BEVERLY HILLS
UNIFIED SCHOOL DISTRICT
setting the standard

04892

ANNUAL FINANCIAL REPORT

JUNE 30, 2008

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

OF LOS ANGELES COUNTY

BEVERLY HILLS, CALIFORNIA

JUNE 30, 2008

GOVERNING BOARD

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

ADMINISTRATION

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Governing Board
Beverly Hills Unified School District
Beverly Hills, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Beverly Hills Unified School District (the "District") as of and for the year ended June 30, 2008, 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 2007-08* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Beverly Hills Unified School District, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2008, 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.

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The required supplementary information, such as management's discussion and analysis on pages 4 through 14 and budgetary comparison information on page 50, 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 on it.

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

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds and is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 7, 2008

BEVERLY HILLS
UNIFIED SCHOOL DISTRICT
setting the standard

255 South Lasky Drive
Beverly Hills, California 90212-3697
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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, 2008, with comparative information from 2007. 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.

BOARD OF EDUCATION: Myra Demeter, Ph.D., President • Nooshin Meshkaty, Vice President • Steven Fenton • Brian David Goldberg, Ph.D. • Myra B. Lurie
ADMINISTRATIVE STAFF: Kari McVeigh, Superintendent • Cheryl Plotkin, Assistant Superintendent, Business Services
Ilene W. Straus Ed.D., Assistant Superintendent, Educational Services K12 • Sal Gumina, Assistant Superintendent, Human Resources

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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were $49,929,960 for the fiscal year ended June 30, 2008. Of this amount, $2,038,242 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	
	2008	2007
Assets		
Current and other assets	$ 22,675,015	$ 54,212,461
Capital assets	175,018,746	146,927,649
Total Assets	197,693,761	201,140,110
Liabilities		
Current liabilities	14,400,131	10,458,547
Long-term obligations	133,363,670	148,364,804
Total Liabilities	147,763,801	158,823,351
Net Assets		
Invested in capital assets, net of related debt	41,079,995	25,239,315
Restricted	6,811,723	15,715,269
Unrestricted	2,038,242	1,362,175
Total Net Assets	$ 49,929,960	$ 42,316,759

The $2,038,242 in unrestricted net assets of governmental activities represents *accumulated* results of all past years' operations.

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

Figure 1

Revenue June 30, 2008

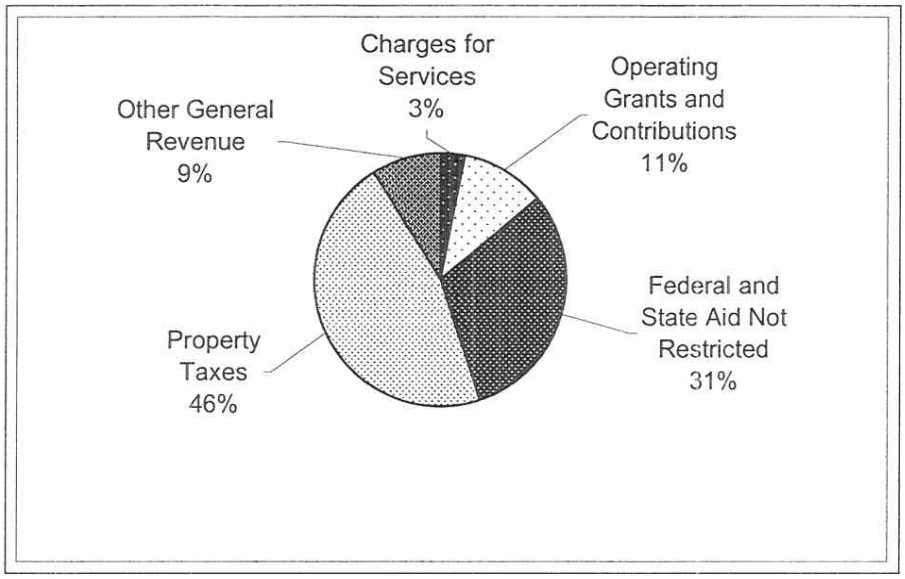

Figure 2

Expenditures June 30, 2008

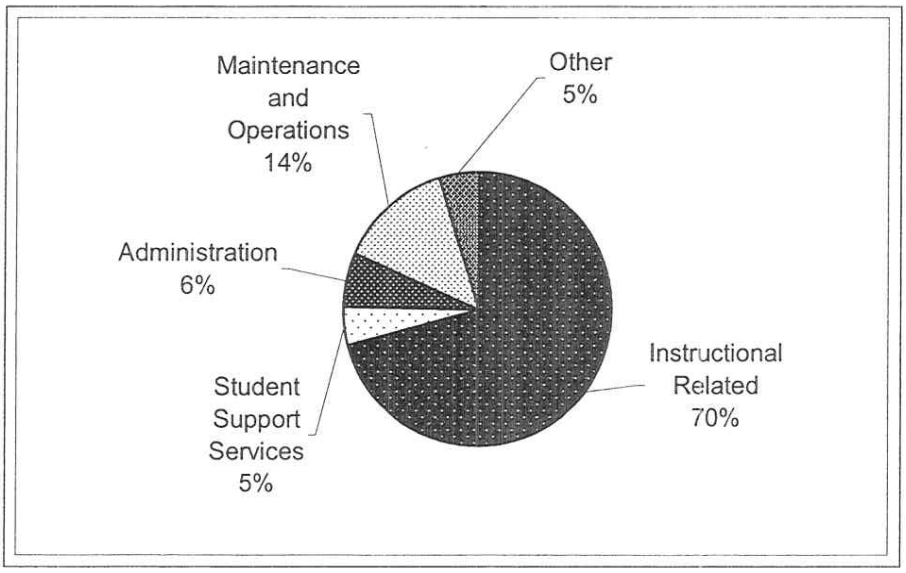

Table 2

	Governmental Activities	
	2008	2007
Revenues		
Program revenues:		
Charges for services	$ 1,989,884	$ 1,763,381
Operating grants and contributions	8,503,670	10,038,428
General revenues:		
Federal and State aid not restricted	23,340,623	21,985,623
Property taxes	34,412,631	33,681,843
Other general revenues	6,223,212	6,272,922
Total Revenues	74,470,020	73,742,197
Expenses		
Instruction related	46,164,894	42,407,192
Student support services	3,749,173	3,529,742
Administration	4,218,318	4,939,934
Maintenance and operations	9,465,278	6,921,450
Other	3,259,156	4,083,897
Total Expenses	66,856,819	61,882,215
Change in Net Assets	$ 7,613,201	$ 11,859,982

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was $66,856,819. However, the amount that our taxpayers ultimately financed for these activities through local taxes were $34,412,631 because the cost was paid by those who benefited from the programs ($23,340,623) or by other governments and organizations who subsidized certain programs with grants and contributions ($8,503,670). We paid for the remaining "public benefit" portion of our governmental activities, $599,896 in Federal and State funds and with other revenues, like interest, City JPA funds and general entitlements.

