

CULVER CITY UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2011

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**CULVER CITY UNIFIED SCHOOL DISTRICT
OF LOS ANGELES COUNTY**

CULVER CITY, CALIFORNIA

JUNE 30, 2011

The Culver City Unified School District boundaries include primarily the City of Culver City, Los Angeles County. There were no changes to the District's boundaries during the year. The District operates 5 elementary schools, 1 middle school, 1 comprehensive high school, a continuation high school, an independent study center, a child development program, and an adult education program.

GOVERNING BOARD

<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Scott Zeidman	President	November 2011
Karlo Silbiger	Vice President	November 2013
Katherine Paspalis	Clerk	November 2013
Patricia Siever	Parliamentarian	November 2013
Steven Gourley	Member	November 2011

DISTRICT ADMINISTRATORS

Patricia Jaffe
Superintendent

Gwenis Ann Laura
Assistant Superintendent, Educational Services

Ali Delawalla
Assistant Superintendent, Business Services

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CULVER CITY UNIFIED SCHOOL DISTRICT
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FINANCIAL SECTION

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A PROFESSIONAL ACCOUNTANCY CORPORATION

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Culver City Unified School District
Culver City, California

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Culver City Unified School District, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Culver City Unified School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K - 12 Local Educational Agencies 2010 - 11*. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Culver City Unified School District, as of June 30, 2011, and the respective changes in financial position, and, where applicable, cash flows 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 December 6, 2011 on our consideration of the Culver City Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 assessing the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 3 through 10, the budgetary comparison information on page 45, and the schedule of funding progress on page 46 are not a required part of the basic financial statements but are supplementary information required by 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 Culver City Unified School 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 the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and the Combining Statements – Non-Major Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Christine White Accountancy Corporation

San Diego, California
December 6, 2011

CULVER CITY UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

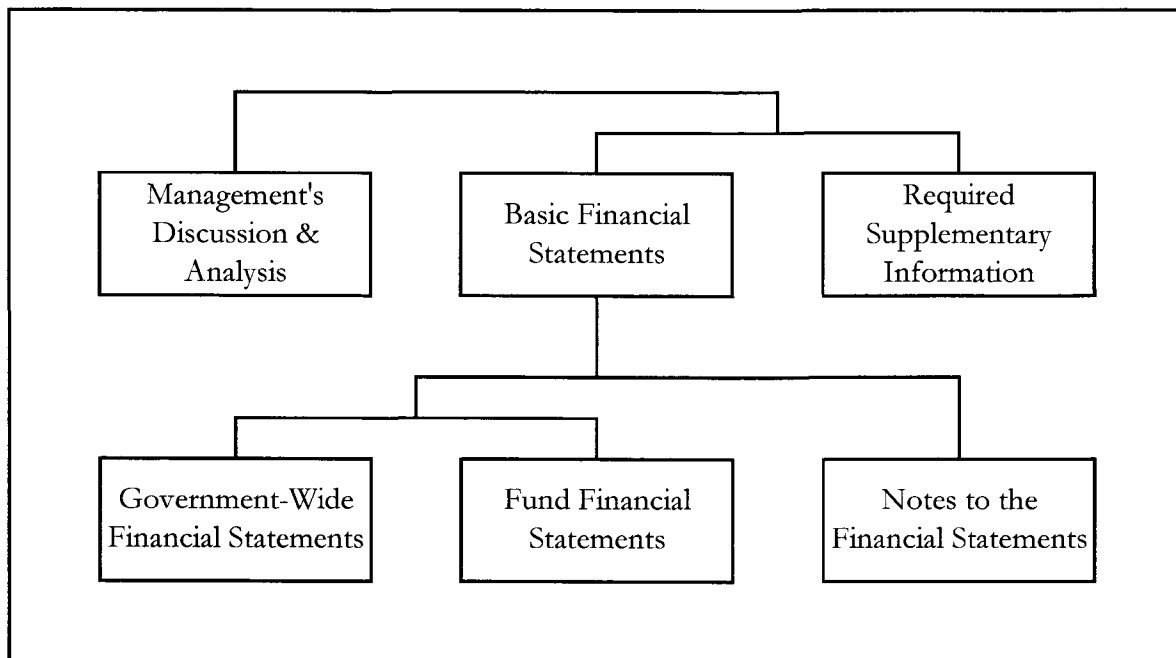
Our discussion and analysis of Culver City Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

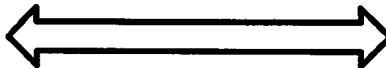
- The net assets were \$36.1 million at June 30, 2011. This was an increase of \$6.3 million over the prior year.
- Overall revenues were \$85.6 million, which exceeded expenses of \$79.3 million.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



Summary



Detail

**CULVER CITY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** 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.

 - ▶ **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-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 government's assets and liabilities. 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 government-wide statements report the District's net assets and how they have changed. Net assets, the difference between 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 health is improving or deteriorating, respectively. The District experienced an increase in net assets. To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in enrollment, changes in the property tax base, changes in program funding by the federal and state governments, and condition of facilities.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Revenue limit funding and federal and state grants finance most of these activities.

**CULVER CITY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The District's combined net assets were \$36,148,161 at June 30, 2011, as reflected in Table A-1 below. Of this amount, \$11.8 million was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations.

**Table A-1
Culver City Unified School District's Net Assets**

	Governmental Activities		Total Percentage Change
	2010	2011	2010-11
Current assets	\$ 32,070,688	\$ 41,522,561	29%
Noncurrent assets	46,357,771	44,739,240	-3%
Total assets	78,428,459	86,261,801	10%
Current liabilities	11,767,595	13,219,496	12%
Noncurrent liabilities	36,786,468	36,894,144	0%
Total liabilities	48,554,063	50,113,640	3%
Invested in capital assets, net of related debt	13,780,013	12,959,887	-6%
Restricted	7,114,299	11,413,947	60%
Unrestricted	8,890,084	11,774,327	32%
Total net assets	\$ 29,874,396	\$ 36,148,161	21%

District government-wide assets increased due to an increase in cash and cash equivalents and liabilities increased primarily due to an increase in accrued liabilities.

**CULVER CITY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets

As shown in Table A-2 below, the District's total revenues were \$85,583,156. The majority of the revenue comes from revenue limit, property taxes, and federal and state aid (58%). Program revenues were approximately 40% of the District's total revenue. Miscellaneous local sources accounted for approximately 2% of revenue.

The total cost of all programs and services was \$79,309,391. The District's expenses are predominately related to educating and caring for students (57%). Pupil Services (including transportation and food) account for 7% of expenses. Administrative activities accounted for just 4% of total costs. Plant services, which represent the facilities maintenance and operations costs, account for 6% of all costs. The remaining expenses were for ancillary services, community services, and other outgo (26%). Expenses increased primarily due to an increase in transfers to other agencies.

