

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

AUDIT REPORT
June 30, 2015

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Board of Education
Beverly Hills Unified School District
Beverly Hills, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Beverly Hills Unified School District (District) as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government-Auditing Standards*, issued by the Comptroller General of the United States and the *2014-2015 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting* published by the California Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As discussed in note 1 to the basic financial statements, effective July 1, 2014, the Beverly Hills Unified School District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on page 4 through 8, the Budgetary Comparison Schedule on page 51, the Schedule of Proportionate Share of Net Pension Liability on page 52, the Schedule of Contributions on page 54, and the Schedule of Funding Progress for Post-Employment Benefits Other Than Pensions on page 56, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual fund financial statements and schedules, financial, and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the District.

The combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The financial and statistical information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2015 on our consideration of the District's internal control over financial reporting and 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 do not 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 in considering the District's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 15, 2015

**Beverly Hills Unified School District
Management's Discussion and Analysis
June 30, 2015**

The annual financial audit report for the Beverly Hills Unified School District includes a Management's Discussion and Analysis (MD&A) of the District's financial performance during the fiscal year ending June 30, 2015 utilizing comparative information from 2015. The MD&A should be read in conjunction with the District's financial statements contained in the independent audit prepared by Moss, Levy & Hartzheim, and LLP.

FINANCIAL HIGHLIGHTS

The District continues to go deeper into Basic Aid Status, with Property Tax Revenue exceeding the LCFF apportionment by \$10,526,731.

Basic Aid Districts were subject to the same deficits that California districts were subject to in prior years. This was taken from the Districts in a proportionate share of the deficit, known as the fair share reduction. This year California districts continue to not be subjected to deficits, however the Fair Share Reduction continues for Basic Aid Districts, this amount is \$2,912,011 loss of basic aid revenue.

The Districts audited financial reports show general revenue of \$62,260,965 and expenditures of \$60,457,504 leaving a net change of \$1,803,461. Due to the implementation of GASB 68, a restatement to the prior year fund balance of (53,728,383) was made to include the District's net pension liability at June 30, 2014. An explanation of this adjustment is found in Note 19 – Restatements. This factor resulted in the District' net deficit total at (\$17,620,807).

FINANCIAL STATEMENT OVERVIEW

The audit report consists of three parts as required for the annual submission of the three parts consisting of Management's Discussion and Analysis, the financial statements, and required supplemental information:

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The remaining statements are specific fund financial statements that focus on the District's individual financial components, reporting the District's operations in more detail than the District-wide statements. The financial statements also include notes to financial information and supplementary information.
- The two district-wide financial statements report the District's net position and how they have changed. Net position is the difference between the District's assets and liabilities as one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating.
- In assessing the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the conditions of school buildings and other facilities.
- In the district-wide financial statements, Beverly Hills Unified School District is reporting its basic services, such as regular education, special education, and administration. Property taxes and local revenue finance most of these activities. These are called Governmental Activities.
- Fiduciary fund statements provide information about the financial relationships, in which, the District acts as a trustee or agent for the benefit of others.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds instead of the District in its entirety. Funds are a series of self-balancing accounts recording cash and other resources, liabilities and residual equities for the purpose of carrying out certain activities or objectives within special regulations, restrictions or limitations. For example:

- Some funds are required by state law and bound by covenants.

- The District establishes other funds to control and manage financial resources for particular purposes (i.e. repaying its long-term obligations) or to show it is properly using certain revenues obtained for specific purposes (i.e. state grants for building projects).

FUND FINANCIAL STATEMENTS (Continued)

The District has two types of funds:

Governmental Funds include the District’s basic services, which generally focus on (1) how cash and other financial assets can readily be converted to cash and pay for its expenditures (2) the balances left at year-end that are available for future spending. Consequently, the governmental fund statements provide a detailed short-term view that assist in determining whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Information contained in the governmental funds statements does not encompass the additional long-term focus of the District-wide statements, so additional information is provided with the governmental fund statements to explain the relationship between them.

Fiduciary Funds provide for accounting for assets that belong to others with the District as trustee or fiduciary. These funds include the retiree benefit fund, the students’ activities funds and scholarship funds. The District is responsible for ensuring that these assets are used for their intended purposes and are reported as such. These funds are not included in the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position