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

Table 3

	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$ 39,985,057	$ 33,294,696	$ 36,266,285	$ 28,887,876
Instruction-related activities	6,179,837	4,803,439	6,140,907	4,093,782
Other pupil services	3,749,174	1,453,043	3,529,742	1,297,212
Administration	4,218,318	4,123,288	4,939,934	4,874,761
Maintenance and operations	9,465,278	9,429,644	6,921,450	6,842,878
Ancillary services	458,630	458,630	495,924	495,924
Interest on long-term obligations	2,740,081	2,740,081	3,518,749	3,518,749
Other	60,444	60,444	69,224	69,224
Total	$ 66,856,819	$ 56,363,265	$ 61,882,215	$ 50,080,406

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, our governmental funds reported a combined fund balance of $13,929,497, which is a decrease of $26,806,976 from last year.

Table 4

	Balances and Activity			
	July 1, 2007	Revenues	Expenditures	June 30, 2008
1. General Fund	$ 7,370,457	$ 56,673,851	$ 56,924,352	$ 7,119,956
2. Building Fund	18,041,095	253,444	18,255,660	38,879
3. Bond Interest and Redemption Fund	4,704,539	9,660,258	9,954,899	4,409,898
4. Adult Education Fund	101,216	1,262,266	1,088,173	275,309
5. Cafeteria Fund	87,413	1,474,115	1,419,690	141,838
6. Deferred Maintenance Fund	1,197,083	805,491	1,093,350	909,224
7. Special Reserve Fund for Other Than Capital Outlay Projects	5,579	268	-	5,847
8. Capital Facilities Fund	2,903,089	806,869	3,339,249	370,709
9. County School Facilities Fund	3,840,553	3,693,819	7,494,054	40,318
10. Special Reserve for Capital Outlay Projects	2,485,449	1,559,181	3,427,111	617,519
Total	$ 40,736,473	$ 76,189,562	$ 102,996,538	$ 13,929,497

The primary reasons for these changes are:

The Building Fund shows a decrease of $18,002,216 due to the construction in progress on the Science and Technology Center at the High School, Beverly Vista Building B, auditorium and restroom modernization at three of the K-8 sites.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on March 11, 2008. (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 50).

- Significant revenue revisions made to the 2007-2008 Budget were due to increased categorical funding and donation from Parent Teacher Association (PTA).
- The Parent Teacher Association (PTA) revenue and expenditures through February 2008 are recorded as increases in the budget amounts.
- Beverly Hills Education Foundation summer school receipt is added to the local revenue budget.
- One-time revenue of $387,500 from reimbursement by insurance companies regarding Oil Well litigation legal fees was included in the budget.
- Salaries and benefits were revised for all positions and adjustment for rate reduction for workers' compensation and payment of retro-active over five years.
- Encroachment was increased because of staff increase for Special Education to be in compliance with regulations.
- Restricted funds were adjusted based on current expectations for interest, Developer fees and State Construction Funds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By June 30, 2008, the District had invested $207,213,637 in a broad range of capital assets, including land, school buildings and other furniture and equipment valued over $175,018,746. (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 $4,166,300, while the completion of the high school auditorium, modernization and acquisitions of equipment and furniture amounted to $69,035,905 in additions to Capital Assets.

Table 5

	Governmental Activities	
	2008	2007
Land	$ 2,933,062	$ 2,933,062
Construction in progress	17,359,065	57,735,542
Buildings and improvements	174,361,946	102,325,126
Site improvements	8,240,142	8,202,210
Furniture and equipment	4,319,424	3,760,302
Accumulated depreciation	(32,194,893)	(28,028,593)
Total	$ 175,018,746	$146,927,649

This year's major additions included:	
Science and Technology Building	$ 43,740,179
Beverly Vista Building B	$ 25,295,726

Long-Term Obligations

At year-end, the District had $141,371,038 in general obligation bonds and other long-term obligations outstanding - a decrease of 4.7% from last year as shown in Table 6.

The District continued to pay down its debt, retiring $6,993,776 million of outstanding bonds.

Table 6

	Governmental Activities	
	2008	2007
General obligation bonds (net of premium)	$137,509,395	$145,244,048
Energy lease	2,388,391	2,620,446
Accumulated vacation-net	493,352	500,310
Supplement Executive Retirement Plan	979,900	-
Total	$141,371,038	$148,364,804

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

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2007-2008 ARE NOTED BELOW:

- Completed the $92 million Bond projects which includes renovating.
- The Beverly Vista Building B was completed September 2007.
- The construction of the High School Science building was completed September 2007.
- Modernization of the Horace Mann, Hawthorne, and El Rodeo auditoriums and restrooms is expected to be completed.
- Opened High School Science and Technology Center and Beverly Vista B on time and under budget.
- Created more transparent budgets: monthly budget reports to all sites/departments, access to online detailed reports and reports to the Board of revenue and expenditures by revenue source and site/department.
- Increased Food Service's sales by 11.85% and provided healthier choices.
- Improved safety for the staff resulting in a decrease of workers' compensation rate by 48 cents.
- Constructed state of the art District technology center.
- Implemented technology staffing plan, which has resulted in no complaints regarding technical support.
- Installed wireless network for STC.
- Installed video security system for STC.
- Launched Healthy Vending Machine programs at High School and Horace Mann.
- Implemented use of Lunchbox system for paying in cafeterias.
- Reduced overtime costs for custodians by $6,000 through creative scheduling of weekend staff.
- Replaced swim gym and walk-way roofs with materials that maintained historical integrity.
- Offered a Supplemental Early Retirement Program option which assisted in reducing the number of staff layoffs required and will not cost the District money.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2008-2009 year, the governing board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Revenue limit income
2. State income for Revenue Limit and categoricals is not currently determined, but a slight reduction is being estimated for 2008-09.
3. JPA with the city increased by approximately $1.6 million to an overall funding of approximately $10 million.
4. The District is currently negotiating with teachers and some classified employees for 2008-09 and 2009-10.
5. Approximately $3.2 million in budget reduction with some restoration being anticipated.