**Table A-2
Changes in Culver City Unified School District's Net Assets**

	Governmental Activities		Total Percentage Change
	2010	2011	2010-11
Revenues:			
<i>Program revenues</i>			
Charges for services	\$ 1,797,003	\$ 1,976,640	10%
Operating grants and contributions	23,823,901	31,893,735	34%
<i>General revenues</i>			
Property taxes	13,550,379	15,806,135	17%
Other revenues	30,805,651	35,906,646	17%
Total revenues	69,976,934	85,583,156	22%
Expenses:			
Instruction-related	44,332,793	45,182,219	2%
Student support services	6,541,174	5,523,318	-16%
Maintenance and operations	5,289,046	5,145,664	-3%
Administration	4,186,726	3,296,862	-21%
Other expenses	13,917,855	20,161,328	45%
Total expenses	74,267,594	79,309,391	7%
Change in net assets	\$ (4,290,660)	\$ 6,273,765	246%

CULVER CITY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets (continued)

As reported in the Statement of Activities on page 12, the cost of all our governmental activities this year was \$79,309,390 (refer to table A-3). The amount that our taxpayers ultimately financed for these activities through taxes was only \$45,439,016 because the cost was paid by those who benefited from the programs (\$1,976,640), and by other governments and organizations who subsidized certain programs with grants and contributions (\$31,893,735).

Table A-3
Net Costs of Culver City Unified School District's
Governmental Activities

	Total Cost of Services	Net Cost of Services
Instructional services	\$ 45,182,219	\$ 29,452,204
Pupil support services	5,523,318	2,375,269
Maintenance and operations	5,145,664	5,019,764
Administration	3,296,862	2,512,861
Other expenses	20,161,328	6,078,918
Total expenses	\$ 79,309,391	\$ 45,439,016

**CULVER CITY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$29.9 million, which is greater than last year's ending fund balance of \$21.9 million. The District's General Fund had \$3.6 million more in operating revenues than expenditures in 2010-2011.

CURRENT YEAR BUDGET 2010-11

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a monthly basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

Budget adjustments to revenues and expenditures for the year include:

- Revenue limit increased by \$2,247,080 from adopted budget to second interim due to a state adopted budget increase in revenue limit funding of \$274 per ADA.
- Federal revenue increased by \$2,439,094 from adopted budget to second interim due to the anticipation of one-time American Recovery and Investment Act (ARRA) funds including Education Jobs Fund monies.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As shown in Table A-4, the District had invested \$78,013,739 in capital assets.

**Table A-4
Culver City Unified School District's Capital Assets**

	Governmental Activities		Total Percentage Change
	2010	2011	2010-11
Land	\$ 1,517,971	\$ 1,517,971	0%
Site improvements	4,377,672	4,377,672	0%
Buildings	67,210,380	67,210,380	0%
Furniture and equipment	4,754,229	4,807,503	1%
Construction in progress	100,213	100,213	0%
Total capital assets	\$ 77,960,465	\$ 78,013,739	0%

**CULVER CITY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end, the District had \$37.7 million in long-term debt, a decrease of 1% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

**Table A-5
Culver City Unified School District's Long-Term Debt**

	Governmental Activities		Total
	2010	2011	Percentage Change 2010-11
General obligation bonds	\$ 36,965,000	\$ 35,500,000	-4%
Net OPEB obligations	1,286,468	2,194,144	71%
Total long-term debt	\$ 38,251,468	\$ 37,694,144	-1%

**CULVER CITY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
JUNE 30, 2011**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

- At the state level, the budget situation continues to reflect challenging economic times. The 2011 State Budget was balanced on optimistic revenue projections and contains "trigger" language that would reduce school funding mid-year, should the state fail to meet those projections. In addition, one-time sources of federal funding from the American Recovery and Reinvestment Act and the Education Jobs Act are ending and to continue program services funded by these sources will require either new federal funding or a reallocation of district funds. State categorical program flexibility continues for the 2010-11 and 2011-12 fiscal years with no anticipated changes. School districts continue to be authorized to use funding from 42 Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed through 2012-13 and school agencies maintain the flexibility to shorten the school year until 2014-15.
- Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2011-12 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 any questions about this report or need additional financial information, contact the Assistant Superintendent, Business Services at 4034 Irving Place; Culver City, CA 90232.

CULVER CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental	Discretely Presented
	Activities	Component Unit
		(Unaudited)
ASSETS		
Cash and cash equivalents	\$ 30,844,685	\$ 3,641,661
Investments	-	34,380,651
Accounts receivable	10,607,698	-
Inventory	70,178	-
Total current assets	41,522,561	38,022,312
Capital assets, non-depreciable	1,618,184	-
Capital assets, depreciable, net	43,121,056	-
Total non-current assets	44,739,240	-
Total Assets	86,261,801	38,022,312
LIABILITIES		
Accrued liabilities	9,302,274	-
Current loans	3,000,000	-
Deferred revenue	117,222	-
Long-term liabilities, current portion	800,000	-
Total current liabilities	13,219,496	-
Long-term liabilities, non-current portion	36,894,144	-
Total Liabilities	50,113,640	-
NET ASSETS		
Invested in capital assets, net of related debt	12,959,887	-
Restricted for		
Capital projects	6,856,781	3,641,661
Debt service	1,876,251	-
Educational programs	2,680,915	-
Unrestricted	11,774,327	34,380,651
Total Net Assets	\$ 36,148,161	\$ 38,022,312

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

**CULVER CITY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets	Discretely Presented Component Unit (Unaudited)
		Charges for Services	Operating Grants and Contributions	Governmental Activities	
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 38,011,598	\$ 591,289	\$ 12,991,759	\$ (24,428,550)	
Instruction-related services					
Instructional supervision and administration	1,887,983	1,219	958,039	(928,725)	
Instructional library, media, and technology	405,768	-	-	(405,768)	
School site administration	4,876,870	101,595	1,086,114	(3,689,161)	
Pupil services					
Home-to-school transportation	677,727	-	119,287	(558,440)	
Food services	2,090,756	858,321	1,392,826	160,391	
All other pupil services	2,754,835	3,533	774,082	(1,977,220)	
General administration					
Centralized data processing	544,920	-	-	(544,920)	
All other general administration	2,751,942	60,826	723,175	(1,967,941)	
Plant services	5,145,664	6,732	119,168	(5,019,764)	
Ancillary services	15,415	-	-	(15,415)	
Community services	39,326	-	-	(39,326)	
Interest on long-term debt	1,937,186	-	-	(1,937,186)	
Transfer to other agencies	16,488,096	353,125	13,729,285	(2,405,686)	
Depreciation (unallocated)	1,681,305	-	-	(1,681,305)	
Total Governmental Activities	\$ 79,309,391	\$ 1,976,640	\$ 31,893,735	(45,439,016)	
DISCRETELY PRESENTED COMPONENT UNIT					
Debt service	\$ 4,652,625	\$ -	\$ -	-	\$ 4,652,625
Total	\$ 4,652,625	\$ -	\$ -	-	4,652,625
General revenues					
Taxes and subventions					
				8,172,346	-
				2,711,826	-
				4,921,963	-
				34,255,629	-
				378,036	1,950,780
				1,272,981	-
				51,712,781	1,950,780
CHANGE IN NET ASSETS				6,273,765	(2,701,845)
Net Assets - Beginning				29,874,396	40,724,157
Net Assets - Ending				\$ 36,148,161	\$ 38,022,312

