

CULVER CITY UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2012



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

CULVER CITY, CALIFORNIA

JUNE 30, 2012

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

Member	Office	Term Expires
Karlo Silbiger	President	November 2013
Katherine Paspalis	Vice President & Parliamentarian	November 2013
Patricia Siever	Clerk	November 2013
Laura Chardiat	Member	November 2015
Nancy Goldberg	Member	November 2015

DISTRICT ADMINISTRATORS

David LaRose
Superintendent

Eileen Carroll
Assistant Superintendent, Educational Services

Michael Reynolds
Assistant Superintendent, Business Services

Leslie Lockhart
Assistant Superintendent, Human Resources

CULVER CITY UNIFIED SCHOOL DISTRICT
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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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State Board of Accountancy

Governing Board
Culver City Unified School District
Culver City, California

We have audited the accompanying financial statements of the governmental activities, 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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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. 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, each major fund, and the aggregate remaining fund information of Culver City Unified School District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012 on our consideration of 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.

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis on pages 3 through 10, the budgetary comparison information on pages 42 and 43, and the schedule of funding progress on page 44 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California
November 30, 2012

CULVER CITY UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

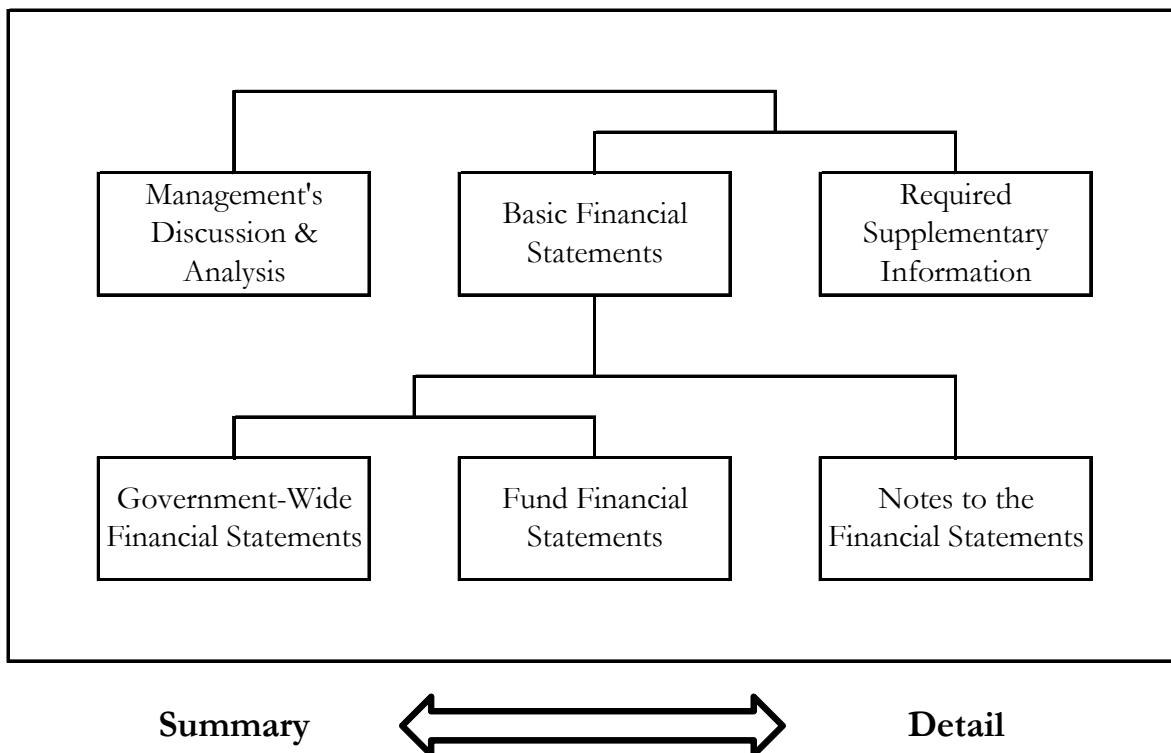
Our discussion and analysis of Culver City Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets were \$41,578,539 at June 30, 2012. This was an increase of 5,430,378 from the prior year.
- Overall revenues were \$81,537,148 which exceeded expenses of \$76,106,770.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



**CULVER CITY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

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 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
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Assets

The District's combined net assets were \$41,578,539 at June 30, 2012, as reflected in table below. Of this amount, \$12,781,937 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use those net assets for day-to-day operations.

	Governmental Activities		
	2012	2011	Net Change
ASSETS			
Current and other assets	\$ 47,103,611	\$ 41,522,561	\$ 5,581,050
Capital assets	44,117,322	44,739,240	(621,918)
Total Assets	91,220,933	86,261,801	4,959,132
LIABILITIES			
Current liabilities	12,660,626	13,219,496	558,870
Long-term liabilities	36,981,768	36,894,144	(87,624)
Total Liabilities	49,642,394	50,113,640	471,246
NET ASSETS			
Invested in capital assets, net of related debt	12,751,114	12,959,887	(208,773)
Restricted	16,045,488	11,413,947	4,631,541
Unrestricted	12,781,937	11,774,327	1,007,610
Total Net Assets	\$ 41,578,539	\$ 36,148,161	\$ 5,430,378

CULVER CITY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets

As shown in the table below, the District's total revenues were \$81,537,148. The majority of the revenue comes from revenue limit, property taxes, and federal and state aid (58%). Program revenues were approximately 37% of the District's total revenue. Miscellaneous local sources accounted for approximately 5% of revenue.