Expenditures are based on the following forecasts:

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

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, 2008

	Governmental Activities
ASSETS	
Deposits and investments	$ 12,968,029
Receivables	4,991,283
Prepaid expenditures	244,975
Deferred cost of issuance	1,175,694
Stores inventories	47,533
Deferred charge on refunding	3,078,432
Other current assets	169,069
Capital assets	
Land and construction in process	20,292,127
Other capital assets	186,921,512
Less: Accumulated depreciation	(32,194,893)
Total Capital Assets, Net	175,018,746
Total Assets	197,693,761
LIABILITIES	
Accounts payable	4,395,488
Interest payable	1,901,372
Deferred revenue	95,903
Long-term obligations	
Current portion of long-term obligations	8,007,368
Noncurrent portion of long-term obligations	133,363,670
Total Long-Term Obligations	141,371,038
Total Liabilities	147,763,801
NET ASSETS	
Invested in capital assets, net of related debt	41,079,995
Restricted for:	
Debt service	2,508,526
Capital projects	1,028,546
Educational programs	1,647,457
Other activities	(362,772)
Unrestricted	4,028,208
Total Net Assets	$ 49,929,960

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, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities
Governmental Activities:				
Instruction	$ 39,985,057	$ 576,315	$ 6,114,046	$ (33,294,696)
Instruction-related activities:				
Supervision of instruction	1,704,229	34,311	706,550	(963,368)
Instructional library, media, and technology	1,059,468	11,975	5,943	(1,041,550)
School site administration	3,416,140	205,805	411,814	(2,798,521)
Pupil services:				
Home-to-school transportation	116,363	1,144,482	116,363	1,144,482
Food services	1,419,689	-	187,918	(1,231,771)
All other pupil services	2,213,121	-	847,368	(1,365,753)
Administration:				
Data processing	108,014	-	-	(108,014)
All other administration	4,110,304	8,183	86,847	(4,015,274)
Plant services	7,111,394	8,813	26,821	(7,075,760)
Facility acquisition and construction	2,353,884	-	-	(2,353,884)
Ancillary services	458,630	-	-	(458,630)
Community services	60,445	-	-	(60,445)
Interest on long-term obligations	2,740,081	-	-	(2,740,081)
Total Governmental Activities	$ 66,856,819	$ 1,989,884	$ 8,503,670	(56,363,265)
General revenues and subventions:				
Property taxes, levied for general purposes				24,990,049
Property taxes, levied for debt service				9,422,582
Federal and State aid not restricted to specific purposes				23,340,623
Interest and investment earnings				842,017
Miscellaneous				5,381,195
Subtotal, General Revenues				63,976,466
Change in Net Assets				7,613,201
Net Assets - Beginning				42,316,759
Net Assets - Ending				$ 49,929,960

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2008

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	$ 5,696,033	$ 66,766	$ 4,409,898
Receivables	3,660,769	10,145	-
Due from other funds	1,389,645	-	-
Prepaid expenditures	244,975	-	-
Stores inventories	-	-	-
Other current assets	169,069	-	-
Total Assets	$ 11,160,491	$ 76,911	$ 4,409,898
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 3,924,405	$ 13,390	$ -
Due to other funds	20,227	24,642	-
Deferred revenue	95,903	-	-
Total Liabilities	4,040,535	38,032	-
FUND BALANCES			
Reserved for:			
Revolving cash	50,000	-	-
Stores inventories	-	-	-
Prepaid expenditures	244,975	-	-
Legally restricted programs	1,647,457	-	-
Unreserved:			
Designated	240,733	-	-
Undesignated, reported in:			
General Fund	4,936,791	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	4,409,898
Capital projects funds	-	38,879	-
Total Fund Balance	7,119,956	38,879	4,409,898
Total Liabilities and Fund Balances	$ 11,160,491	$ 76,911	$ 4,409,898

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

County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
$ 252,520	$ 2,542,812	$ 12,968,029
1,133,756	186,613	4,991,283
-	20,227	1,409,872
-	-	244,975
-	47,533	47,533
-	-	169,069
$ 1,386,276	$ 2,797,185	$ 19,830,761
$ 145,958	$ 311,735	$ 4,395,488
1,200,000	165,003	1,409,872
-	-	95,903
1,345,958	476,738	5,901,263
-	-	50,000
-	47,534	47,534
-	-	244,975
-	-	1,647,457
-	-	240,733
-	-	4,936,791
-	1,284,685	1,284,685
-	-	4,409,898
40,318	988,228	1,067,425
40,318	2,320,447	13,929,498
$ 1,386,276	$ 2,797,185	$ 19,830,761

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total Fund Balance - Governmental Funds		$ 13,929,498
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	$207,213,639	
Accumulated depreciation is	(32,194,893)	
Net Capital Assets		175,018,746
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, 2008.		3,078,432
Expenditures relating to issuance of debt of next fiscal year were recognized in modified accrual basis, but should not be recognized in accrual basis.		1,175,694
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.		(1,901,372)
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	(130,609,339)	
Supplement executive retirement plan	(979,900)	
Energy lease	(2,388,391)	
Compensated absences	(493,352)	
Unamortized premium	(6,900,056)	
Total Long-Term Obligations		(141,371,038)
Total Net Assets - Governmental Activities		$ 49,929,960

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, 2008

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Revenue limit sources	$ 33,024,904	$ -	$ -
Federal sources	1,807,046	-	-
Other State sources	8,756,617	-	18,250
Other local sources	13,085,284	253,444	9,642,008
Total Revenues	56,673,851	253,444	9,660,258
EXPENDITURES			
Current			
Instruction	35,784,271	-	-
Instruction-related activities:			
Supervision of instruction	1,698,238	-	-
Instructional library, media and technology	1,059,468	-	-
School site administration	2,875,893	-	-
Pupil services:			
Home-to-school transportation	116,363	-	-
	-	-	-
All other pupil services	2,213,121	-	-
Administration:			
Data processing	108,014	-	-
All other administration	3,730,461	-	-
Plant services	7,010,923	125	-
Facility acquisition and construction	981,680	18,255,535	-
Ancillary services	458,630	-	-
Community services	60,445	-	-
Debt service			
Principal	332,178	-	6,568,563
Interest and other	-	-	3,386,336
Total Expenditures	56,429,685	18,255,660	9,954,899
Excess (Deficiency) of Revenues Over Expenditures	244,166	(18,002,216)	(294,641)
Other Financing Sources (Uses)			
Transfers in	-	-	-
Other sources	-	-	-
Transfers out	(494,667)	-	-
Net Financing Sources (Uses)	(494,667)	-	-
NET CHANGE IN FUND BALANCES	(250,501)	(18,002,216)	(294,641)
Fund Balance - Beginning	7,370,457	18,041,095	4,704,539
Fund Balance - Ending	$ 7,119,956	$ 38,879	$ 4,409,898