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

**CULVER CITY UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2011**

	General Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 16,833,507	\$ 5,265,790	\$ 8,745,388	\$ 30,844,685
Accounts receivable	10,283,877	17,505	306,316	10,607,698
Stores inventory	60,921	-	9,257	70,178
Total Assets	\$ 27,178,305	\$ 5,283,295	\$ 9,060,961	\$ 41,522,561
LIABILITIES				
Accrued liabilities	\$ 8,011,956	\$ 10,268	\$ 474,024	\$ 8,496,248
Current loans	3,000,000	-	-	3,000,000
Deferred revenue	117,222	-	-	117,222
Total Liabilities	11,129,178	10,268	474,024	11,613,470
FUND BALANCES				
Nonspendable	74,921	-	16,257	91,178
Restricted	1,290,885	5,273,027	8,570,680	15,134,592
Assigned	948,866	-	-	948,866
Unassigned	13,734,455	-	-	13,734,455
Total Fund Balances	16,049,127	5,273,027	8,586,937	29,909,091
Total Liabilities and Fund Balances	\$ 27,178,305	\$ 5,283,295	\$ 9,060,961	\$ 41,522,561

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

CULVER CITY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET ASSETS
JUNE 30, 2011

Total Fund Balance - Governmental Funds \$ 29,909,091

Amounts reported for assets and liabilities for governmental activities in the statement of net assets are different from amounts reported in governmental funds because:

Capital assets:

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

Capital assets	\$ 78,013,739	
Accumulated depreciation	(33,274,499)	44,739,240

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatrued interest owing at the end of the period was:

(806,026)

Long-term liabilities:

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

General obligation bonds payable	\$ 35,500,000	
Net OPEB obligation	2,194,144	(37,694,144)

Total Net Assets - Governmental Activities \$ 36,148,161

**CULVER CITY UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources	\$ 35,545,891	\$ -	\$ -	\$ 35,545,891
Federal sources	12,101,441	-	1,480,690	13,582,131
Other state sources	20,965,801	-	1,516,873	22,482,674
Other local sources	3,979,773	3,821,874	6,170,812	13,972,459
Total Revenues	72,592,906	3,821,874	9,168,375	85,583,155
EXPENDITURES				
Current				
Instruction	34,192,763	-	2,958,624	37,151,387
Instruction-related services				
Instructional supervision and administration	1,887,983	-	-	1,887,983
Instructional library, media, and technology	405,769	-	-	405,769
School site administration	4,402,733	-	474,138	4,876,871
Pupil services				
Home-to-school transportation	677,755	-	-	677,755
Food services	388	-	2,104,202	2,104,590
All other pupil services	2,754,832	-	-	2,754,832
General administration				
Centralized data processing	544,921	-	-	544,921
All other general administration	2,476,208	-	275,738	2,751,946
Plant services				
Facilities acquisition and maintenance	136,780	12,823	-	149,603
Ancillary services	15,413	-	-	15,413
Community services	39,327	-	-	39,327
Transfers to other agencies	16,488,096	-	-	16,488,096
Debt service				
Principal	-	-	750,000	750,000
Interest and other	-	-	1,950,780	1,950,780
Total Expenditures	68,944,576	12,823	8,589,380	77,546,779
Excess (Deficiency) of Revenues				
Over Expenditures	3,648,330	3,809,051	578,995	8,036,376
Other Financing Sources (Uses)				
Transfers in	1,236,402	-	-	1,236,402
Transfers out	-	(1,236,402)	-	(1,236,402)
Net Financing Sources (Uses)	1,236,402	(1,236,402)	-	-
NET CHANGE IN FUND BALANCE	4,884,732	2,572,649	578,995	8,036,376
Fund Balance - Beginning, as originally stated	10,792,765	2,700,378	8,379,572	21,872,715
Adjustment for restatement	371,630	-	(371,630)	-
Fund Balance - Beginning, as restated	11,164,395	2,700,378	8,007,942	21,872,715
Fund Balance - Ending	\$ 16,049,127	\$ 5,273,027	\$ 8,586,937	\$ 29,909,091

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

**CULVER CITY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

Net Change in Fund Balances - Governmental Funds \$ 8,036,376

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay: \$	62,774	
Depreciation expense:	(1,681,305)	(1,618,531)

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

750,000

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

13,597

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

(907,676)

Change in net assets of Governmental Activities \$ 6,273,766

CULVER CITY UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Agency Funds</u> <u>Student Body</u> <u>Funds</u>
ASSETS	
Cash and cash equivalents	\$ 193,333
Total Assets	\$ 193,333
LIABILITIES	
Due to student groups:	\$ 193,333
Total Liabilities	\$ 193,333

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

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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. A reporting entity is comprised of the primary government, component units, 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 and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities.

B. Component Unit

Component units are legally separate organizations for which the District is financially accountable. Component units may also 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 their 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.

Culver City School Financing Authority. The Culver City Facilities Financing Authority (the Authority) was established October 1, 2005 under the laws of the State of California under a joint exercise of powers agreement with The California Municipal Financing Authority for the sole purpose of issuing the Series 2005 refunding general obligation bonds and providing, through the saving of overall bond yield, additional capital project financing to the District. The proceeds from the refunding are held by U.S. Bank in an Escrow fund and are being used to pay debt service on the refunded bonds. The Authority holds the Series 2005 refunding bonds in a Revenue Fund. In addition, a Project Fund was established with the net proceeds from the refunding and is also held by U.S. Bank. The Project Fund is used for the purpose of acquiring and constructing capital assets on behalf of the District.

The Authority is discretely presented as a component unit of the District. The Authority's investments and cash with fiscal agent are described in Note 2. The outstanding Series 2005 refunding bonds are described in more detail in Note 9.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Other Related Entities

Joint Powers Authority (JPA). The District is associated with two JPAs. These organizations do not meet the criteria for inclusion as a component unit of the District. Additional information is presented in Note 15 to the financial statements. These organizations are:

- Alliance of Schools for Cooperative Insurance Program (ASCIP)
- School Linked Insurance Management (SLIM)

D. Basis of Presentation

Government-Wide Statements. The statement of net assets and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. 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 of 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.

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – *governmental* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

Fiduciary funds are used to account for assets held by the LEA in a trustee or agency capacity for others that cannot be used to support the LEA's own programs.

Major Governmental Funds

General Fund. The general fund is the main operating fund of the LEA. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of an LEA's activities are reported in the general fund unless there is a compelling reason to account for an activity in another fund. An LEA may have only one general fund.

Special Reserve Fund for Capital Outlay Projects. This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840).

Non-Major Governmental Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Child Development Fund. This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by an LEA for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code* Section 8200 et seq.) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code* Section 8328).

Cafeteria Special Revenue Fund. This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* Sections 38090–38093). The Cafeteria Special Revenue Fund (Fund 13) shall be used only for those expenditures authorized by the governing board as necessary for the operation of the LEA's food service program (*Education Code* Sections 38091 and 3810).

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Presentation (continued)

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).

Building Fund. This 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. Other authorized revenues to the Building Fund (Fund 21) are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code* Section 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code* Section 41003).

Capital Facilities Fund. This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620–17626). The authority for these levies may be county/city ordinances (*Government Code* Sections 65970–65981) or private agreements between the LEA and the developer. Interest earned in the Capital Facilities Fund (Fund 25) is restricted to that fund (*Government Code* Section 66006).

Debt Service Funds. Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund. This fund is used for the repayment of bonds issued for an LEA (*Education Code* Sections 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund (Fund 21) of the LEA. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund (Fund 51) of the LEA. The county auditor maintains control over the LEA's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Fiduciary Funds

Trust and Agency Funds. Trust and Agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the LEA's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Student Body Fund. The Student Body Fund is an agency fund and, therefore, consists only of accounts such as Cash and balancing liability accounts, such as Due to Student Groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code* Sections 48930–48938).

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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.