The total cost of all programs and services was \$76,106,770. The District's expenses are predominately related to educating and caring for students (61%). Pupil Services (including transportation and food) account for 7% of expenses. Administrative activities accounted for just 5% of total costs. Plant services, which represent the facilities maintenance and operations costs, account for 7% of all costs. The remaining expenses were for ancillary services, community services, and other outgo (20%). Expenses increased primarily due to an increase in transfers to other agencies.

	Governmental Activities		
	2012	2011	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 2,285,622	\$ 1,976,640	\$ 308,982
Operating grants and contributions	29,802,881	31,893,735	(2,090,854)
General revenues			
Property taxes	12,684,257	15,806,135	(3,121,878)
Unrestricted federal and state aid	34,672,744	35,906,646	(1,233,902)
Other	2,091,644	-	2,091,644
Total Revenues	81,537,148	85,583,156	(4,046,008)
EXPENSES			
Instruction	38,887,969	38,011,598	876,371
Instruction-related services	7,426,980	7,170,621	256,359
Pupil services	5,661,159	5,523,318	137,841
General administration	3,943,023	3,296,862	646,161
Plant services	5,061,939	5,145,664	(83,725)
Ancillary and community services	16,043	54,741	(38,698)
Debt service	1,951,637	1,937,186	14,451
Other Outgo	11,549,756	16,488,096	(4,938,340)
Depreciation	1,608,264	1,681,305	(73,041)
Total Expenses	76,106,770	79,309,391	(3,202,621)
Change in net assets	5,430,378	6,273,765	(843,387)
Net Assets - Beginning	36,148,161	29,874,396	6,273,765
Net Assets - Ending	\$ 41,578,539	\$ 36,148,161	\$ 5,430,378

**CULVER CITY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Assets (continued)

The cost of all our governmental activities this year was \$76,106,770 (refer to table below). The amount that our taxpayers ultimately financed for these activities through taxes was only \$12,684,257 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions, charges for services, and other miscellaneous activities.

	Total cost of services	Net cost of services
Instruction	\$ 38,887,969	\$ 25,310,312
Instruction-related services	7,426,980	4,655,013
Pupil services	5,661,159	2,415,305
General administration	3,943,023	2,952,636
Plant services	5,061,939	4,951,284
Ancillary and community services	16,043	16,043
Debt service	1,951,637	1,951,637
Transfers to other agencies	11,549,756	157,773
Depreciation	1,608,264	1,608,264
Total Expenses	\$ 76,106,770	\$ 44,018,267

**CULVER CITY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR 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 \$36,054,013, which is more than last year's ending fund balance of \$29,909,091. The District's General Fund had \$3,374,497 more in operating revenues than expenditures for the year ended June 30, 2012.

CURRENT YEAR BUDGET 2011-12

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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2011-12 the District had invested \$44,117,322 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2012	2011	Net Change
CAPITAL ASSETS			
Land	\$ 1,517,971	\$ 1,517,971	\$ -
Construction in progress	427,444	100,213	327,231
Land improvements	4,377,672	4,377,672	-
Buildings & improvements	67,778,027	67,210,380	567,647
Furniture & equipment	4,898,971	4,807,503	91,468
Accumulated depreciation	(34,882,763)	(33,274,499)	(1,608,264)
Total Capital Assets	\$ 44,117,322	\$ 44,739,240	\$ (621,918)

**CULVER CITY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end, the District had \$37,801,768 in long-term debt, an increase of .29% from last year – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2012	2011	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 34,700,000	\$ 35,500,000	\$ (800,000)
Net OPEB obligation	3,101,768	2,194,144	907,624
Total Long-term Liabilities	\$ 37,801,768	\$ 37,694,144	\$ 107,624

**CULVER CITY UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2012**

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. A major key to higher funding for education is the recovery of the economy. There were two tax initiatives on the November 2012 ballot – the Governor's Proposition 30 and a rival tax initiative, Proposition 38. Since the Governor's proposal was approved by voters in November 2012, K-12 spending will remain flat at roughly the 2011-12 level. State categorical program flexibility continues for the 2011-12 and 2012-13 fiscal years with no anticipated changes. School districts are currently authorized to use funding from Tier III categorical programs for any purpose. K-3 class size reduction penalties have been relaxed through 2013-14 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 2012-13 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any 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, 2012

	Governmental Activities	Discretely Presented Component Unit June 30, 2011 (Unaudited)
ASSETS		
Cash and cash equivalents	\$ 25,925,333	\$ 3,641,661
Investments	-	34,380,651
Accounts receivable	21,058,194	-
Inventory	120,084	-
Capital assets, not depreciated	1,945,415	-
Capital assets, net of accumulated depreciation	42,171,907	-
Total Assets	91,220,933	38,022,312
LIABILITIES		
Accrued liabilities	9,623,413	-
Deferred revenue	600,717	-
Long-term liabilities, current portion	820,000	-
Long-term liabilities, non-current portion	36,981,768	-
Total Liabilities	49,642,394	-
NET ASSETS		
Invested in capital assets, net of related debt	12,751,114	-
Restricted for		
Capital projects	5,939,985	3,641,661
Debt service	1,794,059	-
Educational programs	8,311,444	-
Unrestricted	12,781,937	34,380,651
Total Net Assets	\$ 41,578,539	\$ 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, 2012