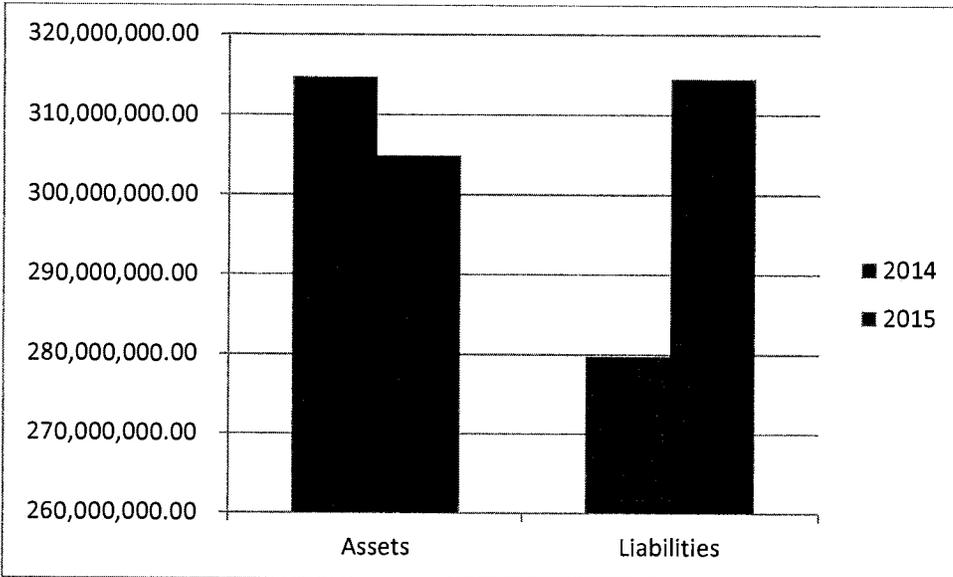
The statement of net position presents the financial position of the District at the end of the fiscal year, which ended June 30, 2015 and includes all assets and liabilities of the District. The difference between the total assets and total liabilities (net position) is one indicator of the current financial condition of the District, while the change in the net position is an indicator of whether the overall financial condition has improved or deteriorated during the year. It should be noted that a negative change that has been expected and anticipated reflects the district in a better position than not. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. For the purpose of distinguishing between current and non-current assets and liabilities, current assets and liabilities are those that can be reasonably expected to either generate or use cash, as part of normal business operations, within one year of the financial statements date. The analysis below focuses on the net position and the change in net position from 2014 to 2015 for the District’s governmental activities.

Governmental Activities – Table 1

	<u>2014</u>	<u>2015</u>
<u>Assets</u>		
Current and other assets	\$ 127,484,216	\$ 89,088,080
Capital assets	187,314,543	215,870,895
Total Assets	<u>\$ 314,798,759</u>	<u>\$ 304,958,975</u>
<u>Liabilities</u>		
Current Liabilities	\$ 7,666,270	\$ 10,177,645
Long-term liabilities	272,136,832	304,372,327
Total Liabilities	<u>\$ 279,803,102</u>	<u>\$ 314,549,972</u>
<u>Net Position</u>		
Invested in Capital Assets, Net Of related debt	\$ 53,961,753	66,800,924
Restricted	4,779,898	5,554,279
Unrestricted	(22,233,615)	(89,976,010)
	<u>\$ 36,508,036</u>	<u>\$ (17,620,807)</u>

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Statement of Net Position (Continued)



**Statement of Activities
Changes in Net Position – Table 2**

	<u>2014</u>	<u>2015</u>
Revenues		
General revenues		
Federal and State Aid (not restricted)	\$ 3,284,763	\$ 3,442,756
Property taxes	60,308,897	50,872,429
Other general revenues	14,356,761	14,996,114
Total Revenues	<u>\$ 77,950,421</u>	<u>\$ 69,311,299</u>
Expenses (less program revenue)		
Instruction related	\$ 36,951,681	35,622,363
Pupil services	2,396,930	2,524,440
Administration	4,245,458	5,345,331
Plant services	7,276,951	7,804,515
Other	21,811,659	18,416,110
Total Expenses	<u>\$ 72,682,679</u>	<u>\$ 69,712,759</u>
Changes in Net Position	<u>\$ 5,267,742</u>	<u>\$ (401,460)</u>

The statement of activities presents the District’s results of operations. The District’s combined net position totaled (\$17,620,807) for 2015. The capital assets report shows a total value of \$215,870,895, net of \$64,278,278 for accumulated depreciation.

The District’s 2014/15 general revenues were \$69,311,299. Taxes levied for general purpose accounted for seventy-three percent (73%) of the District’s revenue. Federal and State Aid made up five (5%) of the revenue. Local revenue/other made up the balance of the revenues at twenty-two (22%), which includes the city contribution from the Joint Power’s Agreement and amendment and other miscellaneous revenues such as donations and interest earned.

The District’s 2014/2015 fiscal year expenses decreased by \$2,969,920 from the 2013/2014 fiscal year. The district’s expenses include instruction and pupil related services, which amount to fifty-five (55%) of the total expenses reported. The administrative activities of the District were eight (8%) of expenses. Plant services (maintenance and operations) were eleven percent (11%) of

expenses. The other expenses included community services, interest on debt, other outgo and depreciation, which was twenty-six (26%) of the total expenses.