All governmental funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within one year after year-end. All other revenue items are considered to be measurable and available only when the District receives cash. Revenue limits, property taxes, and grant awards are recorded the same as what is described for Government-Wide Statements. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, early retirement and postemployment healthcare benefits and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues – Exchange and Non-Exchange Transactions

Revenue limits and other state apportionments are government mandated non-exchange transactions and are recognized when all eligibility requirements have been met. When the annual calculation of the revenue limit (Form K-12 Annual) is made, and the District's actual tax receipts as reported by the county auditor is subtracted, the result determines the annual state aid to which the LEA is entitled. If the difference between the calculated annual state aid and the state aid received on the second principal apportionment is positive a receivable is recorded, and if it is negative a payable is recorded. The District recognizes property tax revenues actually received as reported on CDE's Principal Apportionment Tax Software, used by county offices of education and county auditors to report school district and county taxes. The District makes no accrual for property taxes receivable as of June 30.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting – Measurement Focus (continued)

The District receives grant awards that are "reimbursement type" or "expenditure driven." The eligibility requirements of these awards have not been met until the LEA has made the required expenditures of the grant within the time period specified by the grantor. Revenue is recognized in the period in which the qualifying expenditures are made. Cash received but unspent at the end of the fiscal period is booked as a liability, and revenue is reduced to the amount that has been expended.

The District also receives funds for which they have fulfilled specific eligibility requirements or have provided a particular service. Once the LEAs have provided these services, they have earned the revenue provided. Any unspent money may be carried to the next year to be expended for the same restricted purposes. Revenue is recognized in the period that the service is provided, and any carryover becomes a part of the LEA's ending fund balance.

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 that have not met eligibility requirements 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.

Expenses/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.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the county treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2011, based on market process. The individual funds' portions of the pool's fair value are presented as "Cash in County." Earnings on the pooled funds are apportioned and paid or credited to the funds quarterly based on the average daily balance of each participating fund.

Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Cash in County is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

Inventories and Prepaid Items

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure."

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB No. 34. 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.

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Buildings and Improvements	25-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets (continued)

Interfund Balances

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

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 that, 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 and special termination benefits that will be paid from governmental funds are reported as a liability in the 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, long-term obligations are reported as liabilities in the applicable 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.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets (continued)

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net assets as reported in the government-wide, proprietary fund, and fiduciary trust fund statements.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the general fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the general fund, that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within *unrestricted* fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities, and Net Assets (continued)

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. The District has related debt outstanding as of June 30, 2011. 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 first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

G. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

H. 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.

I. 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 been included as revenue and expenditures as required under generally accepted accounting principles.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Changes in Accounting Principle

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Summary of Deposits and Investments

	Governmental Activities	Fiduciary Funds	Discretely Presented Component Unit (Unaudited)
Cash in county	\$ 30,797,968	\$ -	\$ -
Cash on hand and in banks	22,217	193,333	3,641,661
Invetsments	-	-	34,380,651
Cash in revolving funds	24,500	-	-
Total	\$ 30,844,685	\$ 193,333	\$ 38,022,312

B. 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; collateralized mortgage obligations; and the Los Angeles County Investment Pool.

CULVER CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

B. Policies and Practices (continued)

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.

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies examples of the investment types permitted in the investment policy:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

D. 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 purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Specific Identification

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

<u>Investment Type:</u>	<u>Fair Value</u>	<u>Maturity</u>
Cash in county	\$ 30,810,287	600 days

E. 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. The investments within the Los Angeles County Investment Pool are rated at least A by Moody's Investors Service. The Authority's investments are either rated Aaa by Moody's Investors Service or are backed by the U.S. Government.

F. 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, 2011, the District's entire bank balance was insured.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 3 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2011, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government	\$ 1,250,781	\$ -	\$ 261,583	\$ 1,461,915
State Government				
Revenue Limit	7,761,915	-	21,644	7,761,915
K-3 CSR	842,537	-	-	842,537
Categorical	335,377	-	19,993	353,941
Other/local	93,267	17,505	3,096	187,390
Total	\$ 10,283,877	\$ 17,505	\$ 306,316	\$ 10,607,698

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2010	Additions	Deductions	Balance June 30, 2011
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,517,971	\$ -	\$ -	\$ 1,517,971
Construction in progress	100,213	-	-	100,213
<hr/>				
Total Capital Assets not Being Depreciated	1,618,184	-	-	1,618,184
<hr/>				
Capital assets being depreciated				
Land improvements	4,377,672	-	-	4,377,672
Buildings & improvements	67,210,380	-	-	67,210,380
Furniture & equipment	4,754,229	62,774	9,500	4,807,503
<hr/>				
Total Capital Assets Being Depreciated	76,342,281	62,774	9,500	76,395,555
<hr/>				
Less Accumulated Depreciation				
Land improvements	3,031,596	143,095	-	3,174,691
Buildings & improvements	24,798,204	1,358,237	9,500	26,146,941
Furniture & equipment	3,772,894	179,973	-	3,952,867
<hr/>				
Total Accumulated Depreciation	31,602,694	1,681,305	9,500	33,274,499
<hr/>				
Governmental Activities				
Capital Assets, net	\$ 46,357,771	\$ (1,618,531)	\$ -	\$ 44,739,240

CULVER CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011

NOTE 5 – INTERFUND TRANSACTIONS

A. Operating Transfers

Interfund Transfers Out	Interfund Transfers In	
	General Fund	Total
Special Reserve Fund for Capital Outlay Projects	\$ 1,236,402	\$ 1,236,402
Total Interfund Transfers	\$ 1,236,402	\$ 1,236,402

Transfer from the Special Reserve Fund for Capital Outlay Projects to General Fund to fund special projects	\$	1,236,402
Total	\$	1,236,402

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2011, consisted of the following:

	General Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
Payroll	\$ 3,501,855	\$ -	\$ 359,032	\$ 3,860,887
Vendors payable	4,510,101	10,268	114,992	4,635,361
Total	\$ 8,011,956	\$ 10,268	\$ 474,024	\$ 8,496,248

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 7 – CURRENT LOANS

On June 30, 2011, the District retired a \$3,630,000 Tax Revenue Anticipation Note (TRAN). Additionally, on March 21, 2011, the District issued a \$3,000,000 TRAN. The TRAN has an interest rate of 2.0% and matures February 1, 2012. The TRANs are issued to supplement cash flow. The District is not required to make any additional payments on the note. The District has recorded the cash available to make the principal and interest payments as Investments.