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

County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ 33,024,904
-	225,355	2,032,401
3,535,338	963,162	13,273,367
158,481	3,609,841	26,749,058
3,693,819	4,798,358	75,079,730
-	504,360	36,288,631
-	5,991	1,704,229
-	-	1,059,468
-	540,775	3,416,668
-	-	116,363
-	1,419,689	1,419,689
-	-	2,213,121
-	-	108,014
-	-	3,730,461
-	100,346	7,111,394
7,494,054	7,796,411	34,527,680
-	-	458,630
-	-	60,445
-	-	6,900,741
-	-	3,386,336
7,494,054	10,367,572	102,501,870
(3,800,235)	(5,569,214)	(27,422,140)
-	494,667	494,667
-	615,165	615,165
-	-	(494,667)
-	1,109,832	615,165
(3,800,235)	(4,459,382)	(26,806,975)
3,840,553	6,779,829	40,736,473
$ 40,318	$ 2,320,447	$ 13,929,498

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, 2008

Total Net Change in Fund Balances - Governmental Funds		$(26,806,975)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation expense in the period.		
Capital outlays	$32,257,397	
Depreciation expense	(4,166,300)	
		28,091,097
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 more than the amounts earned by:		6,958
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:		
Supplement executive retirement plan		(1,224,875)
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		6,568,563
Supplement executive retirement plan		244,975
Other long-term obligations - equipment lease		232,055
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		271,418

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

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, 2008

Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the result of two factors. First, accrued interest on the general obligation bonds decreased by $68,919 and second, $298,904 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.	$ 229,985
Change in Net Assets of Governmental Activities	$ 7,613,201

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Agency Funds
ASSETS	
Deposits and investments	$ 674,304
LIABILITIES	
Due to student groups	$ 674,304

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

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 (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, 2008, the Foundation contributed approximately $950,000 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 $3,841,277 (unaudited).

Joint Powers Authorities The District is associated with three joint powers authorities. These organizations do not meet the criteria for inclusion as component units of the District. Additional information is presented in Note 15 to the financial statements. These organizations are:

- Schools Linked for Insurance Management (SLIM)
- Alliance of Schools for Cooperative Insurance Programs (ASCIP)
- Schools Excess Liability Fund (SELF)

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

General Fund The General Fund 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 lA), 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.

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. 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.

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.

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. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Investments

Investments held at June 30, 2008, 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.

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.

Accrued Liabilities and Long-Term Obligations

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

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

Deferred Issuance Costs, Premiums and Discounts

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

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 $6,811,723 of restricted net assets.

Estimates

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

Budgetary Data

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

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

Property Tax

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

New Accounting Pronouncements

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

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations. This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. Statement No. 47 addresses accounting for both voluntary and involuntary termination benefits. For termination benefits that affect an employer's obligations for defined benefit OPEB, the provisions of Statement No. 47 should be applied simultaneously with the requirements of Statement No. 45 Statement No. 45 is effective in three phases, with implementation required for Phase 1 governments in periods beginning after December 15, 2006. For all other termination benefits, including those that affect an employer's obligations for defined benefit pension benefits, Statement No. 47 is effective for financial statements for periods beginning after June 15, 2005. Earlier application of Statement No. 47 is encouraged.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other Post-Employment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as phase 1 or phase 2 governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Governmental activities	$ 12,968,029
Fiduciary funds	674,304
Total Deposits and Investments	$ 13,642,333

Deposits and investments as of June 30, 2008, consist of the following:

Cash on hand and in banks	$ 682,122
Cash in revolving	50,000
Investments	12,910,211
Total Deposits and Investments	$ 13,642,333

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
Money Market Mutual Funds	N/A	20%	10%

Interest Rate Risk

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

Weighted Average Maturity

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

Investment Type	Carrying Value	Fair Value	Weighted Average Maturity In Days
County Pool	$ 12,910,211	$ 12,895,881	556

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	$ 12,895,881	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 agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2008, $718,448 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.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental 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	$ 512,256	$ -	$ -	$ 20,170	$ 532,426
State Government					
Apportionment	1,276,889	-	-	8,697	1,285,586
Categorical aid	537,403	-	1,132,121	775	1,670,299
Lottery	355,861	-	-	-	355,861
Local Government					
Interest	85,028	10,145	1,635	18,723	115,531
Other Local Sources	893,332	-	-	138,248	1,031,580
Total	$ 3,660,769	$ 10,145	$ 1,133,756	$ 186,613	$ 4,991,283

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 2,933,062	$ -	$ -	$ 2,933,062
Construction in progress	57,735,542	30,572,179	70,948,656	17,359,065
Total Capital Assets Not Being Depreciated	60,668,604	30,572,179	70,948,656	20,292,127
Capital Assets Being Depreciated				
Buildings and improvements	102,325,126	72,036,820	-	174,361,946
Site improvements	8,202,210	37,932	-	8,240,142
Furniture and equipment	3,760,302	559,122	-	4,319,424
Total Capital Assets Being Depreciated	114,287,638	72,633,874	-	186,921,512
Less Accumulated Depreciation				
Buildings and improvements	23,252,851	332,969	-	23,585,820
Site improvements	2,369,168	3,486,810	-	5,855,978
Furniture and equipment	2,406,574	346,521	-	2,753,095
Total Accumulated Depreciation	28,028,593	4,166,300	-	32,194,893
Governmental Activities Capital Assets, Net	$ 146,927,649	$ 99,039,753	$ 70,948,656	$ 175,018,746

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 3,749,670
All other administration	416,630
Total Depreciation Expenses Governmental Activities	$ 4,166,300

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2008, between major and non-major governmental funds, are as follows:

	Due From				
Due To	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Fund	Total
General Fund	$ -	$ 24,642	$ 1,200,000	$ 165,003	$ 1,389,645
Non-Major Governmental	20,227	-	-	-	20,227
Total	$ 20,227	$ 24,642	$ 1,200,000	$ 165,003	$ 1,409,872

Operating Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfer To	Transfer From General Fund
Non-Major Governmental Funds	$ 494,667
The General Fund transferred to the Cafeteria Fund for operating costs.	$ 97,500
The General Fund transferred to the Deferred Maintenance Fund for the annual required match.	223,367
The General Fund transferred to the Adult Fund for prior year adjustment posted in the General Fund	16,800
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for reservation of turf replacement	157,000
Total	$ 494,667