Function/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets	Discretely Presented Component Unit For the Year Ended June 30, 2011 (Unaudited)
		Charges for Services	Operating Grants and Contributions		
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 38,887,969	\$ 853,117	\$ 12,724,540	\$ (25,310,312)	\$ -
Instruction-related services					
Instructional supervision and administration	1,900,625	9,474	1,359,956	(531,195)	-
Instructional library, media, and technology	390,759	-	-	(390,759)	-
School site administration	5,135,596	133,693	1,268,844	(3,733,059)	-
Pupil services					
Home-to-school transportation	618,070	-	120,387	(497,683)	-
Food services	2,053,889	700,587	1,422,443	69,141	-
All other pupil services	2,989,200	4,433	998,004	(1,986,763)	-
General administration					
Centralized data processing	594,958	-	-	(594,958)	-
All other general administration	3,348,065	79,589	910,798	(2,357,678)	-
Plant services	5,061,939	5,349	105,306	(4,951,284)	-
Ancillary services	5,334	-	-	(5,334)	-
Community services	10,709	-	-	(10,709)	-
Interest on long-term debt	1,951,637	-	-	(1,951,637)	-
Other Outgo	11,549,756	499,380	10,892,603	(157,773)	-
Depreciation (unallocated)	1,608,264	-	-	(1,608,264)	-
Total Governmental Activities	\$ 76,106,770	\$ 2,285,622	\$ 29,802,881	(44,018,267)	
DISCRETELY PRESENTED COMPONENT UNIT					
Debt service	\$ 4,652,625	\$ -	\$ -		\$ (4,652,625)
Total	\$ 4,652,625	\$ -	\$ -		(4,652,625)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes				8,506,350	-
Property taxes, levied for debt service				2,604,236	-
Property taxes, levied for other specific purposes				1,573,671	-
Federal and state aid not restricted for specific purposes				34,672,744	-
Interest and investment earnings				257,082	1,950,780
Interagency revenues				1,834,562	-
Subtotal, General Revenue				49,448,645	1,950,780
CHANGE IN NET ASSETS				5,430,378	(2,701,845)
Net Assets - Beginning				36,148,161	40,724,157
Net Assets - Ending				\$ 41,578,539	\$ 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, 2012

	General Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 13,246,655	\$ -	\$ 12,678,678	\$ 25,925,333
Accounts receivable	16,325,405	4,417,905	314,884	21,058,194
Stores inventory	60,741	-	59,343	120,084
Total Assets	\$ 29,632,801	\$ 4,417,905	\$ 13,052,905	\$ 47,103,611
LIABILITIES				
Deficit cash	\$ -	\$ 1,616,496	\$ -	\$ 1,616,496
Accrued liabilities	8,308,460	35,236	488,689	8,832,385
Deferred revenue	600,717	-	-	600,717
Total Liabilities	8,909,177	1,651,732	488,689	11,049,598
FUND BALANCES				
Nonspendable	78,241	-	66,343	144,584
Restricted	4,115,234	2,766,173	12,497,873	19,379,280
Assigned	2,766,991	-	-	2,766,991
Unassigned	13,763,158	-	-	13,763,158
Total Fund Balances	20,723,624	2,766,173	12,564,216	36,054,013
Total Liabilities and Fund Balances	\$ 29,632,801	\$ 4,417,905	\$ 13,052,905	\$ 47,103,611

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, 2012

Total Fund Balance - Governmental Funds	\$ 36,054,013
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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	\$ 79,000,085	
Accumulated depreciation	<u>(34,882,763)</u>	44,117,322

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:

(791,028)

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:

Total general obligation bonds	\$ 34,700,000	
Net OPEB obligation	<u>3,101,768</u>	(37,801,768)

Total Net Assets - Governmental Activities	\$ <u>41,578,539</u>
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The accompanying notes are an integral part of these financial statements.

CULVER CITY UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Revenue limit sources				
State aid	\$ 26,953,500	\$ -	\$ -	\$ 26,953,500
Local sources	8,506,350	-	-	8,506,350
Transfers	115,483	-	-	115,483
Federal sources	3,117,793	3,542,527	1,682,579	8,342,899
Other state sources	14,280,061	10,606,119	1,190,204	26,076,384
Other local sources	5,317,320	-	6,225,212	11,542,532
Total Revenues	58,290,507	14,148,646	9,097,995	81,537,148
EXPENDITURES				
Current				
Instruction	34,951,219	-	3,029,777	37,980,996
Instruction-related services				
Instructional supervision and administration	1,900,625	-	-	1,900,625
Instructional library, media, and technology	390,759	-	-	390,759
School site administration	4,647,589	-	488,007	5,135,596
Pupil services				
Home-to-school transportation	618,070	-	-	618,070
Food services	1,032	-	2,052,857	2,053,889
All other pupil services	2,989,200	-	-	2,989,200
General administration				
Centralized data processing	602,130	-	-	602,130
All other general administration	3,037,200	-	310,865	3,348,065
Plant services	5,171,387	-	68,325	5,239,712
Facilities acquisition and maintenance	373,306	-	427,444	800,750
Ancillary services	5,334	-	-	5,334
Community services	10,709	-	-	10,709
Transfers to other agencies	167,283	11,382,473	-	11,549,756
Debt service				
Principal	-	-	800,000	800,000
Interest and other	50,167	-	1,916,468	1,966,635
Total Expenditures	54,916,010	11,382,473	9,093,743	75,392,226
Excess (Deficiency) of Revenues				
Over Expenditures	3,374,497	2,766,173	4,252	6,144,922
Other Financing Sources (Uses)				
Transfers In	1,300,000	-	-	1,300,000
Transfers Out	-	-	(1,300,000)	(1,300,000)
Net Financing Sources (Uses)	1,300,000	-	(1,300,000)	-
NET CHANGE IN FUND BALANCE	4,674,497	2,766,173	(1,295,748)	6,144,922
Fund Balance - Beginning	16,049,127	-	13,859,964	29,909,091
Fund Balance - Ending	\$ 20,723,624	\$ 2,766,173	\$ 12,564,216	\$ 36,054,013

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 BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Net Change in Fund Balances - Governmental Funds	\$ 6,144,922
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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:	\$ 986,346	
Depreciation expense:	<u>(1,608,264)</u>	(621,918)

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:

800,000

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:

14,998

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:

(907,624)

Change in Net Assets of Governmental Activities	<u>\$ 5,430,378</u>
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The accompanying notes are an integral part of these financial statements.