NOTE 8 – DEFERRED REVENUE

The District periodically will receive grant money prior to making expenditures for that grant. The source of that grant money is listed below by fund. The deferred revenue totals at June 30, 2011, consist of the following:

	General Fund	Total Governmental Activities
Federal sources	\$ 112,300	\$ 112,300
State categorical sources	4,922	4,922
Total	\$ 117,222	\$ 117,222

**CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011**

NOTE 9 – LONG-TERM DEBT

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

	Balance			Balance		Balance Due
	July 01, 2010	Additions	Deductions	June 30, 2011	In One Year	
Governmental Activities						
General Obligation Bonds	\$ 36,250,000	\$ -	\$ 750,000	\$ 35,500,000	\$ 800,000	
Net OPEB obligations	1,286,468	907,676	-	2,194,144	-	
Total	\$ 37,536,468	\$ 907,676	\$ 750,000	\$ 37,694,144	\$ 800,000	

General Obligation Bonds

The outstanding general obligation bond debts of the District at June 30, 2011 are as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds
				Outstanding June 30, 2010	Additions	Redeemed	Outstanding June 30, 2011
11/4/2005	8/1/2033	4.0%-5.0%	\$ 38,230,000	\$ 36,250,000	\$ -	\$ 750,000	\$ 35,500,000

The annual requirements to amortize general obligation bonds payable are as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 800,000	\$ 1,916,468	\$ 2,716,468
2013	820,000	1,879,403	2,699,403
2014	875,000	1,839,119	2,714,119
2015	910,000	1,795,605	2,705,605
2016	970,000	1,748,818	2,718,818
2017-2021	5,640,000	7,913,109	13,553,109
2022-2026	7,380,000	6,162,183	13,542,183
2027-2031	9,730,000	3,798,833	13,528,833
2032-2033	8,375,000	736,336	9,111,336
Total	\$ 35,500,000	\$ 27,789,874	\$ 63,289,874

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 9 – LONG-TERM DEBT (continued)

Culver City Facilities Financing Authority

In 2005 the District formed the Culver City School Facilities Financing Authority (a district self-controlled JPA) and issued \$38,230,000 in Revenue Bonds at a premium of \$4,107,035. The proceeds were placed with U.S. Bank, an escrow agent, to defease the Series 1997, 1998, and 1999 bonds (\$37,795,000) along with a net amount of \$3,855,582 for use on capital projects. The Culver City School Facilities Financing Authority is discretely presented as a component unit of the District.

NOTE 10 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Special Reserve for Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 14,000	\$ -	\$ 7,000	\$ 21,000
Stores inventory	60,921	-	9,257	70,178
Restricted				
Educational programs	1,290,885	-	-	1,290,885
Capital projects	-	5,273,027	5,304,399	10,577,426
Debt service	-	-	1,876,251	1,876,251
Cafeteria	-	-	366,333	366,333
Child development	-	-	1,023,697	1,023,697
Assigned				
School sites allocation balance	136,522	-	-	136,522
Deferred maintenance fund	145,823	-	-	145,823
Adult education fund	666,521	-	-	666,521
Unassigned				
Reserve for economic uncertainties	2,479,052	-	-	2,479,052
Unassigned	11,255,403	-	-	11,255,403
Total	\$ 16,049,127	\$ 5,273,027	\$ 8,586,937	\$ 29,909,091

**CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011**

NOTE 10 – FUND BALANCES (continued)

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District’s Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than two months of general fund operating expenditures, or 3 percent of General Fund expenditures and other financing uses.

NOTE 11 – EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2011, the following District funds exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
Child Development Fund	\$ 3,797,428	\$ 3,916,671	\$ (119,243)
Bond Interest and Redemption Fund	\$ 2,698,829	\$ 2,700,780	\$ (1,951)

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

**NOTE 12 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS
(OPEB)**

Culver City Unified School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2009-10.

Plan Descriptions and Contribution Information

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	206
Active plan members*	740
<u>Total</u>	<u>946</u>
* As of May 1, 2009 actuarial valuation	
Number of participating employers	1

The District provides lifetime postemployment medical and dental benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 10 years of service. For certificated and classified employees, the District cap is \$3,207 (single) and \$6,414 (two party) for annual benefits until the employee reaches age 66, at which point the annual cap is \$2,000. Management and confidential employees have no cap before age 66, at which point the annual benefits cap is \$2,000.

The District’s funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2010-11, the District contributed \$548,559.

**CULVER CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011**

**NOTE 12 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS
 (OPEB) (continued)**

A. Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	\$	1,448,894
Interest on net OPEB obligation		64,323
Adjustment to annual required contribution		(56,982)
Annual OPEB cost		1,456,235
Contributions made		(548,559)
Increase in net OPEB obligation		907,676
Net OPEB obligation, beginning of the year		1,286,468
Net OPEB obligation, end of the year	\$	2,194,144

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

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2011	\$ 1,456,235	38%	\$ 2,194,144
2010	\$ 1,450,900	36%	\$ 1,286,468
2009	\$ 914,731	62%	\$ 351,491

B. Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 12 – POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS
(OPEB) (continued)

C. Actuarial Methods and Assumptions

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

Valuation Date	5/1/2009
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage payroll
Remaining Amortization	28 years
Asset Valuation	Market value basis
Actuarial Assumptions:	
Discount Rate	5%
Healthcare cost trend rate	5%

**CULVER CITY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2011**

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).

A. 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% 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 2011 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalSTRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2010-11	\$ 2,090,852	100%
2009-10	\$ 2,231,277	100%
2008-09	\$ 2,315,396	100%

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$1,081,414 to CalSTRS (4.267% of salaries subject to CalSTRS in 2010-11).

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS (continued)

B. 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% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011 was 10.707% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2010-11	\$ 947,073	100%
2009-10	\$ 1,064,216	100%
2008-09	\$ 1,088,667	100%

C. Social Security

As established by federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

**CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011**

NOTE 14 – COMMITMENTS AND CONTINGENCIES

A. 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, 2011.

B. 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, 2011.

C. Construction Commitments

As of June 30, 2011, the District had no commitments with respect to the unfinished capital projects.

NOTE 15 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The Culver City Unified School District participates in two joint powers agreement (JPA) entities, the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and the School Linked Insurance Management (SLIM).

Each JPA is governed by a board consisting of a voting representative from member district categories. Each governing board controls the operations of its JPA independent of any influence by the Culver City Unified School District beyond the District's representation on the governing boards.

Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

The relationship between the Culver City Unified School District and the JPAs are such that neither JPA is a component unit of the District for financial reporting purposes. During the fiscal year 2010-2011, the District contributed \$488,399 and \$1,030,446 to ASCIP and SLIM, respectively.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2011

NOTE 16 – ADJUSTMENT FOR RESTATEMENT

The District implemented Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, during the fiscal year 2010-2011, the effect of which was to reclassify and restate the following funds as General Fund activities:

	General Fund	Adult Education Fund	Deferred Maintenance Fund
Fund Balance June 30, 2010, as originally stated	\$ 10,792,765	\$ 350,871	\$ 20,759
Change in fund type classifications per implementation of GASB No. 54	371,630	(350,871)	(20,759)
Fund Balance June 30, 2010, as restated	\$ 11,164,395	\$ -	\$ -

