-	-	-	2,719,010
Total Reserved	3,013,985	-	-	-	27,751	3,041,736
Unreserved						
Designated						
Economic uncertainties	1,029,232	-	-	-	-	1,029,232
Total Designated	1,029,232	-	-	-	-	1,029,232
Undesignated	-	68,420,208	6,269,933	591,714	1,357,474	76,639,329
Total Unreserved	1,029,232	68,420,208	6,269,933	591,714	1,357,474	77,668,561
Total	\$ 4,043,217	\$68,420,208	\$ 6,269,933	\$ 591,714	\$ 1,385,225	\$ 80,710,297

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 38 retirees and beneficiaries currently receiving benefits and 92 active Plan members.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers Association (CEA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2008-2009, the District contributed \$250,697 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an 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 accrued liabilities (UAAL) (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 to the Plan:

Annual required contribution	\$ 434,478
Contributions made	<u>(250,697)</u>
Increase in net OPEB obligation	183,781
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u><u>\$ 183,781</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 434,478	57.70%	\$ 183,781

NOTE 12 - 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, 2009, 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.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Workers' Compensation

For fiscal year 2009, the District participated in the Schools Linked for Insurance Management (SLIM), an insurance purchasing pool. The intent of SLIM is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SLIM. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in SLIM. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of SLIM. Participation in SLIM is limited to Districts that can meet SLIM selection criteria.

Employee Medical Benefits

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

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, California 95826.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2008-2009 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2009, 2008, and 2007, were \$2,355,179, \$2,258,765, and \$2,196,443, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under 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 survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2008-2009 was 9.428 percent of covered 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, 2009, 2008, and 2007, were \$847,615, \$597,992, and \$543,584, respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,306,757(4.517 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts recorded in the *General Fund - Budgetary Comparison Schedule*

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

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, 2009.

NOTE 15 - PARTICIPATION IN JOINT POWER AUTHORITIES

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.

The District has appointed one board member to the governing board of each entity. During the year ended June 30, 2009, the District made payments of \$1,406,474, \$694,692, and \$10,936 to SLIM, ASCIP, and SELF, respectively for insurance.

NOTE 16 - FISCAL ISSUES RELATING TO BUDGET REDUCTIONS

The State of California continues to suffer the effects of a recessionary economy. California school districts are reliant on the State of California to appropriate the funding necessary to continue the level of educational services expected by the State constituency. With the implementation of education trailer bill Senate Bill 4 of the 2009-2010 Third Extraordinary Session (SBX3 4) (Chapter 12, Statutes of 2009), 14 percent of current year appropriations have now been deferred to a subsequent period, creating significant cash flow management issues for districts in addition to requiring substantial budget reductions, ultimately impacting the ability of California school districts to meet their goals for educational services.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

NOTE 17 - SUBSEQUENT EVENTS

Assembly Bill of the Fourth Extraordinary Session (ABX4 3)

The District issued \$5,000,000 of Tax and Revenue Anticipation Notes dated July 1, 2009. The notes mature on June 30, 2010, and yield 2.50 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that 100 percent of principal and interest is to be paid on June 30, 2010.

On July 28, 2009, Governor Schwarzenegger signed a package of bills amending the 2008-2009 and 2009-2010 California State budgets. The budget amendments were designed to address the State's budget gap of \$24 billion that had developed as a result of the deepening recession since the State's last budget actions in February 2009. The July budget package reduced, on a State-wide basis, \$1.6 billion in 2008-2009 Proposition 98 funding through a reversion of undistributed categorical program balances. The budget language identified 51 specific programs and required the amounts associated with these programs that were "unallocated, unexpended, or not liquidated as of June 30, 2009," to revert to the State's General Fund. The July budget package also provided an appropriation in 2009-2010 to backfill \$1.5 billion of these cuts to repay the 2008-2009 reversion of the undistributed categorical program balances.

In accordance with the requirements of Governmental Accounting Standards Board Statement No. 33, the District has not recorded the revenue and related receivable associated with the District's portion of the unallocated, unexpended or un-liquidated categorical program balances identified in the July 2009 State Budget package.