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2008, consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities
Vendor payables	$ 806,420	$ -	$ -	$ -	$ 806,420
Salaries and benefits	3,117,985	6,219	-	-	3,124,204
Construction	-	7,171	145,958	311,735	464,864
Total	$ 3,924,405	$ 13,390	$ 145,958	$ 311,735	$ 4,395,488

NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2008, consists of the following:

	General Fund
Federal financial assistance	$ 80,594
State categorical aid	15,309
Total	$ 95,903

NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

The District issued $5,000,000 Tax and Revenue Anticipation Notes bearing interest at 3.741 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on June 30, 2008. By June 2008, 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, 2007	Additions	Deductions	Balance June 30, 2008	Due in One Year
General obligation bonds	$137,108,983	$ 68,919	$ 6,568,563	$130,609,339	$ 6,286,024
Premiums on general obligation bonds	8,135,065	-	1,235,009	6,900,056	1,235,009
Energy program equipment lease payable	2,620,446	-	232,055	2,388,391	241,360
Accumulated unpaid employee vacation	500,310	-	6,958	493,352	-
Supplement Executive Retirement Plan (SERP)	-	1,224,875	244,975	979,900	244,975
	$148,364,804	$ 1,293,794	$ 8,287,560	$141,371,038	$ 8,007,368

General Obligation Bonds are paid from tax revenues and are reported in the Bond Interest and Redemption Fund.

Energy program equipment lease payable is paid from unrestricted resources in the General Fund.

Accumulated unpaid employee vacation is paid from the resources of the fund for which the employee salary is funded.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2007	Issued	Accreted Interest Addition	Redeemed	Bonds Outstanding June 30, 2008
6/1998	May-08	4.50-7.00%	$ 62,000,000	$ 2,045,000	$ -	$ -	$ 2,045,000	$ -
6/2001	May-20	4.00-5.50%	13,600,000	10,490,000	-	-	575,000	9,915,000
5/2002	August-16	3.00-5.90%	44,999,260	5,761,144	-	68,919	185,000	5,645,063
8/2005	August-30	3.40-5.00%	45,000,000	42,850,000	-	-	150,000	42,700,000
7/2005	June-24	2.70-5.25%	47,354,973	43,058,720	-	-	2,000,953	41,057,767
7/2005	August-26	2.70-5.25%	36,384,991	32,904,119	-	-	1,612,610	31,291,509
				$ 137,108,983	$ -	$ 68,919	$ 6,568,563	$ 130,609,339

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, 2008, the principal balance outstanding was $9,915,000.

The bonds mature through 2020 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2009	$ 605,000	$ 526,800	$ 1,131,800
2010	630,000	502,600	1,132,600
2011	660,000	477,400	1,137,400
2012	700,000	441,100	1,141,100
2013	740,000	402,600	1,142,600
2014-2018	4,415,000	1,351,900	5,766,900
2019-2020	2,165,000	180,400	2,345,400
Total	$ 9,915,000	$ 3,882,800	$ 13,797,800

General Obligation Bonds, 2002 Series A

On May 30, 2002, the District issued $44,999,260 of General Obligation Bonds. The bonds included $44,120,000 in current interest bonds and $879,260 in Capital Appreciation bonds totaling to the $44,999,260. The Capital Appreciation bonds of $879,260 accrete to a $2,000,000 maturity value. The bonds were issued to finance the addition and modernization of school facilities. Interest rates range from 3.00 percent to 5.90 percent. In July 2005, the callable portion of the bonds were refinanced with the 2005 Refunding Bond Series B. As such, the callable portion of this issue has been considered as in-substance defeased debt. As of June 30, 2008, the principal balance of the uncallable bonds outstanding including accretion was $5,645,063.

The bonds mature through 2017 as follows:

Fiscal Year	Principal Including Accreted Interest	Accreted Interest	Interest to Maturity	Total
2009	$ 440,000	$ -	$ 1,983,794	$ 2,423,794
2010	660,000	-	1,963,719	2,623,719
2011	965,000	-	1,932,044	2,897,044
2012	1,100,000	-	1,890,744	2,990,744
2013	1,260,000	-	934,372	2,194,372
2014-2017	1,220,063	1,582,208	906,022	3,708,293
Total	$ 5,645,063	$ 1,582,208	$ 9,610,695	$ 16,837,966

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 $488,598, and an unamortized premium of $2,395,580 as of June 30, 2008. 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, 2008 is $42,700,000.

The bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2009	$ -	$ 2,092,794	$ 2,092,794
2010	-	2,092,794	2,092,794
2011	-	2,092,794	2,092,794
2012	-	2,092,794	2,092,794
2013	100,000	2,091,044	2,191,044
2014-2018	2,155,000	10,285,716	12,440,716
2019-2023	9,125,000	9,242,438	18,367,438
2024-2028	17,730,000	5,683,500	23,413,500
2029-2031	13,590,000	1,050,500	14,640,500
Total	$ 42,700,000	$ 36,724,374	$ 79,424,374

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 $687,096, an unamortized deferred charge on refunding amounting to $3,078,432, and an unamortized premium of $4,504,476 as of June 30, 2008. The cost of issuance, deferred charge and premium are all amortized utilizing the straight-line method through 2012. The bonds interest rates range from 2.70 percent to 5.25 percent. The outstanding principal outstanding at June 30, 2008, is $41,057,767 and $31,291,509, respectively.

The bonds mature through 2023 as follows:

Series A Fiscal Year	Principal	Accreted Interest	Total
2009	$ 3,708,080	$ 724,700	$ 4,432,780
2010	3,541,086	899,269	4,440,355
2011	3,387,328	1,068,147	4,455,475
2012	3,238,333	1,229,817	4,468,150
2013	3,093,843	1,384,077	4,477,920
2014-2018	13,474,296	8,990,049	22,464,345
2019-2023	10,614,801	11,876,448	22,491,249
Total	$ 41,057,767	$ 26,172,507	$ 67,230,274

The bonds mature through 2027 as follows:

Series B Fiscal Year	Principal	Accreted Interest	Total
2009	$ 1,532,944	$ 279,100	$ 1,812,044
2010	1,457,200	354,843	1,812,043
2011	1,385,217	426,827	1,812,044
2012	1,316,785	495,259	1,812,044
2013	1,251,724	560,320	1,812,044
2014-2018	8,941,486	5,956,483	14,897,969
2019-2023	8,778,521	10,111,401	18,889,922
2024-2027	6,627,632	11,277,619	17,905,251
Total	$ 31,291,509	$ 29,461,852	$ 60,753,361

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, 2008, $46,685,000 is outstanding on the 1998 Series B defeased bonds while $36,765,000 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, 2008, the trustee account for the 1998 Series B Bond had a market value of $47,651,653 and the trustee account for the 2002 Series A bonds was valued at $37,768,620. As the investments are in an irrevocable trust for the purpose of debt defeasance, the investments in the trustee accounts are not reflected in these financial statements.