CULVER CITY UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Agency Funds</u>
	<u>Student Body</u>
	<u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ 309,685
Total Assets	<u>\$ 309,685</u>
LIABILITIES	
Due to student groups	\$ 309,685
Total Liabilities	<u>\$ 309,685</u>

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

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The 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 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 Units

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, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation

Government-Wide Statements. The statement of net assets and the statement of activities display information about the primary government (the District). 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.

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

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. 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 the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Special Education Pass-Through Fund: This fund is used by the Administrative Unit (AU) of a multi-LEA Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member LEAs.

Non-Major Governmental Funds

Special Revenue 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 the District 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 shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091 and 38100*).

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

C. Basis of Presentation (*continued*)

Capital Project Funds: 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 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 District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

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*).

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 the District (*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 of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District'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.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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 District'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*).

D. 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-type activities of the District follow the FASB and AICPA pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Governmental Funds

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue

Deferred revenue arises when 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 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.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, Fund Balance and Net Assets

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Inventories

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.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Fund Balance and Net Assets (continued)

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 Statement 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:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

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.

Compensated Absences

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

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, Fund Balance and Net Assets (continued)

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, compensated absences 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 other long-term obligations 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 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.

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.

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.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

E. Assets, Liabilities, Fund Balance and Net Assets (*continued*)

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.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

F. 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 in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. 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.

H. Budgetary Data

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

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

I. Property Tax

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

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Fiduciary Funds
Cash in county	\$ 25,878,616	\$ -
Cash on hand and in banks	22,217	309,685
Cash in revolving fund	24,500	-
Total cash and cash equivalents	\$ 25,925,333	\$ 309,685

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 County Investment Pool.

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Los Angeles County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is 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.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 2 – CASH AND INVESTMENTS (continued)

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 the investment types permitted by California Government Code.

<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

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 Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$25,925,333 and an amortized book value of \$25,878,616. The average weighted maturity for this pool is 617 days.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 2 – CASH AND INVESTMENTS (continued)

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 in the County Treasury are not required to be rated. As of June 30, 2012, the pooled investments in the County Treasury were rated at least 'A' by Moody's Investors Service.

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. 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, 2012, the District's bank balance was not exposed to custodial credit risk.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2012 consisted of the following:

	General Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	\$ 1,959,757	\$ 1,643,646	\$ 296,216	\$ 3,899,619
State Government				
Apportionment	11,706,192	-	-	11,706,192
Categorical aid	1,743,095	2,774,259	12,131	4,529,485
Lottery	242,526	-	-	242,526
Local Government				
Other Local Sources	673,835	-	6,537	680,372
Total	\$ 16,325,405	\$ 4,417,905	\$ 314,884	\$ 21,058,194

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,517,971	\$ -	\$ -	\$ 1,517,971
Construction in progress	100,213	427,444	100,213	427,444
Total Capital Assets not Being Depreciated	1,618,184	427,444	100,213	1,945,415
Capital assets being depreciated				
Land improvements	4,377,672	-	-	4,377,672
Buildings & improvements	67,210,380	567,647	-	67,778,027
Furniture & equipment	4,807,503	91,468	-	4,898,971
Total Capital Assets Being Depreciated	76,395,555	659,115	-	77,054,670
Less Accumulated Depreciation				
Land improvements	3,174,691	123,111	-	3,297,802
Buildings & improvements	26,146,941	1,362,294	-	27,509,235
Furniture & equipment	3,952,867	122,859	-	4,075,726
Total Accumulated Depreciation	33,274,499	1,608,264	-	34,882,763
Governmental Activities				
Capital Assets, net	\$ 44,739,240	\$ (521,705)	\$ 100,213	\$ 44,117,322

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 5 – INTERFUND TRANSACTIONS

A. Operating Transfers

The district had one interfund transfer for the year ended June 30, 2012 consisting of \$1,300,000 transferred from the Special Reserve Fund for Capital Outlay Projects to the General Fund for special projects.

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2012 consisted of the following:

	General Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	\$ 4,624,538	\$ -	\$ 406,573	\$ -	\$ 5,031,111
Vendors payable	3,683,922	-	82,116	-	3,766,038
Unmatured interest	-	-	-	791,028	791,028
Other liabilities	-	35,236	-	-	35,236
Total	\$ 8,308,460	\$ 35,236	\$ 488,689	\$ 791,028	\$ 9,623,413

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2012, consisted of \$600,717 in the General Fund from federal sources.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2012 consisted of the following:

	Balance July 01, 2011	Additions	Deductions	Balance June 30, 2012	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 35,500,000	\$ -	\$ 800,000	\$ 34,700,000	\$ 820,000
Net OPEB obligation	2,194,144	907,624	-	3,101,768	-
Total	\$ 37,694,144	\$ 907,624	\$ 800,000	\$ 37,801,768	\$ 820,000

A. General Obligation Bonds

The outstanding general obligation bond debts of the District at June 30, 2012 are as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2011	Additions	Deductions	Bonds Outstanding June 30, 2012
11/4/2005	8/1/2033	4.0% - 5.0%	\$ 38,230,000	\$ 35,500,000	\$ -	\$ 800,000	\$ 34,700,000