REQUIRED SUPPLEMENTARY INFORMATION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
REVENUES				
Revenue limit sources	\$ 32,737,392	\$ 33,162,240	\$ 30,530,639	\$ (2,631,601)
Federal sources	1,772,748	2,016,327	3,861,234	1,844,907
Other State sources	6,977,453	6,944,255	7,651,490	707,235
Other local sources	10,841,685	13,034,111	13,658,782	624,671
Total Revenues¹	52,329,278	55,156,933	55,702,145	545,212
EXPENDITURES				
Current				
Instruction	32,233,494	36,584,515	38,579,092	(1,994,577)
Instruction-related activities:				
Supervision of instruction	1,390,585	1,578,293	1,567,670	10,623
Instructional library, media, and technology	893,600	1,014,222	1,007,396	6,826
School site administration	2,606,250	2,958,053	2,938,144	19,909
Pupil services:				
Home-to-school transportation	91,001	103,285	102,590	695
All other pupil services	2,146,859	2,436,652	2,420,252	16,400
Administration:				
Data processing	163,898	186,022	184,770	1,252
All other administration	3,445,489	3,910,576	3,884,256	26,320
Plant services	6,156,432	6,987,455	6,940,426	47,029
Facility acquisition and construction	5,873	6,666	6,621	45
Ancillary services	359,131	407,608	404,865	2,743
Community services	58,606	66,517	66,069	448
Debt service				
Principal	347,877	394,835	392,178	2,657
Interest	171,961	195,172	193,858	1,314
Total Expenditures¹	50,071,056	56,829,871	58,688,187	(1,858,316)
Excess (Deficiency) of Revenues Over Expenditures	2,258,222	(1,672,938)	(2,986,042)	(1,313,104)
OTHER FINANCING SOURCES (USES)				
Transfers out	(431,890)	(431,890)	(90,697)	341,193
NET CHANGE IN FUND BALANCES	1,826,332	(2,104,828)	(3,076,739)	(971,911)
Fund Balance - Beginning	7,119,956	7,119,956	7,119,956	-
Fund Balance - Ending	\$ 8,946,288	\$ 5,015,128	\$ 4,043,217	\$ (971,911)

¹ On behalf payments of \$1,306,757 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2009**

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2007	\$ -	\$ 3,771,449	\$ 3,771,449	0%	\$ 26,649,916	14.15%

SUPPLEMENTARY INFORMATION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through the California Department of Education (CDE):			
No Child Left Behind Act			
Title I, Part A, Basic Grants Low-Incidence and Neglected	84.010	14329	\$ 573,472
Title II, Teacher Quality	84.367	14341	130,436
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	4,944
Title III, Limited English Proficiency	84.365	10084	33,821
Title IV, Part A, Drug-Free Schools	84.186	14347	14,437
Title V, Part A, Innovative Education Strategies	84.298A	14354	2,789
Subtotal			<u>759,899</u>
Individuals with Disability Education Act			
Special Education Cluster:			
Basic Local Assistance Entitlement	84.027	13379	969,963
Preschool Grant	84.173	13430	16,250
Local Preschool Entitlement	84.027A	13682	26,426
Preschool Staff Development	84.173A	13431	178
Early Intervention Grants	84.181	23761	15,809
Subtotal			<u>1,028,626</u>
Vocational and Applicational Technology Secondary	84.048A	14894	28,066
Adult Education: Adult Basic Education and ESL	84.002A	14508	54,966
Workability II, Transition Partnership	84.158	10006	18,892
Subtotal			<u>101,924</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education:			
National School Lunch Program	10.555	13390	109,367
Commodity Distribution	10.558	13534	47,861
Subtotal			<u>157,228</u>
Total Expenditures			<u><u>\$ 2,047,677</u></u>

See accompanying note to supplementary information.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2009

ORGANIZATION

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

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Nooshin Meshkaty	President	2009
Myra Lurie	Vice President	2011
Myra Demeter, Ph.D.	Member	2009
Steve Fenton	Member	2011
Brian Goldberg, Ph.D.	Member	2011