Energy Program Equipment Lease

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

The annual interest rate is 3.95 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, 2008, was $2,388,391.

The repayment schedule for the lease is as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2009	$ 241,360	$ 90,818	$ 332,178
2010	251,038	81,140	332,178
2011	261,105	71,074	332,179
2012	271,575	60,604	332,179
2013	282,465	49,714	332,179
2014-2017	1,080,848	81,755	1,162,603
Total	$ 2,388,391	$ 435,105	$ 2,823,496

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2008, amounted to $493,352.

Supplemental Executive Retirement Plan (SERP)

The future SERP payments are as follows:

Year Ending June 30,	Total Payment
2008	$ 244,975
2009	244,975
2010	244,975
2011	244,975
Total	$ 979,900

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.

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
Prepaid	244,975	-	-	-	47,534	292,509
Restricted programs	1,647,457	-	-	-	-	1,647,457
Total Reserved	1,942,432	-	-	-	47,534	1,989,966
Unreserved						
Designated						
Economic uncertainties	240,733	-	-	-	-	240,733
Total Designated	240,733	-	-	-	-	240,733
Undesignated	4,936,791	38,879	4,409,898	40,318	2,272,913	11,698,799
Total Unreserved	5,177,524	38,879	4,409,898	40,318	2,272,913	11,939,532
Total	$ 7,119,956	$ 38,879	$ 4,409,898	$ 40,318	$ 2,320,447	$ 13,929,498

NOTE 11 - POSTEMPLOYMENT BENEFITS

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 8 years of service. Currently, 36 employees meet those eligibility requirements. The District contributes $600 of premiums incurred by retirees and their dependents and the retiree contributes the remainder. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as premiums are paid. During the year, expenditures of $240,570 were recognized for retirees' health care benefits.

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, 2008, the District contracted with Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2008, 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 contributory 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 the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. 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, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008 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, 2008, 2007, and 2006, were $2,258,765, $2,196,443, and $2,005,081, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 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 2007-2008 was 9.306 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2007, and 2006, were $597,992, $543,584, and $518,928, respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $1,262,495 (4.517 percent of salaries subject to CalSTRS). No contributions were made for CalPERS for the year ended June 30, 2008. 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 Schedule

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, 2008.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2008.

Construction Commitments

As of June 30, 2008, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Science and Technology Center	$ 345,196	2008/2009
Beverly Vista Building B	45,398	2008/2009
Repair and upgrade auditoriums and restrooms at 3 schools:		
El Rodeo, Hawthorne, and Horace Mann	420,302	2008/2009
	$ 810,896	

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, 2008, the District made payments of $388,307, $1,071,800, and $11,185 to SLIM, ASCIP, and SELF, respectively for insurance.

NOTE 16 - SUBSEQUENT EVENTS

The District issued $5,000,000 of Tax and Revenue Anticipation Notes dated July 10, 2008. The notes mature on June 30, 2009, and yield 3.50 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, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts (GAAP Basis)		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Revenue limit sources	$ 33,335,017	$ 33,020,742	$ 33,024,904	$ 4,162
Federal sources	1,490,594	2,060,128	1,807,046	(253,082)
Other State sources	6,500,606	7,105,754	8,756,617	1,650,863
Other local sources	10,355,975	10,390,338	13,085,284	2,694,946
Total Revenues [1]	51,682,192	52,576,962	56,673,851	4,096,889
EXPENDITURES				
Current				
Instruction	32,825,909	34,006,926	35,784,271	(1,777,345)
Instruction-related activities:				
Supervision of instruction	1,640,755	1,699,787	1,698,238	1,549
Instructional library, media, and technology	1,023,607	1,060,434	1,059,468	966
School site administration	2,778,547	2,878,516	2,875,893	2,623
Pupil services:				
Home-to-school transportation	112,424	116,469	116,363	106
All other pupil services	2,138,210	2,215,139	2,213,121	2,018
Administration:				
Data processing	104,358	108,112	108,014	98
All other administration	3,604,191	3,733,863	3,730,461	3,402
Plant services	6,773,614	7,017,316	7,010,923	6,393
Facility acquisition and construction	948,452	982,575	981,680	895
Ancillary services	443,106	459,048	458,630	418
Community services	58,399	60,500	60,445	55
Debt service				
Interest	320,935	332,481	332,178	303
Total Expenditures [1]	52,772,507	54,671,166	56,429,685	(1,758,519)
Excess (Deficiency) of Revenues Over Expenditures	(1,090,315)	(2,094,204)	244,166	2,338,370
Other Financing Sources (Uses)				
Transfers out	-	(577,000)	(494,667)	82,333
NET CHANGE IN FUND BALANCES	(1,090,315)	(2,671,204)	(250,501)	2,420,703
Fund Balance - Beginning	7,370,457	7,370,457	7,370,457	-
Fund Balance - Ending	$ 6,280,142	$ 4,699,253	$ 7,119,956	$ 2,420,703

[1] On behalf payments of $1,262,495 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

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SUPPLEMENTARY INFORMATION

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

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	$ 526,486
Title II, Teacher Quality	84.367	14341	124,944
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	10,333
Title III, Limited English Proficiency	84.365	10084	33,989
Title IV, Part A, Drug-Free Schools	84.186	14347	18,175
Title V, Part A, Innovative Education Strategies	84.298A	14354	7,494
Subtotal			721,421
Individuals with Disability Education Act			
Basic Local Assistance Entitlement	84.027	13379	982,015
Preschool Grant	84.173	13430	20,952
Local Preschool Entitlement	84.027A	13682	32,918
Infant Discretionary	84.027A	13612	17
Preschool Staff Development	84.173A	13431	207
Early Intervention Grants	84.181	23761	15,363
Subtotal			1,051,472
Voc and Appl Technology Secondary	84.048A	14894	26,832
Adult Education: Adult Basic Education and ESL	84.002A	14508	75,489
Workability II, Transition Partnership	84.158	10006	7,322
Subtotal			109,643
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the California Department of Education:			
National School Lunch Program	10.555	13390	113,290
Commodity Distribution	10.558	13534	36,575
Subtotal			149,865
Total Expenditures			$ 2,032,401

See accompanying note to supplementary information.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2008