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

Year Ended June 30,	Principal	Interest	Total
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	1,015,000	1,698,189	2,713,189
2018 - 2022	5,945,000	7,605,193	13,550,193
2023 - 2027	7,790,000	5,743,270	13,533,270
2028 - 2032	10,590,000	3,227,493	13,817,493
2033 - 2034	5,785,000	336,316	6,121,316
Total	\$ 34,700,000	\$ 25,873,406	\$ 60,573,406

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 8 – LONG-TERM DEBT (continued)

B. 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 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2012:

	General Fund	Special Education Pass-Through Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 17,500	\$ -	\$ 7,000	\$ 24,500
Stores inventory	60,741	-	59,343	120,084
Total non-spendable	78,241	-	66,343	144,584
Restricted				
Educational programs	4,115,234	2,766,173	1,026,498	7,907,905
Capital projects	-	-	9,273,777	9,273,777
Debt service	-	-	1,794,059	1,794,059
All others	-	-	403,539	403,539
Total restricted	4,115,234	2,766,173	12,497,873	19,379,280
Assigned				
Additional Board reserve of 2%	1,068,093	-	-	1,068,093
School site allocation	75,000	-	-	75,000
Reserve for ROP program	529,689	-	-	529,689
Adult Education	255,564	-	-	255,564
Reserve for IMFRP program	530,000	-	-	530,000
Reserve for potential declining enrollmen	200,000	-	-	200,000
Deferred maintenance	108,645	-	-	108,645
Total assigned	2,766,991	-	-	2,766,991
Unassigned				
Reserve for economic uncertainties	1,602,140	-	-	1,602,140
Remaining unassigned	12,161,018	-	-	12,161,018
Total unassigned	13,763,158	-	-	13,763,158
Total	\$ 20,723,624	\$ 2,766,173	\$ 12,564,216	\$ 36,054,013

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 3 percent of General Fund expenditures and other financing uses.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 10 –POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description and Contribution Information

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.

Membership of the plan consisted of the following:

Retirees and beneficiaries receiving benefits	206
Active plan members	740
Total*	<u>946</u>
Number of participating employers	1

*As of May 1, 2009 actuarial study

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.

B. Funding Policy

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 2011-12, the District contributed \$553,792.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. 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		109,707
Adjustment to annual required contribution		(97,185)
Annual OPEB cost (expense)		<u>1,461,416</u>
Contributions made		<u>(553,792)</u>
Increase (decrease) in net OPEB obligation		907,624
Net OPEB obligation, beginning of the year		<u>2,194,144</u>
Net OPEB obligation, end of the year	\$	<u>3,101,768</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2012 and the preceding two years were as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2012	\$ 1,461,416	38%	\$ 3,101,768
2011	\$ 1,456,235	38%	\$ 2,194,144
2010	\$ 1,450,900	36%	\$ 1,286,468

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

D. Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial evaluation consists of the following:

Actuarial Valuation Date	Actuarial Valuation of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
May 1, 2009	\$ -	\$ 16,857,246	\$ 16,857,246	0%	\$ 38,006,912	44%

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.

E. 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.

Additional information as of the latest actuarial valuation follows:

Valuation Date	5/1/2009
Actuarial Cost Method	Entry Age
Amortization Method	Level-percentage of payroll
Remaining Amortization Period	27
Asset Valuation	Market value basis
Actuarial Assumptions:	
Discount rate	5.0%
Health care trend rate	5.0%

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS

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

California State Teachers' Retirement System (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 2012 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>
2011-12	\$ 2,113,372	100%
2010-11	\$ 2,090,852	100%
2009-10	\$ 2,231,277	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 \$1,093,063 to CalSTRS (4.267% of salaries subject to CalSTRS in 2011-12).

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 11 – EMPLOYEE RETIREMENT SYSTEMS (continued)

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement 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, 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 2012 was 10.923% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2011-12	\$ 973,716	100%
2010-11	\$ 947,073	100%
2009-10	\$ 1,064,216	100%

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2012

NOTE 12 – 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, 2012.

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, 2012.

C. Construction Commitments

As of June 30, 2012, the District had commitments with respect to unfinished capital projects of \$3,817,857.

NOTE 13 – 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. Financial statements are available directly from the JPAs.

REQUIRED SUPPLEMENTARY INFORMATION

CULVER CITY UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Revenue limit sources	\$ 33,089,259	\$ 35,410,906	35,575,333	\$ 35,575,333
Federal sources	2,988,859	3,507,551	2,917,828	(589,723)
Other State sources	10,124,842	10,356,265	13,229,893	2,873,628
Other local sources	3,228,206	3,272,417	4,854,273	1,581,856
Total Revenues	49,431,166	52,547,139	56,577,327	39,441,094
EXPENDITURES				
Certificated salaries	24,352,293	24,720,474	24,497,990	222,484
Classified salaries	8,110,406	8,250,488	8,397,630	(147,142)
Employee benefits	9,094,178	8,956,480	8,979,546	(23,066)
Books and supplies	2,138,365	2,178,853	2,076,169	102,684
Services and other operating expenditures	8,330,160	8,112,001	7,995,007	116,994
Capital outlay	58,497	118,497	8,005	110,492
Other outgo				
Excluding transfers of indirect costs	124,000	124,000	167,283	(43,283)
Transfers of indirect costs	(249,945)	(332,945)	(398,271)	65,326
Total Expenditures	51,957,954	52,127,848	51,723,359	404,489
Excess (Deficiency) of Revenues				
Over Expenditures	(2,526,788)	419,291	4,853,968	39,845,583
Other Financing Sources (Uses)				
Transfers In	1,300,000	1,300,000	1,305,343	5,343
Transfers Out	(1,318,944)	(1,318,944)	(1,681,287)	(362,343)
Net Financing Sources (Uses)	(18,944)	(18,944)	(375,944)	(357,000)
NET CHANGE IN FUND BALANCE	(2,545,732)	400,347	4,478,024	4,077,677
Fund Balance - Beginning	15,236,783	15,236,783	15,236,783	-
Fund Balance - Ending	\$ 12,691,051	\$ 15,637,130	\$ 19,714,807	\$ 4,077,677

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On behalf payments are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Adult Education Fund and the Deferred Maintenance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

See accompanying note to required supplementary information.