**REQUIRED SUPPLEMENTARY
INFORMATION**

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**CULVER CITY UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive / (Negative) Final to Actual
REVENUES				
Revenue limit sources				
State aid	\$ 24,056,782	\$ 26,639,158	\$ 27,242,551	\$ 603,393
Local sources	8,674,171	8,337,915	8,172,347	(165,568)
Transfers	188,584	189,544	130,993	(58,551)
Federal sources	7,473,876	9,912,970	12,101,441	2,188,471
Other state sources	20,002,397	19,763,009	20,965,801	1,202,792
Other local sources	4,229,780	4,203,112	3,979,773	(223,339)
Total Revenues	64,625,590	69,045,708	72,592,906	3,547,198
EXPENDITURES				
Certificated salaries	25,714,064	25,454,547	24,895,525	559,022
Classified salaries	8,783,634	8,641,228	8,422,536	218,692
Employee benefits	9,923,207	10,460,848	10,364,468	96,380
Books and supplies	2,203,290	2,152,745	1,625,791	526,954
Services and other operating expenditures	8,438,609	8,944,374	7,253,900	1,690,474
Capital outlay	263,497	269,477	169,998	99,479
Other outgo				
Excluding transfers of indirect costs	12,945,561	13,659,225	16,488,096	(2,828,871)
Transfers of indirect costs	(185,697)	(190,150)	(275,738)	85,588
Total Expenditures	68,086,165	69,392,294	68,944,576	447,718
Excess (Deficiency) of Revenues				
Over Expenditures	(3,460,575)	(346,586)	3,648,330	3,994,916
Other Financing Sources (Uses):				
Transfers in	1,200,000	2,423,598	1,236,402	(1,187,196)
Transfers out	-	(1,223,598)	-	1,223,598
Net Financing Sources (Uses)	1,200,000	1,200,000	1,236,402	36,402
NET CHANGE IN FUND BALANCE	(2,260,575)	853,414	4,884,732	4,031,318
Fund Balance - Beginning, as originally stated	10,792,765	10,792,765	10,792,765	-
Adjustment for restatement	371,630	371,630	371,630	-
Fund Balance - Beginning, as restated	11,164,395	11,164,395	11,164,395	-
Fund Balance - Ending	\$ 8,903,820	\$ 12,017,809	\$ 16,049,127	\$ 4,031,318

**CULVER CITY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFIT (OPEB) FUNDING PROGRESS AND
 EMPLOYER CONTRIBUTION
 FOR THE YEAR ENDED JUNE 30, 2011**

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a] / c)
1/1/2006	\$ -	\$ 11,385,542	\$ 11,385,542	0%	\$ 29,136,389	39%
5/1/2009	\$ -	\$ 16,857,246	\$ 16,857,246	0%	\$ 38,006,912	44%

**SUPPLEMENTARY
INFORMATION**

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**CULVER CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A Cluster			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 540,675
ARRA - Title I - Part A	84.389	15005	100,247
Subtotal: Title I, Part A Cluster			640,922
Adult Education: Adult Secondary Education	84.002A	13978	26,432
Adult Education: Adult Basic Education & ESL	84.002A	14508	122,911
Adult Education: English Literacy and Civics Education	84.002A	14109	80,545
Title II, Part A, Administrator Training	84.367	14344	135,276
Educational Technology State Grants Cluster			
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	2,250
ARRA - Education Technology State Grants	84.386	15019	12,444
Subtotal: Education Technology State Grants Cluster			14,694
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	104,547
Title III, Immigrant Education Program	84.365	15146	12,829
Title IV, Part A, Drug-Free Schools	84.186	14347	5,296
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	6,742,402
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027	14468	
Part B, Preschool Grants	84.173	13430	182,427
ARRA - Basic Local Assistance Entitlement, Part B	84.391	15003	901,522
ARRA - Preschool Local Entitlement, Part B	84.391	15002	140,260
ARRA - Part B, Preschool Grants	84.392	15000	91,352
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	204,621
Preschool Staff Development	84.173A	13431	2,005
Subtotal: Special Education Cluster			8,264,589
Early Intervention Services (IDEA) Cluster			
IDEA Early Intervention Grants	84.181	23761	56,494
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	27,240
ARRA - State Fiscal Stabilization Fund	84.394	24997	873,037
Education jobs fund	84.410	25152	1,248,021
Foreign Language Assistance Program	84.293B	*	487,371
Total U. S. Department of Education			12,100,204
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	23668	233,478
National School Lunch Program	10.555	13391	929,456
ARRA - Equipment Assistance Grant	10.579	15006	73
Subtotal Child Nutrition Cluster			1,163,007
Child Nutrition: Child Care Food Program	10.558	13389	114,274
USDA Commodities	10.565	N/A	109,366
Total U. S. Department of Agriculture			1,386,647
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
<i>Passed through California Department of Education:</i>			
Child Development: Federal Child Care, Center Based	93.596	13609	520,213
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Administrative Activities	93.778	10060	68,492
Medi-Cal Billing Option	93.778	10013	191,533
Total U. S. Department of Health & Human Services			780,238
Total Federal Expenditures			\$ 14,267,089

See accompanying note to supplementary information.

**CULVER CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2011**

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	451	453
First through third	1,381	1,384
Fourth through sixth	1,348	1,349
Seventh through eighth	994	996
Home and hospital	-	1
Special education - special day classes	73	73
Special ed. - nonpublic, nonsectarian schools	9	14
Extended year special ed. - special day classes	13	15
Extended year prog - nonpublic, nonsectarian schools	3	3
Total Elementary	4,272	4,288
SECONDARY		
Regular classes	2,124	2,171
Continuation education	68	55
Home and hospital	1	1
Special education - special day classes	40	41
Special ed. - nonpublic, nonsectarian schools	16	23
Extended year special ed - special day classes	14	14
Extended year prog - nonpublic, nonsectarian schools	4	4
Total Secondary	2,267	2,309
Average Daily Attendance Total	6,539	6,597

See accompanying note to supplementary information.

**CULVER CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Grade Level</u>	<u>1982 - 83 Actual Minutes</u>	<u>1982 - 83 Actual Minutes Reduced</u>	<u>1986 - 87 Minutes Requirement</u>	<u>1986 - 87 Minutes Requirement Reduced</u>	<u>2010-11 Actual Minutes</u>	<u>Number of Days</u>	<u>Status</u>
Kindergarten	31,500	30,625	36,000	35,000	55,450	176	Complied
Grade 1	41,790	40,629	50,400	49,000	54,765	176	Complied
Grade 2	41,790	40,629	50,400	49,000	54,765	176	Complied
Grade 3	41,790	40,629	50,400	49,000	54,765	176	Complied
Grade 4	51,480	50,050	54,000	52,500	54,765	176	Complied
Grade 5	51,480	50,050	54,000	52,500	54,765	176	Complied
Grade 6	51,480	50,050	54,000	52,500	57,200	176	Complied
Grade 7	51,480	50,050	54,000	52,500	57,200	176	Complied
Grade 8	51,480	50,050	54,000	52,500	57,200	176	Complied
Grade 9	54,960	53,433	64,800	63,000	70,297	176	Complied
Grade 10	54,960	53,433	64,800	63,000	70,297	176	Complied
Grade 11	54,960	53,433	64,800	63,000	70,297	176	Complied
Grade 12	54,960	53,433	64,800	63,000	70,297	176	Complied

See accompanying note to supplementary information.

**CULVER CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

	2012 (Budget)	2011	2010	2009
GENERAL FUND:				
Revenues	\$ 50,198,862	\$ 72,592,906	\$ 58,487,164	\$ 69,057,738
Other financing sources and transfers in	2,618,944	1,236,402	1,212,902	4,637,562
Total	52,817,806	73,829,308	59,700,066	73,695,300
Expenditures	53,907,393	68,944,576	60,754,254	68,405,020
Other uses and transfers out	1,318,944	-	1,566,287	195,000
Total	55,226,337	68,944,576	62,320,541	68,600,020
INCREASE/(DECREASE)				
IN FUND BALANCE	\$ (2,408,531)	\$ 4,884,732	\$ (2,620,475)	\$ 5,095,280
ADJUSTMENTS FOR RESTATEMENTS				
	\$ -	\$ 371,630	\$ -	\$ -
ENDING FUND BALANCE	\$ 13,640,596	\$ 16,049,127	\$ 10,792,765	\$ 13,413,240
AVAILABLE RESERVES *	\$ 10,503,196	\$ 13,734,455	\$ 9,430,752	\$ 9,859,680
AVAILABLE RESERVES AS A PERCENTAGE OF OUTGO	19%	20%	15%	14%
LONG-TERM DEBT	\$ 36,894,144	\$ 37,694,144	\$ 37,536,468	\$ 37,316,491
AVERAGE DAILY ATTENDANCE AT P-2	6,399	6,539	6,483	6,415

The General Fund balance has increased \$2,635,887 over the past two years. The fiscal year 2011-2012 budget projects a decrease of \$2.4 million (15%). For a district this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2011-2012 fiscal year. Total long term obligations have increased by \$377,653 over the past two years.