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

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

ADMINISTRATION

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

See accompanying note to supplementary information.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2008

	Revised Second Period Report	Revised Annual Report
ELEMENTARY		
Kindergarten	175	176
First through third	693	695
Fourth through sixth	934	935
Seventh and eighth	814	813
Home and Hospital	1	2
Special education	136	138
Total Elementary	2,753	2,759
SECONDARY		
Regular classes	2,212	2,201
Continuation education	24	26
Home and Hospital	7	5
Special education	92	93
Total Secondary	2,335	2,325
Total K-12	5,088	5,084
CLASSES FOR ADULTS		
Not concurrently enrolled	245	262
Total Classes for Adults	245	262
Grand Total	5,333	5,346

	Hours of Attendance
SUPPLEMENTAL INSTRUCTIONAL HOURS	
Elementary	11,621
High school	38,042
Total Hours	49,663

See accompanying note to supplementary information.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2008

Grade Level	1982-83 Actual Minutes	1986-87 Minutes Requirement	2007-08 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	30,216	36,000	36,000	180	N/A	Complied
Grades 1 - 3	53,204	50,400	[1]			
Grade 1			50,907	180	N/A	Complied
Grade 2			50,907	180	N/A	Complied
Grade 3			50,907	180	N/A	Complied
Grades 4 - 6	53,204	54,000	[1]			
Grade 4			50,907	180	N/A	Complied
Grade 5			50,907	180	N/A	Complied
Grade 6			64,150	180	N/A	Complied
Grades 7 - 8	53,204	54,000				
Grade 7			64,150	180	N/A	Complied
Grade 8			64,150	180	N/A	Complied
Grades 9 - 12	62,920	64,800				
Grade 9			76,547	180	N/A	Complied
Grade 10			76,547	180	N/A	Complied
Grade 11			76,547	180	N/A	Complied
Grade 12			76,547	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	53,204	159,612
	Fourth through sixth	3	54,000	162,000
	Seventh through eighth	2	54,000	108,000
		8		429,612
			Total Minimum Average	53,702

		Number of Grades	Minimum Minutes	
Actual Offering	First through third	3	50,907	152,721
	Fourth through sixth	3	50,907	152,721
	Seventh through eighth	2	64,150	128,300
		8		433,742
			Total Minimum Average	54,218
			Minimum Average Surplus	516

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, 2008

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	Building Fund
FUND BALANCE				
Balance, June 30, 2008, Unaudited Actuals	$ 7,665,789	$ 140,361	$ 47,534	$ 10,241
Increase in:				
Accounts receivable	-	-	7,639	-
Accounts payable	(545,833)	-	-	-
Balance, June 30, 2008,	-	134,948	86,666	28,638
Audited Financial Statement	$ 7,119,956	$ 275,309	$ 141,839	$ 38,879

See accompanying note to supplementary information.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

	(Budget) 2009 [1]	2008	2007	2006
GENERAL FUND				
Revenues	$ 52,329,278	$ 56,673,851	$ 57,235,992	$ 50,147,261
Other financing sources and transfers in	-	-	-	220,000
Total Revenues and Other Sources	52,329,278	56,673,851	57,235,992	50,367,261
Expenditures	50,071,056	56,429,685	54,680,043	50,705,079
Other uses and transfers out	431,990	494,667	921,096	279,745
Total Expenditures and Other Uses	50,503,046	56,924,352	55,601,139	50,984,824
INCREASE (DECREASE) IN FUND BALANCE	$ 1,826,232	$ (250,501)	$ 1,634,853	$ (617,563)
ENDING FUND BALANCE	$ 8,946,188	$ 7,119,956	$ 7,370,457	$ 5,735,604
AVAILABLE RESERVES [2]	$ 7,009,603	$ 5,183,371	$ 4,001,102	$ 1,508,725
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	13.9%	9.3%	7.4%	3.0%
LONG-TERM OBLIGATIONS	N/A	$141,371,038	$148,364,804	$158,097,291
K-12 AVERAGE DAILY ATTENDANCE AT P-2 [4]	5,092	5,088	5,081	5,101

The General Fund balance has increased by $1,384,352 over the past two years. The fiscal year 2008-2009 budget projects a further increase of $1,826,232 (25.6 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 2008-2009 fiscal year. Total long-term obligations have decreased by $16,726,253 over the past two years.

Average daily attendance has decreased by 13 over the past two years. Additional growth of four ADA is anticipated during fiscal year 2008-2009.

[1] Budget 2009 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund, Special Reserve Fund (other than capital outlay).
[3] On behalf payments of $1,262,495, $1,229,633, and $1,129,860 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2008, 2007, and 2006, respectively.
[4] Excludes adult education.

See accompanying note to supplementary information.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

EXCESS SICK LEAVE
JUNE 30, 2008

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

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

See accompanying note to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Excess Sick Leave

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

SUPPLEMENTARY INFORMATION - UNAUDITED

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - UNAUDITED
JUNE 30, 2008

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund For Other Than Capital Outlay Projects
ASSETS				
Deposits and investments	$ 439,758	$ 168,978	$ 901,107	$ 5,816
Receivables	12,254	22,873	9,242	31
Due from other funds	-	20,227	-	-
Stores inventories	-	47,533	-	-
Total Assets	$ 452,012	$ 259,611	$ 910,349	$ 5,847
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 83,340	$ 46,132	$ 1,125	$ -
Total Liabilities	176,703	117,772	1,125	-
FUND BALANCES				
Reserved for:				
Stores inventories	-	47,534	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds	275,309	94,305	909,224	5,847
Capital projects funds	-	-	-	-
Total Fund Balances	275,309	141,839	909,224	5,847
Total Liabilities and Fund Balances	$ 452,012	$ 259,611	$ 910,349	$ 5,847

See accompanying note to supplementary information - unaudited.