ADMINISTRATION

Jerry C. Gross, Ph.D.	Superintendent
Cheryl Plotkin	Assistant Superintendent, Business Services
Ilene Straus, Ed.D	Assistant Superintendent, Educational Services K-12
Alex Cherniss, Ed.D.	Director, Human Resources

See accompanying note to supplementary information.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2009**

	Revised Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	214	215
First through third	683	682
Fourth through sixth	891	893
Seventh and eighth	794	795
Home and Hospital	2	2
Special education	115	116
Total Elementary	2,699	2,703
SECONDARY		
Regular classes	2,141	2,128
Continuation education	22	24
Home and Hospital	10	11
Special education	93	95
Total Secondary	2,266	2,258
Total K-12	4,965	4,961
CLASSES FOR ADULTS		
Not concurrently enrolled	244	261
Total Classes for Adults	244	261
Grand Total	5,209	5,222
		<u>Hours of Attendance</u>
SUPPLEMENTAL INSTRUCTIONAL HOURS		
Elementary		12,455
High school		32,474
Total Hours		44,929

See accompanying note to supplementary information.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2009**

Grade Level	1982-83	1986-87	2008-09	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	30,216	36,000	36,435	180	N/A	Complied
Grades 1 - 3	53,204	50,400	[1]			
Grade 1			50,508	180	N/A	Complied
Grade 2			50,508	180	N/A	Complied
Grade 3			50,508	180	N/A	Complied
Grades 4 - 6	53,204	54,000				
Grade 4			54,062	180	N/A	Complied
Grade 5			54,062	180	N/A	Complied
Grade 6			54,062	180	N/A	Complied
Grades 7 - 8	53,204	54,000				
Grade 7			64,632	180	N/A	Complied
Grade 8			64,632	180	N/A	Complied
Grades 9 - 12	62,920	64,800				
Grade 9			65,802	180	N/A	Complied
Grade 10			65,802	180	N/A	Complied
Grade 11			65,802	180	N/A	Complied
Grade 12			65,802	180	N/A	Complied

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

		Number of Grades	Minimum Minutes	
Minimum Required	First through third	3	50,400	151,200
	Fourth through sixth	2	54,000	108,000
	Seventh through eighth	3	54,000	162,000
		8		421,200
		Total Minimum Average		52,650

		Number of Grades	Minimum Minutes	
Actual Offering	First through third	3	50,508	151,524
	Fourth through sixth	2	54,194	108,388
	Seventh through eighth	3	65,658	196,974
		8		456,886
		Total Minimum Average		57,111

Minimum Average Surplus 4,461

See accompanying note to supplementary information.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

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

	General Fund	Adult Education Fund	Cafeteria Fund
FUND BALANCE			
Balance, June 30, 2009, Unaudited Actuals	\$ 5,715,649	\$ 185,147	\$ 57,812
Increase in:			
Accounts receivable	-	-	-
Accounts payable	(934,052)	-	-
Decrease in:			
Accounts receivable	(738,380)	(172,094)	-
Stores	-	-	(19,782)
Balance, June 30, 2009, Audited Financial Statement	<u>\$ 4,043,217</u>	<u>\$ 13,053</u>	<u>\$ 38,030</u>
	Building Fund	Capital Facilities Fund	
FUND BALANCE			
Balance, June 30, 2009, Unaudited Actuals	\$68,357,480	\$ 61,404	
Increase in:			
Accounts receivable	62,728	-	
Accounts payable	-	-	
Decrease in:			
Accounts receivable	-	(580,732)	
Stores	-	-	
Balance, June 30, 2009, Audited Financial Statement	<u>\$68,420,208</u>	<u>\$ (519,328)</u>	

See accompanying note to supplementary information.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009**