CULVER CITY UNIFIED SCHOOL DISTRICT
SPECIAL EDUCATION PASS-THROUGH FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Federal sources	4,637,166	4,367,166	3,542,527	(824,639)
Other State sources	8,180,129	8,180,129	10,606,119	2,425,990
Total Revenues	12,817,295	12,547,295	14,148,646	1,601,351
EXPENDITURES				
Excluding transfers of indirect costs	12,594,693	12,594,693	11,382,473	1,212,220
Total Expenditures	12,594,693	12,594,693	11,382,473	1,212,220
Excess (Deficiency) of Revenues				
Over Expenditures	222,602	(47,398)	2,766,173	2,813,571
NET CHANGE IN FUND BALANCE	222,602	(47,398)	2,766,173	2,813,571
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	\$ 222,602	\$ (47,398)	\$ 2,766,173	\$ 2,813,571

See accompanying note to required supplementary information.

CULVER CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2012

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

See accompanying note to required supplementary information.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Funding Progress

This schedule is required by GASB Statement No. 45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2012, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Classified salaries	\$ 8,250,488	\$ 8,397,630	\$ 147,142
Employee benefits	\$ 8,956,480	\$ 8,979,546	\$ 23,066
Other outgo			
Excluding transfers of indirect costs	\$ 124,000	\$ 167,283	\$ 43,283

SUPPLEMENTARY INFORMATION

CULVER CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

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, Basic Grants Low-Income and Neglected	84.010	14329	\$ 549,581
Adult Education: Adult Secondary Education	84.002A	13978	175,944
Adult Education: Adult Secondary Education & ESL	84.002A	14508	39,608
Adult Education: English Literacy and Civics Education	84.002A	14109	110,471
Title II, Part D, Enhancing Education Through Technology, Formula Grants	84.318	14334	174,929
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	107,490
Title III, Immigrant Education Program	84.365	15146	16,143
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	4,069,187
Part B, Preschool Grants	84.173	13430	110,076
ARRA - Basic Local Assistance Entitlement, Part B	84.391	15003	283,126
ARRA - Preschool Local Entitlement, Part B	84.391	15002	96,198
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	228,541
Preschool Staff Development	84.173A	13431	1,841
Subtotal Special Education Cluster			<u>4,788,969</u>
IDEA Early Intervention Grants	84.181	23761	32,384
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	22,820
Foreign Language Assistance Program	84.293B	*	646,435
Education Jobs Fund	84.410	25152	72,918
Total U. S. Department of Education			<u><u>6,737,692</u></u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	23668	250,634
National School Lunch Program	10.555	13391	931,307
Subtotal Child Nutrition Cluster			<u>1,181,941</u>
USDA Commodities	10.558	13389	<u>103,831</u>
Total U. S. Department of Agriculture			<u><u>1,285,772</u></u>
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	1,753,486
<i>Passed through California Department of Health Services:</i>			
Medi-Cal Administrative Activities	93.778	10060	32,228
Medi-Cal Billing Option	93.778	10013	180,304
Total U. S. Department of Health & Human Services			<u>1,966,018</u>
Total Federal Expenditures			<u><u>\$ 9,989,482</u></u>

* - PCS Number not available or not applicable

See accompanying note to supplementary information.

CULVER CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2012

	Second Period Report	Annual Report
ELEMENTARY		
Kindergarten	469	467
First through third	1,444	1,440
Fourth through sixth	1,320	1,318
Seventh through eighth	985	983
Home and hospital	2	2
Special education	108	114
Total Elementary	4,328	4,324
SECONDARY		
Regular classes	2,126	2,117
Continuation education	64	52
Home and hospital	3	3
Special education	71	78
Total Secondary	2,264	2,250
Average Daily Attendance Total	6,592	6,574

See accompanying note to supplementary information.

**CULVER CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2012**

Grade Level	1982-83		1986-87		2011-12 Actual Minutes	Number of Days	Status
	Actual Minutes	Actual Minutes Reduced	Minutes Requirement	Minutes Requirement Reduced			
Kindergarten	31,500	29,400	36,000	33,600	35,400	180	Complied
Grade 1	41,790	39,004	50,400	47,040	53,295	180	Complied
Grade 2	41,790	39,004	50,400	47,040	53,295	180	Complied
Grade 3	41,790	39,004	50,400	47,040	53,295	180	Complied
Grade 4	51,480	48,048	54,000	50,400	53,295	180	Complied
Grade 5	51,480	48,048	54,000	50,400	53,295	180	Complied
Grade 6	51,480	48,048	54,000	50,400	66,195	180	Complied
Grade 7	51,480	48,048	54,000	50,400	66,195	180	Complied
Grade 8	51,480	48,048	54,000	50,400	66,195	180	Complied
Grade 9	54,960	51,296	64,800	60,480	70,792	180	Complied
Grade 10	54,960	51,296	64,800	60,480	70,792	180	Complied
Grade 11	54,960	51,296	64,800	60,480	70,792	180	Complied
Grade 12	54,960	51,296	64,800	60,480	70,792	180	Complied

See accompanying note to supplementary information.