Capital Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Non-Major Governmental Funds
$ 280,463	$ 746,690	$ 2,542,812
140,246	1,967	186,613
-	-	20,227
-	-	47,533
$ 420,709	$ 748,657	$ 2,797,185
$ 50,000	$ 131,138	$ 311,735
50,000	131,138	476,738
-	-	47,534
-	-	1,284,685
370,709	617,519	988,228
370,709	617,519	2,320,447
$ 420,709	$ 748,657	$ 2,797,185

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2008

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund For Other Than Capital Outlay Projects
REVENUES				
Federal sources	$ 75,488	$ 149,867	$ -	$ -
Other State sources	746,396	5,429	211,337	-
Other local sources	423,582	1,221,319	55,622	268
Total Revenues	1,245,466	1,376,615	266,959	268
EXPENDITURES				
Current				
Instruction	504,360	-	-	-
Instruction-related activities:				
Supervision of instruction	5,991	-	-	-
School site administration	540,775	-	-	-
Pupil services:				
Food services	-	1,419,689	-	-
Plant services	23,489	-	76,857	-
Facility acquisition and construction	13,558	-	1,016,493	-
Total Expenditures	1,088,173	1,419,689	1,093,350	-
Excess (Deficiency) of Revenues Over Expenditures	157,293	(43,074)	(826,391)	268
Other Financing Sources				
Transfers in	16,800	97,500	223,367	-
Other sources	-	-	315,165	-
Net Financing Sources	16,800	97,500	538,532	-
NET CHANGE IN FUND BALANCES	174,093	54,426	(287,859)	268
Fund Balance - Beginning	101,216	87,413	1,197,083	5,579
Fund Balance - Ending	$ 275,309	$ 141,839	$ 909,224	$ 5,847

See accompanying note to supplementary information - unaudited.

Capital Facilities Fund	Special Reserve Fund For Capital Outlay Projects	Total Non-Major Governmental Funds
$ -	$ -	$ 225,355
-	-	963,162
806,869	1,102,181	3,609,841
806,869	1,102,181	4,798,358
-	-	504,360
-	-	5,991
-	-	540,775
-	-	1,419,689
-	-	100,346
3,339,249	3,427,111	7,796,411
3,339,249	3,427,111	10,367,572
(2,532,380)	(2,324,930)	(5,569,214)
-	157,000	494,667
-	300,000	615,165
-	457,000	1,109,832
(2,532,380)	(1,867,930)	(4,459,382)
2,903,089	2,485,449	6,779,829
$ 370,709	$ 617,519	$ 2,320,447

NOTE 1 - PURPOSE OF SCHEDULES

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

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

INDEPENDENT AUDITORS' REPORTS

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

Governing Board
Beverly Hills Unified School District
Beverly Hills, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beverly Hills Unified School District (the "District") as of and for the year ended June 30, 2008, which collectively comprise Beverly Hills Unified School District's basic financial statements and have issued our report thereon dated November 7, 2008. 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. Please see current year finding 2008-1.

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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.

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 7, 2008

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

Governing Board
Beverly Hills Unified School District
Beverly Hills, California

Compliance

We have audited the compliance of Beverly Hills Unified School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2008. 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, 2008.

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.

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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.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 7, 2008

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
Beverly Hills Unified School District
Beverly Hills, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Beverly Hills Unified School District as of and for the year ended June 30, 2008, and have issued our report thereon dated November 7, 2008. 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 2007-08*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

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

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	Procedures in Audit Guide	Procedures Performed
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Yes
Gann limit calculation	1	Yes
School Construction Funds:		
School District bonds	3	Yes
State school facilities funds	1	Yes
Excess sick leave	2	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not Applicable
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 did not perform testing for Independent Study and continuation education because the ADA is below the State requirement for testing. Additionally, we did not perform step 2 for Alternative Pension Plans because the District does not offer an alternative plan for full-time employees.

Based on our audit, we found that for the items tested, the Beverly Hills Unified School District complied with the State laws and regulations referred to above. 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.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
November 7, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2008

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

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

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A, Basic Grants
84.027, 84.173, 84.027A 84.173A	Low-Incidence and Neglected Individuals with Disability Education Act Special Education Clusters

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
Auditee qualified as low-risk auditee?	No

STATE AWARDS

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

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

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:

Five Digit Code	AB 3627 Finding Type
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.

District Response

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

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

None reported.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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

2007-1 30000

TIMELY DEPOSITS

Hawthorne School

Finding

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

Recommendation

Deposits of District cash collected at school sites should be deposited in a timely 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

2007-2 30000

Beverly Hills High School

Finding

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

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

See current year finding 2008-1

2007-3 30000

LIBRARY CASH RECEIPTING PROCEDURE

Beverly Hills High School

Finding

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

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

Recommendation

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

Current Status

Implemented

State Award Findings

2007-4 10000

KINDERGARTEN RETENTIONS

El Rodeo School

Finding

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

Recommendation

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

Current Status

Implemented

2007-5 10000

Hawthorne School

Finding

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

Recommendation

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

Current Status

Implemented

STATE OF CALIFORNIA

ARNOLD SCHWARZENEGGER, Governor

CALIFORNIA EMERGENCY MANAGEMENT AGENCY
LOCAL ASSISTANCE MONITORING BRANCH
3650 SCHRIEVER AVENUE
MATHER, CALIFORNIA 95655
PHONE: (916) 845-8120 FAX: (916) 845-8380

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By

Audit # 04892

July 9, 2009

Ms. Cheryl Plotkin
Assistant Superintendent of Business Services
Beverly Hills Unified School District
255 South Lasky Drive
Beverly Hills, CA 90212

SUBJECT: SINGLE AUDIT REPORT FOR THE PERIOD ENDED JUNE 30, 2008
FIPS #037-91106

Dear Ms. Plotkin:

Since the California Emergency Management Agency (CalEMA) (formerly the Governor's Office of Emergency Services (OES)) is subject to the requirements of Office of Management and Budget Circular A-133, Audits of States, Local Governments and Nonprofit Organizations, the CalEMA is required to monitor its subrecipients of federal awards to determine whether they have met the audit requirements of the Circular. The Circular specifically requires non-federal entities that expend $500,000 or more in a year in federal awards to have either an annual single or program-specific audit, and that the audit report be submitted within nine months after the end of the audit period.

To date, an audit report for your organization for the year ended June 30, 2008 has not been received by the CalEMA. Accordingly, the CalEMA is requesting that you check one of the following options listed below, and return a signed copy of this letter to the above address within 30 days of its date, along with all appropriate documentation regarding your organization's compliance with the audit requirement. If findings were noted in your audit report, please include a summary of your management responses and corrective actions taken. In addition, please submit a copy of any separate letter to management mentioned in the audit report.

☒	We have completed our A-133 audit for fiscal year(s) ended June 30, 2008. A copy of the audit report(s) is enclosed.
☐	We expect our A-133 audit for fiscal year(s) ended _____ will be completed by _____. A copy of our audit report along with our management responses and corrective actions taken related to any findings will be forwarded to the CalEMA within 30 days of receipt of the report.
☐	We are not subject to A-133 audit because: _____ We are a for-profit organization _____ We expend less than $500,000 in federal awards annually _____ We are a component entity of the following organization and included in its A-133 audit: _____ _____ Other (please explain) _____ _____