	(Budget) 2010 ¹	2009	2008	2007
GENERAL FUND				
Revenues	\$ 53,565,564	\$ 55,702,145	\$ 56,673,851	\$ 57,235,992
Total Revenues and Other Sources	53,565,564	55,702,145	56,673,851	57,235,992
Expenditures	53,027,500	58,688,187	56,429,685	54,680,043
Other uses and transfers out	69,890	90,697	494,667	921,096
Total Expenditures and Other Uses	53,097,390	58,778,884	56,924,352	55,601,139
INCREASE (DECREASE) IN FUND BALANCE	\$ 468,174	\$ (3,076,739)	\$ (250,501)	\$ 1,634,853
ENDING FUND BALANCE	\$ 4,511,391	\$ 4,043,217	\$ 7,119,956	\$ 7,370,457
AVAILABLE RESERVES ²	\$ 1,487,329	\$ 1,773,607	\$ 5,183,371	\$ 4,001,102
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	2.8%	3.1%	9.3%	7.4%
LONG-TERM OBLIGATIONS	N/A	\$208,390,787	\$141,371,038	\$148,364,804
K-12 AVERAGE DAILY ATTENDANCE AT P-2 ⁴	4,992	4,965	5,088	5,081

The General Fund balance has decreased by \$3,327,240 over the past two years. The fiscal year 2009-2010 budget projects an increase of \$468,174 (11.6 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating surplus during the 2009-2010 fiscal year. Total long-term obligations have increased by \$60,025,983 over the past two years.

Average daily attendance has decreased by 116 over the past two years. Additional growth of 27 ADA is anticipated during fiscal year 2009-2010.

¹ Budget 2010 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund, Special Reserve Fund (other than capital outlay) and 2008-2009 deferred payments received in 2009-2010 of \$738,380 contained within the General Fund.

³ On behalf payments of \$1,306,757, \$1,262,495 and \$1,229,633 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2009, 2008, and 2007, respectively.

⁴ Excludes adult education.

See accompanying note to supplementary information.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund For Other Than Capital Outlay Projects
ASSETS				
Deposits and investments	\$ 263,403	\$ 148,238	\$ 31,813	\$ 5,989
Receivables	9,963	156,185	751,053	6
Due from other funds	4,837	1,452	-	-
Stores inventories	-	27,751	-	-
Total Assets	\$ 278,203	\$ 333,626	\$ 782,866	\$ 5,995
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 116,605	\$ 88,931	\$ -	\$ -
Due to other funds	148,545	206,665	111,732	-
Total Liabilities	265,150	295,596	111,732	-
Fund Balances:				
Reserved for:				
Stores inventories	-	27,751	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	13,053	10,279	671,134	5,995
Capital projects funds	-	-	-	-
Total Fund Balances	13,053	38,030	671,134	5,995
Total Liabilities and Fund Balances	\$ 278,203	\$ 333,626	\$ 782,866	\$ 5,995

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Non-Major Governmental Funds
\$ 29,896	\$ 98,972	\$ 578,311
776	251,845	1,169,828
-	850,000	856,289
-	-	27,751
<u>\$ 30,672</u>	<u>\$ 1,200,817</u>	<u>\$ 2,632,179</u>

\$ -	\$ 24,476	230,012
<u>550,000</u>	<u>-</u>	<u>1,016,942</u>
<u>550,000</u>	<u>24,476</u>	<u>1,246,954</u>

- - 27,751

-	-	700,461
<u>(519,328)</u>	<u>1,176,341</u>	<u>657,013</u>
<u>(519,328)</u>	<u>1,176,341</u>	<u>1,385,225</u>