Average daily attendance has increased by 124 ADA over the past two years. The District anticipates a decline in ADA of 140 during the 2011-2012 fiscal year.

* Available reserves consist of all unassigned fund balance within the General Fund and the Reserve for Economic Uncertainty.

**CULVER CITY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Adult Education Fund	Deferred Maintenance Fund
June 30, 2011, annual financial and budget report (SACS) fund balances	\$ 14,394,246	\$ 666,521	\$ 145,823
Adjustments and reclassifications:			
Increasing (decreasing) the fund balance:			
Reclassification for financial statement presentation *	812,344	(666,521)	(145,823)
Class size reduction accrual	842,537	-	-
June 30, 2011 audited financial statement fund balances	\$ 16,049,127	\$ -	\$ -

* This audit reclassification is made for financial statement presentation purposes only, pursuant to GASB Statement 54 which, when applied, does not recognize these funds as special revenue fund types. Therefore, the new fund balances are consolidated with the General Fund. However the District is permitted under current state law to account for these funds as a special revenue type for interim reporting and budgeting purposes.

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**CULVER CITY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2011**

	Adult Education		Child Development		Cafeteria Fund		Deferred Maintenance Fund		Building Fund		Capital Facilities Fund		Bond Interest & Redemption Fund		Non-Major Governmental Funds	
	Fund		Fund		Fund		Fund		Fund		Fund		Fund		Fund	
ASSETS																
Cash and cash equivalents	\$	-	\$	1,321,401	\$	258,949	\$	-	\$	3,709,425	\$	1,579,362	\$	1,876,251	\$	8,745,388
Accounts receivable	-	-	61,006	-	229,698	-	11,220	-	4,392	-	-	-	-	-	-	306,316
Stores inventory	-	-	-	-	9,257	-	-	-	-	-	-	-	-	-	-	9,257
Total Assets	\$	-	\$	1,382,407	\$	497,904	\$	-	\$	3,720,645	\$	1,583,754	\$	1,876,251	\$	9,060,961
LIABILITIES																
Accrued liabilities	\$	-	\$	353,710	\$	120,314	\$	-	\$	-	\$	-	\$	-	\$	474,024
Total Liabilities	-	-	353,710	-	120,314	-	-	-	-	-	-	-	-	-	-	474,024
FUND BALANCES																
Non-spendable	-	-	5,000	-	11,257	-	-	-	-	-	-	-	-	-	-	16,257
Restricted	-	-	1,023,697	-	366,333	-	3,720,645	-	1,583,754	-	1,876,251	-	8,570,680	-	-	-
Total Fund Balances	-	-	1,028,697	-	377,590	-	3,720,645	-	1,583,754	-	1,876,251	-	8,586,937	-	-	-
Total Liabilities and Fund Balance	\$	-	\$	1,382,407	\$	497,904	\$	-	\$	3,720,645	\$	1,583,754	\$	1,876,251	\$	9,060,961

See accompanying note to supplementary information.

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**CULVER CITY UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2011**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds
REVENUES								
Federal sources	\$ -	317,683	1,163,007	\$ -	\$ -	\$ -	\$ -	1,480,690
Other state sources	-	1,403,052	97,388	-	-	-	16,433	1,516,873
Other local sources	-	2,275,254	890,268	-	48,403	232,344	2,724,543	6,170,812
Total Revenues	-	3,995,989	2,150,663	-	48,403	232,344	2,740,976	9,168,375
EXPENDITURES								
Current								
Instruction	-	2,958,624	-	-	-	-	-	2,958,624
School site administration	-	474,138	-	-	-	-	-	474,138
Pupil services	-	221,365	1,882,837	-	-	-	-	2,104,202
General administration	-	191,906	83,832	-	-	-	-	275,738
All other general administration	-	70,638	5,260	-	-	-	-	75,898
Plant services	-	-	-	-	-	-	750,000	750,000
Principal	-	-	-	-	-	-	1,950,780	1,950,780
Interest and other	-	-	-	-	-	-	2,700,780	8,589,380
Total Expenditures	-	3,916,671	1,971,929	-	-	-	2,700,780	8,589,380
Excess (Deficiency) of Revenues Over Expenditures	-	79,318	178,734	-	48,403	232,344	40,196	578,995
NET CHANGE IN FUND BALANCE	-	79,318	178,734	-	48,403	232,344	40,196	578,995
Fund Balance - Beginning, as originally stated	350,871	949,379	198,856	20,759	3,672,242	1,351,410	1,836,055	8,379,572
Adjustment for restatement	(350,871)	-	-	(20,759)	-	-	-	(371,630)
Fund Balance - Beginning, as restated	-	949,379	198,856	-	3,672,242	1,351,410	1,836,055	8,007,942
Fund Balance - Ending	\$ -	1,028,697	377,590	\$ -	3,720,645	1,583,754	1,876,251	8,586,937

See accompanying note to supplementary information.

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**CULVER CITY UNIFIED SCHOOL DISTRICT
 NOTES TO SUPPLEMENTARY INFORMATION
 JUNE 30, 2011**

NOTE 1 – PURPOSE OF SCHEDULES

A. Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended on June 30, 2011 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2011.

	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues Reported in the Statement of Revenues, Expenditures and Changes in Fund Balance		\$ 13,582,131
Child Nutrition: Child Care Food Program	10.558	10,614
Adult Education: Adult Secondary Education	84.002A	2,406
USDA Commodities	10.565	109,366
Child Development: Federal Child Care, Center Based	93.596	306,189
Medi-Cal Billing Option	93.778	170,088
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	86,295
<u>Total Expenditures reported in the Schedule of Expenditures of Federal Awards</u>		<u>\$ 14,267,089</u>

B. 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.

**CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2011**

NOTE 1 – PURPOSE OF SCHEDULES (continued)

C. 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.

D. 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.

E. Schedule 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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

F. Combining Statements – Non-Major Governmental Funds

These statements provide information on the District's non-major funds.

G. 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. (Located in the front of the audit report)

**OTHER INDEPENDENT
AUDITORS' REPORTS**

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A PROFESSIONAL ACCOUNTANCY CORPORATION

**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**

Board of Trustees
Culver City Unified School District
Culver City, California

We have audited the financial statements of Culver City Unified School District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 6, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Culver City Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Culver City Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items #2011-1 through #2011-2 that we consider to be significant deficiencies in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Culver City 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the California 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.

Chintalvi & Accountancy Corporation

San Diego, California

December 6, 2011



A PROFESSIONAL ACCOUNTANCY CORPORATION

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Culver City Unified School District
Culver City, California

Compliance

We have audited Culver City Unified School District's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Culver City Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Culver City Unified School District's management. Our responsibility is to express an opinion on Culver City 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 Culver City 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 Culver City Unified School District's compliance with those requirements.