CULVER CITY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

	2013 (Budget)	2012	2011	2010
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 50,423,799	\$ 57,882,670	\$ 71,242,899	\$ 59,700,066
Expenditures And Other Financing Uses	55,437,788	53,404,646	67,641,417	62,320,541
Net change in Fund Balance	\$ (5,013,989)	\$ 4,478,024	\$ 3,601,482	\$ (2,620,475)
Ending Fund Balance	\$ 14,700,818	\$ 19,714,807	\$ 14,394,247	\$ 10,792,765
Available Reserves*	\$ 10,114,111	\$ 13,763,157	\$ 11,703,751	\$ 9,430,752
Available Reserves As A Percentage Of Outgo	18.24%	25.77%	17.30%	15.13%
Long-term Debt	\$ 36,981,768	\$ 37,801,768	\$ 37,694,144	\$ 37,536,468
Average Daily Attendance At P-2	6,592	6,592	6,539	6,483

The General Fund balance has increased by \$8,922,042 over the past two years. The fiscal year 2012-13 budget projects a decrease of \$5,013,989. 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 2012-13 fiscal year. Total long term obligations have increased by \$265,300 over the past two years.

Average daily attendance has increased by 109 ADA over the past two years. No change in ADA is anticipated during the 2012-13 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

** The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- On behalf payments of \$1,093,063 are not included in the actual revenues and expenditures reported in this schedule.
- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Adult Education Fund and the Deferred Maintenance Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

See accompanying note to supplementary information.

CULVER CITY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Adult Education Fund	Deferred Maintenance Fund
June 30, 2012, annual financial and budget report fund balance	\$ 19,174,806	\$ 900,172	\$ 108,645
Adjustments and reclassifications:			
Fund balance transfer (GASB 54)	1,008,817	(900,172)	(108,645)
Net adjustments and reclassifications	1,008,817	(900,172)	(108,645)
June 30, 2012, audited financial statement fund balance	\$ 20,183,623	\$ -	\$ -

See accompanying note to supplementary information.

**CULVER CITY UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2012**

	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 1,321,839	\$ 307,671	\$ 3,327,255	\$ 1,916,712	\$ 4,011,142	\$ 1,794,059	\$ 12,678,678
Accounts receivable	44,140	252,076	6,537	3,681	8,450	-	314,884
Stores inventory	-	59,343	-	-	-	-	59,343
Total Assets	\$ 1,365,979	\$ 619,090	\$ 3,333,792	\$ 1,920,393	\$ 4,019,592	\$ 1,794,059	\$ 13,052,905
LIABILITIES							
Accrued liabilities	\$ 334,481	\$ 154,208	\$ -	\$ -	\$ -	\$ -	\$ 488,689
Total Liabilities	334,481	154,208	-	-	-	-	488,689
FUND BALANCES							
Non-spendable	5,000	61,343	-	-	-	-	66,343
Restricted	1,026,498	403,539	3,333,792	1,920,393	4,019,592	1,794,059	12,497,873
Total Fund Balances	1,031,498	464,882	3,333,792	1,920,393	4,019,592	1,794,059	12,564,216
Total Liabilities and Fund Balance	\$ 1,365,979	\$ 619,090	\$ 3,333,792	\$ 1,920,393	\$ 4,019,592	\$ 1,794,059	\$ 13,052,905

See accompanying note to supplementary information.

CULVER CITY UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	Child Development Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
REVENUES							
Federal sources	\$ 500,638	\$ 1,181,941	\$ -	\$ -	\$ -	\$ -	\$ 1,682,579
Other State sources	1,071,116	103,614	-	-	-	15,474	1,190,204
Other local sources	2,452,897	725,697	33,991	347,260	46,565	2,618,802	6,225,212
Total Revenues	4,024,651	2,011,252	33,991	347,260	46,565	2,634,276	9,097,995
EXPENDITURES							
Current							
Instruction	3,029,777	-	-	-	-	-	3,029,777
Instruction-related services							
School site administration	488,007	-	-	-	-	-	488,007
Pupil services							
Food services	223,374	1,829,483	-	-	-	-	2,052,857
General administration							
All other general administration	222,745	88,120	-	-	-	-	310,865
Plant services	57,947	6,357	-	4,021	-	-	68,325
Facilities acquisition and maintenance	-	-	420,844	6,600	-	-	427,444
Debt service							
Principal	-	-	-	-	-	800,000	800,000
Interest and other	-	-	-	-	-	1,916,468	1,916,468
Total Expenditures	4,021,850	1,923,960	420,844	10,621	-	2,716,468	9,093,743
Excess (Deficiency) of Revenues							
Over Expenditures	2,801	87,292	(386,853)	336,639	46,565	(82,192)	4,252
Other Financing Sources (Uses)							
Transfers Out	-	-	-	-	(1,300,000)	-	(1,300,000)
Net Financing Sources (Uses)	-	-	-	-	(1,300,000)	-	(1,300,000)
NET CHANGE IN FUND BALANCE	2,801	87,292	(386,853)	336,639	(1,253,435)	(82,192)	(1,295,748)
Fund Balance - Beginning	1,028,697	377,590	3,720,645	1,583,754	5,273,027	1,876,251	13,859,964
Fund Balance - Ending	\$ 1,031,498	\$ 464,882	\$ 3,333,792	\$ 1,920,393	\$ 4,019,592	\$ 1,794,059	\$ 12,564,216

See accompanying note to supplementary information.