<u>\$ 30,672</u>	<u>\$ 1,200,817</u>	<u>\$ 2,632,179</u>
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BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund For Other Than Capital Outlay Projects
REVENUES				
Federal sources	\$ 54,966	\$ 157,227	\$ -	\$ -
Other State sources	483,379	5,547	1,231,198	-
Other local sources	306,797	1,262,883	7,124	148
Total Revenues	<u>845,142</u>	<u>1,425,657</u>	<u>1,238,322</u>	<u>148</u>
EXPENDITURES				
Current				
Instruction	616,744	-	-	-
Instruction-related activities:				
Supervision of instruction	4,869	-	-	-
School site administration	460,115	-	-	-
Pupil services:				
Food services	-	1,599,356	-	-
Plant services	25,670	-	410,870	-
Facility acquisition and construction	-	-	1,086,349	-
Total Expenditures	<u>1,107,398</u>	<u>1,599,356</u>	<u>1,497,219</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(262,256)</u>	<u>(173,699)</u>	<u>(258,897)</u>	<u>148</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	69,890	20,807	-
NET CHANGE IN FUND BALANCES	<u>(262,256)</u>	<u>(103,809)</u>	<u>(238,090)</u>	<u>148</u>
Fund Balance - Beginning	<u>275,309</u>	<u>141,839</u>	<u>909,224</u>	<u>5,847</u>
Fund Balance - Ending	<u>\$ 13,053</u>	<u>\$ 38,030</u>	<u>\$ 671,134</u>	<u>\$ 5,995</u>

See accompanying note to supplementary information.

Capital Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 212,193
-	-	1,720,124
<u>246,428</u>	<u>1,626,682</u>	<u>3,450,062</u>
<u>246,428</u>	<u>1,626,682</u>	<u>5,382,379</u>
-	-	616,744
-	-	4,869
-	-	460,115
-	-	1,599,356
-	179,405	615,945
<u>1,136,465</u>	<u>888,455</u>	<u>3,111,269</u>
<u>1,136,465</u>	<u>1,067,860</u>	<u>6,408,298</u>
<u>(890,037)</u>	<u>558,822</u>	<u>(1,025,919)</u>
-	-	90,697
<u>(890,037)</u>	<u>558,822</u>	<u>(935,222)</u>
<u>370,709</u>	<u>617,519</u>	<u>2,320,447</u>
<u>\$ (519,328)</u>	<u>\$ 1,176,341</u>	<u>\$ 1,385,225</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2009. The unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 4,073,427
State Fiscal Stabilization Fund: ARRA	84.394	(2,025,750)
Total Schedule of Expenditures of Federal Awards		<u>\$ 2,047,677</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2009

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

INDEPENDENT AUDITORS' REPORTS



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

Governing Board
Beverly Hills Unified School District
Beverly Hills, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beverly Hills Unified School District (the District) as of and for the year ended June 30, 2009, which collectively comprise Beverly Hills Unified School District's basic financial statements and have issued our report thereon dated December 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Beverly Hills Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Beverly Hills Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Beverly Hills Unified School District's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting; 2009-1 and 2009-2.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beverly Hills Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2009-1 and 2009-2.

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

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

Varnick, Tinn, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2009



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

Governing Board
Beverly Hills Unified School District
Beverly Hills, California

Compliance

We have audited the compliance of Beverly Hills Unified School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2009. Beverly Hills Unified School District's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Beverly Hills Unified School District's management. Our responsibility is to express an opinion on Beverly Hills Unified School District's compliance based on our audit.

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

In our opinion, Beverly Hills Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Beverly Hills Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Beverly Hills Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Beverly Hills Unified School District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

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

Varrink, Tim, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2009



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
 Beverly Hills Unified School District
 Beverly Hills, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beverly Hills Unified School District (the District) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2008-09*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance reporting	8	Yes
Independent study	23	No, see below
Continuation education	10	No, see below
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not applicable
Community day schools	3	Not Applicable
Morgan-Hart Class Size Reduction	7	Not Applicable ¹
Instructional Materials general requirements	8	Yes, see below
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Yes
Gann limit calculation	1	Yes
School Accountability Report Card	3	Yes

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not applicable
District or charter schools with only one school serving K-3	4	Not applicable
After School Education and Safety Program:		
General requirements	4	Not applicable
After school	4	Not applicable
Before school	5	Not applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not applicable
Mode of instruction	1	Not applicable
Non classroom-based instruction/independent study	15	Not applicable
Determination of funding for non classroom-based instruction	3	Not applicable
Annual instruction minutes classroom based	3	Not applicable

We performed testing of procedure (a) only for Instructional Materials general requirements, as additional procedures were determined to not be required.