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

Internal Control over Compliance

Management of Culver City 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 Culver City 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the California 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.

Chintalvi & Accountancy Corporation

San Diego, California
December 6, 2011

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
 Culver City Unified School District
 Culver City, California

We have audited Culver City Unified School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010-11*, issued by the California Education Audit Appeals Panel as regulations for the year ended June 30, 2011. Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Culver City Unified School District's management. Our responsibility is to express an opinion on Culver City Unified School District's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Educational Agencies 2010-11*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Culver City 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 on Culver City Unified School District's compliance with the state laws and regulations referred to above.

In connection with the audit referred to above, we selected and tested transactions and records to determine Culver City Unified School District's compliance with the state laws and regulations applicable to the following items:

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No
Continuation Education	10	Yes
Instructional Time for:		
School Districts	6	Yes
County offices of education	3	Not Applicable
Instructional Materials, general requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes

<u>PROGRAM NAME</u>	<u>PROCEDURES IN AUDIT GUIDE</u>	<u>PROCEDURES PERFORMED</u>
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes
Class Size Reduction (including in charter schools):		
General requirements	7	Yes
Option One	3	Yes
Option Two	4	Yes
Districts or charter schools with only one school serving K - 3	4	Not Applicable
After School Education and Safety Program:		
General requirements	4	Yes
After school	4	Yes
Before school	5	Not Applicable
Contemporaneous Records of Attendance; for charter schools	1	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	3	Not Applicable

We did not perform testing for independent study because ADA was below the required threshold for testing.

In our opinion, Culver City Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2011.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the California 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.

Chint White Accountancy Corporation

San Diego, California

December 6, 2011

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

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**CULVER CITY UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2011**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
<u>10.555, 10.553</u>	<u>National School Lunch Cluster</u>
<u>84.410</u>	<u>Education Jobs Fund Program</u>
<u>84.394</u>	<u>ARRA - State Fiscal Stabilization Fund</u>

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 428,013
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued on compliance for state programs:	<u>Unqualified</u>

**CULVER CITY UNIFIED SCHOOL DISTRICT
 FINANCIAL STATEMENT FINDINGS
 FOR THE YEAR ENDED JUNE 30, 2011**

Section II – Financial Statement Findings

This section identifies the deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>FIVE DIGIT CODE</u>	<u>AB 3627 FINDING TYPE</u>
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

FINDING #2011-1 YEAR-END CLOSING ADJUSTMENTS (30000)

Condition and Context: The Auditor noted that the inventory, accounts payable and revolving cash accounts were not fully reconciled to the general ledger balances during the year-end closing process. Overall, the variances were immaterial but internal control procedures over year-end closing could be improved in future periods.

Questioned Costs: No audit adjustments were made as the amounts were immaterial to the financial statements overall.

Criteria: All general ledger accounts including inventory, accounts payable and revolving cash should be reconciled and updated to supporting records during the year-end closing process.

Cause: The District reported to the auditor that a shortage of staffing in the business office was a primary cause.

Recommendation: For inventory, we recommend that after each physical count to the general ledger be updated to the actual inventory value. Significant differences and any discrepancies should be investigated as it may imply theft or inaccurate accounting procedures. In regards to accrued liabilities, attention to the terms of the invoices paid around year (shipping/service dates) should be given when deciding when an amount should be accrued. Purchase orders that have been filled prior to July 1, 2011 for which an invoice has yet to be paid should also be accrued. Additionally, management monitoring should ensure that bank reconciliations properly tie to what is being reported to the general ledger.

District Response: Internal controls will be implemented to reconcile the physical inventory with the inventory control account on a semi-annual basis. Management will evaluate and implement internal controls to improve the year-end closing process to ensure that all accounts are properly accrued and reconciled.

**CULVER CITY UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2011**

Section II – Financial Statement Findings (continued)

FINDING #2011-2 INTERNAL CONTROL OVER CASH RECEIPTS (30000)

Condition & Context: There is a lack of segregation of duties noted over the cash receipting process. Auditor noted during an interview with the accounts receivable clerk that she receives cash receipts from sites, prepares deposits, and reconciles all the accounts. Incompatible duties could lead to fraud or error occurring and not being detected.

Questioned Costs: None noted

Criteria: There should be a proper segregation of duties over cash receipting as there is a high inherent risk associated with cash handling.

Cause: There appears to be inadequate staffing at the District.

Recommendation: As the accounts receivable clerk prepares the deposits, someone other than her should reconcile the clearing accounts.

District Response: Management will re-evaluate the cash receipting process and implement compensating controls to mitigate the risk associated with in the process.

**CULVER CITY UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., deficiencies, significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no audit findings and questioned costs related to federal awards during 2010-2011.

**CULVER CITY UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no audit findings and questioned costs related to state awards during 2010-2011.

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**CULVER CITY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding #2010-1: <i>Associated Student Body Funds</i>	<p>We found the following internal control deficiencies during the audit of the following ASBs:</p> <p>Culver City High School</p> <ul style="list-style-type: none"> • 2 out of 15 cash receipts tested had deposits that were not made timely. • 2 out of 12 cash receipts tested did not have adequate supporting documentation to reconcile the cash and checks collected to the amount deposited. <p>Culver Park High School</p> <ul style="list-style-type: none"> • Checks do not require a double signature. The principal is the only authorized signor on the account. Reimbursements are being made to the principal and the principal is the only person who signs the checks for disbursement. • 3 out of 3 cash receipts tested had supporting documentation (sales tally sheet), but auditor could not reconcile the amount of sales to the amount of deposit. • 1 out of 5 disbursements tested was missing an invoice or receipt to support the disbursement. <p>Culver City Middle School</p> <ul style="list-style-type: none"> • 4 out of 5 cash receipts tested were missing supporting documentation to reconcile the amount of money deposited to the amount collected. 	30000	We recommend that the District provide training to ASB staff and implement controls to address the internal control deficiencies noted above.	Implemented

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**CULVER CITY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2011**

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding #2010-2: <i>Independent Study</i>	<p>State Funding Source: Revenue Limit ADA (Average Daily Attendance), independent study program.</p> <p>Criteria: For attendance generated through independent study, all independent study written agreements need to contain the signatures of the pupil, pupil's parent, and a certificated employee affixed prior to the commencement of the independent study (Education Code Section 51747(c)(8)). Auditors are required to verify compliance in Section 19819 of the <i>Standards and Procedures for Audits of California K-12 Local Educational Agencies</i>.</p> <p>Condition: We found that a total of 3 out of 5 independent study agreements tested at Linwood Howe Elementary School and 2 out of 5 independent study agreements tested at Culver City Middle School did not have all the required signatures on or before the independent study start date.</p> <p>Cause: Procedures were not followed to obtain all required elements of the independent study agreement on or before the start date of the independent study agreement.</p> <p>Effect: Possible loss of apportionment funding for days of attendance related to deficient independent study contracts.</p> <p>ADA Impact: 47 attendance days were overstated as tested. Given 138 days in the 2009-10 P-2 attendance period and a 2009-10 base revenue limit per ADA of \$6,486.73, the fiscal impact of the ADA overstatement is \$2,209.25. It appears these instances were isolated to minor amounts of short-term independent study.</p>	10000	<p>The District should improve controls at their schools to ensure that independent study agreements contain all required elements. The District's 2009-10 P-2 attendance report should be revised to correct for the attendance finding #2010-2.</p>	Implemented