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2012

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

The following schedule provides reconciliation between revenues reported on the Statement of 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 by June 30, 2012 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2012.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 8,342,899
Medi-Cal Billing Option	93.778	180,304
Foreign Language Assistance Program	84.293B	(185,938)
Adult Education: Adult Secondary Education & ESL	84.002A	76,181
Adult Education: English Literacy and Civics Education	84.002A	49,876
Child Development: Federal Child Care, Center Based	93.596	1,356,679
ARRA: State Fiscal Stabilization Fund	84394	169,481
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		<u>\$ 9,989,482</u>

CULVER CITY UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code Section* 46201. For 2011-12, the instructional day and minute requirements have been reduced pursuant to *Education Code Sections* 46201.2 and 46201.3.

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.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Combining Statements – Non-Major Funds

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

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**

**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**

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

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Governing Board
Culver City Unified School District
Culver City, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Culver City Unified School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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 Culver City Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Culver City Unified School 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 Audit Findings and Questioned Costs as items #2012-1 through #2012-2 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*.

Culver City Unified School 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 Culver City Unified School 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, others within the entity, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California
November 30, 2012

**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**

Christy White, CPA

Eric J. Hart

Michael Ash, CPA

Erin Sacco Pineda, CPA

Governing Board
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, 2012. 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, 2012.

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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 Culver City Unified School 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, others within the entity, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Christy White Associates".

San Diego, California
November 30, 2012

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
 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 Education Agencies 2011-12*, issued by the California Education Audit Appeals Panel as regulations for the year ended June 30, 2012. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2011-12*, 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:

PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	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

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PROGRAM NAME	PROCEDURES IN AUDIT GUIDE	PROCEDURES PERFORMED
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
Juvenile Court Schools	8	Not Applicable
Exclusion of Pupils - Pertussis Immunization	2	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	5	Yes
Before school	6	Not Applicable
Contemporaneous Records of Attendance; for charter schools	3	Not Applicable
Mode of Instruction; for charter schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	3	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	4	Not Applicable

We did not perform testing for Independent Study because it was below the threshold required 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the *Standards and Procedures for Audits of California K – 12 Local Education Agencies 2011-12* and which are reported in the accompanying schedule of findings and questioned costs as findings #2012-3.

Culver City Unified School District's responses to the findings 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, others within the entity, the California Department of Education, the California State Controller's Office, the California Department of Finance, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Christy White Associates

San Diego, California
November 30, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CULVER CITY UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2012**

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>
84.027, 84.173, 84.391, 84.027A, 84.173A	IDEA Special Ed Cluster, including ARRA

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

STATE AWARDS

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</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, 2012

FIVE DIGIT CODE

20000

30000

AB 3627 FINDING TYPE

Inventory of Equipment

Internal Control

FINDING #2012-1: CASH RECEIPT SEGREGATION OF DUTIES (30000)

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

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.

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

Effect: Lack of segregation of duties increases the risk for fraud or errors to occur.

Perspective: Review of internal controls over cash receipting process.

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

District Response: The District has properly segregated the duties over cash receipting. An account technician is now in charge of reconciling all the District's bank accounts, independent from the accounts receivable clerk.

**CULVER CITY UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2012**

FINDING #2012-2 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (30000)

Criteria: In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, an actuarial study is required at least biennially for other postemployment benefit (OPEB) plans with a total membership of 200 or more. The actuarial study enables the District to measure and disclose an amount for annual OPEB cost on the accrual basis of accounting.

Condition: The District’s most recent actuarial study is dated May 1, 2009. As of June 30, 2012, the District was not in compliance with the biannual requirement for its actuarial study.

Effect: The District is not in compliance with the requirement of GASB Statement No. 45. The recent actuarial study may not properly estimate the District’s OPEB liability as of June 30, 2012.

Cause: Because the two-year period of the recent actuarial study ends in April 2011 and there were no significant changes to the plan since the valuation date, the District felt the study would be reliable for estimating the OPEB liability as of June 30, 2012.

Perspective: The incident appears isolated. Since the required implementation of GASB Statement No. 45 by the District in 2008-09, the District has only obtained the initial actuarial study covering the fiscal years 2008-09 and 2009-10.

Recommendation: We recommend that the District obtain a new actuarial study on its OPEB obligation for the fiscal year 2011-12 and rely on the study for only two fiscal years before obtaining another OPEB actuarial study.

District Response: The District is in the process of obtaining a new actuarial study in the current fiscal year 2012-2013 to be in compliance with the GASB Statement No. 45.

CULVER CITY UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

No Federal findings for fiscal year 2011-12.

CULVER CITY UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

FIVE DIGIT CODE

10000
40000
41000
60000
61000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
CalSTRS
Miscellaneous
Classroom Teacher Salaries
Instructional Materials
Teacher Misassignments
School Accountability Report Card

FINDING #2012-3: SCHOOL ACCOUNTABILITY REPORT CARD (72000)

Criteria: Sound fiscal management controls to ensure the information contained in the online School Accountability Report Card (SARC) is accurate and ties to the information contained in the Facility Inspection Tools (FIT), Quarterly Complaint Forms, and Instructional Materials Sufficiency hearing as per Education Code Sections 33126(b)(8) and 17002.

Condition & Context: Auditor noted that information obtained from the Facility Inspection Tools did not accurately match to the SARC for Culver City High School and Culver Park High School.

Questioned Cost: Not Applicable

Cause: The District did not ensure that the information on the FITs accurately matched what they report in the online SARC.

Effect: The School Accountability Report Card is misleading to its users.

Perspective: Review of a sample of the District's School Accountability Report Cards.

Recommendation: We recommend the District review its FITs and ensure that the information matches the online SARC and that any discrepancies are noted as to the differences.

District Response: The District will ensure that the information on the FITs accurately matches the information reported on the SARCs online.

**CULVER CITY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012**

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.

Current Status: Implemented.

CULVER CITY UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2012

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.

Current Status: Not implemented, see finding #2012-1.