We did not perform testing for Independent Study and continuation education because the ADA is below the State requirement for testing.

Based on our audit, we found that for the items tested, the Beverly Hills Unified School District complied with the State laws and regulations referred to above. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Beverly Hills Unified School District had not complied with the laws and regulations. Our audit does not provide a legal determination on Beverly Hills Unified School District's compliance with the State laws and regulations referred to above.

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

Vannink, Tim, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2009**

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.173, 84.027A</u>	<u>Low-Incidence and Neglected Individuals with</u>
<u>84.173A, 84.181</u>	<u>Disability Education Act Special Education</u>
<u> </u>	<u>Cluster</u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Unqualified</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control
60000	Miscellaneous

2009-1 30000

FOOD SERVICES

Finding

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

Recommendation

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

District Response

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

2009-2 60000

PROGRAM AND PROJECT MANAGEMENT FEE SCHEDULE

Finding

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

Recommendation

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

District Response

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

None reported.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2009

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

Financial Statement Findings

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

2008-1 30000

Finding

District funds being collected by the Librarian at Beverly Hills High School are not being deposited to the District in a timely manner. Of the 15 receipts tested, 13 of those receipts were held at the site between 20 and 237 days after the receipt date before being deposited or submitted to the District.

Recommendation

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

Current Status

Implemented



Governing Board
Beverly Hills Unified School District
Beverly Hills, California

In planning and performing our audit of the financial statements Beverly Hills Unified School District (the District), for the year ended June 30, 2009, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following item represents a condition noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 15th, 2009, on the financial statements of Beverly Hills Unified School District.

Associated Student Body - Beverly Hills High School

Observation

In reviewing the financial statements for the student body accounts we noted that 3 had negative balances, furthermore, we also noted a temporary clearing account with a negative balance. Since the student body accounts represent individual portions of cash and asset pool, by some having negative balances, they have in actuality spent the available funds of other accounts. A key control in any internal control system is the control of expenditures by ensuring the expenditure is allow able and the account requesting the expenditure has the fund to cover it. This control feature has not been sufficiently followed.

Recommendation

The site bookkeeper has a fiduciary responsibility to all student body organizations to act in each group's best interest. By allowing certain clubs to spend in excess of their available reserves, the bookkeeper is not meeting this responsibility to the other clubs and organizations. Request for disbursements from student groups should be reviewed for appropriateness and also to ensure that funds are available in the groups or organizations account.

Bank Reconciliations

Observation

In reviewing both the revolving and clearing account, no date was noted on either reconciliation making it impossible to determine if the reconciliation was prepared on a timely basis. In addition, the revolving account was not reconciled back to its impress amount of \$50,000.

Recommendation

Monthly bank reconciliation's must be done in a timely manner in order to ensure that the cash balances reported on the books are accurate and that the financial institution has not made a mistake. The district should implement procedures regarding the timely preparation of such reconciliations. Also, the revolving account should be reconciled back to its impress amount in order to make sure that the revolving account is not being over utilized.

Cafeteria Account

Observation

In reviewing the cafeteria account the following observations were come upon: A lack of separation of duties was noted. The A La Carte system for the high school cafeteria was not being used properly due to no adequate training given to employees. Request forms used by the sites to verify and document what they have received for delivery is not being used or checked correctly. There are no formal delivery procedures in written documentation. There has been a miss use of access codes by employees during non-business hours. There is no documentation used to track vending machine replenishments and sales. There is no inventory reconciliation performed to determine what was purchased and used by the individual sites. Overall, there is a lack of communication between the district and the cafeteria department.

Recommendation

The district should implement detailed written procedures as to how the cafeteria department should be run at every individual site. Proper training should be given to all employees that are in charge of the Cafeteria department. Access Codes should be given to only those in charge with detailed rules as to how and when these codes should be used. In addition the Cafeteria department should work closely with the District in order to ensure that proper internal controls are in place.

We will review the status of the current year comments during our next audit engagement.

Vannink, Tim, Day & Co., LLP
Rancho Cucamonga, California
December 15, 2009