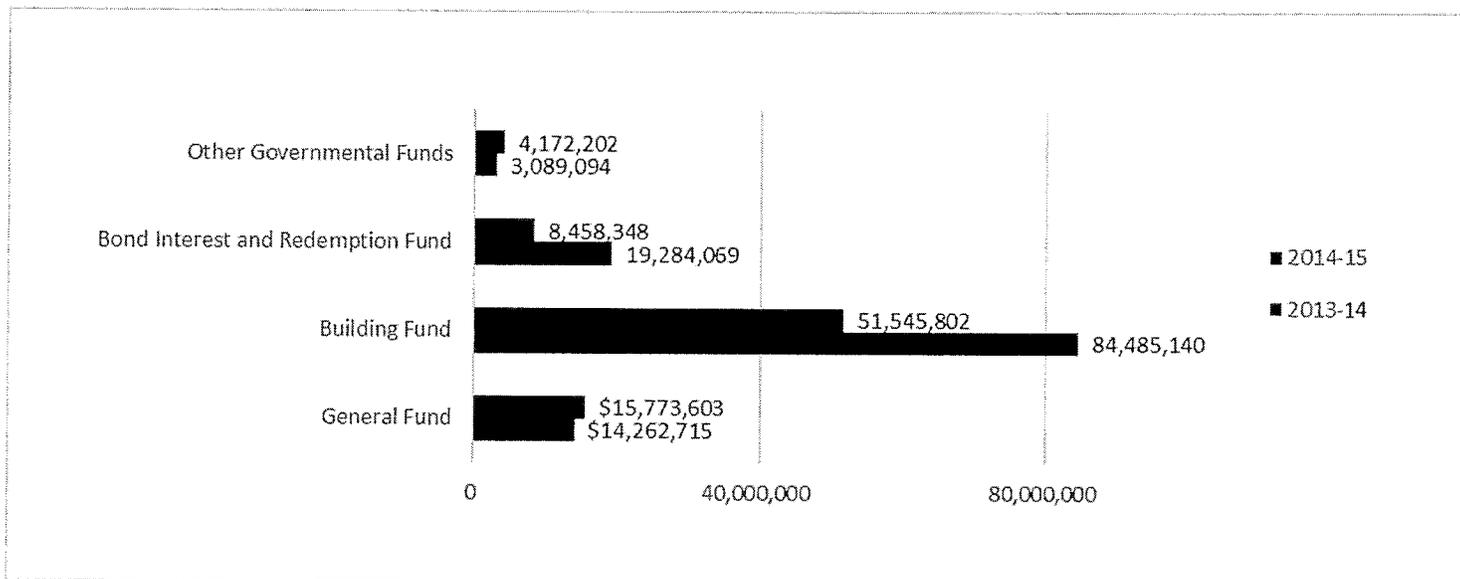
BALANCE SHEET

GOVERNMENTAL FUNDS

The following data reflects a year to year comparison of total fund balances for the governmental funds over the last two fiscal years.

Total Fund Balances – Table 3

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
General Fund	\$ 14,262,715	\$ 15,773,603
Building Fund	84,485,140	51,545,802
Bond Interest and Redemption Fund	19,284,069	8,458,348
Other Governmental Funds	3,089,094	4,172,202



FACTORS BEARING ON THE DISTRICT’S FUTURE

The board of education created a special reserve fund in 2013/2014 established in the special reserve based on a \$10,000,000 balance, however in the 2014-2015 fiscal year the board used \$880,711 to pre-fund a non-revocable OPEB trust for the 14/15 ARC.

The District is planning for the loss of two revenue streams, the oil well revenue in the latter half of 2016/17 fiscal year and the loss of the Maintenance of Effort of the ROP funding. Together the loss is about \$436,000.

The State funding of education changed for the 2013/2014 school year to the Local Control Funding Formula. The funding formula will reach its fully funded status in approximately 2020/2021. Basic aid districts continue to receive unfunded mandates such as Transitional Kindergarten and Local Control Academic Plan (LCAP) that are funded for non -Basic Aid Districts in the LCFF.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our community, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. If you have any questions or need additional financial information, please contact the Business Office located at 255 S. Lasky Drive, Beverly Hills, CA 90212. The district phone number is 310-551-5100. The Chief Administrative Officer is La Tanya Kirk-Carter and the Director of Fiscal Services is Angeli Villaflor.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2015

Assets	<u>Governmental Activities</u>
Cash in County Treasury	\$ 84,978,066
Cash on hand and in banks	96,075
Revolving cash fund	50,000
Accounts receivable	3,595,901
Inventory	17,610
Prepaid expenses	187,803
Other assets	162,625
Land	2,933,062
Construction in progress	59,832,907
Buildings and improvements	201,040,079
Site improvements	8,850,821
Furniture and equipment	7,492,304
Less accumulated depreciation	<u>(64,278,278)</u>
Total assets	<u>304,958,975</u>
Deferred Outflows of Resources	
District's contributions subsequent to the measurement date	3,255,151
Deferred losses on debt refunding	<u>168,043</u>
Total deferred outflows of resources	<u>3,423,194</u>
Liabilities	
Accounts payable	9,123,981
Interest payable	1,039,520
Unearned revenue	14,144
Long-term liabilities:	
Due within one year	11,284,335
Due in more than a year	<u>293,087,992</u>
Total liabilities	<u>314,549,972</u>
Deferred Inflow of Resources	
Differences between projected and actual earnings on pension plan investments	<u>11,453,004</u>
Net Position	
Net investment in capital assets	66,800,924
Restricted for:	
Capital projects	4,025,336
Education programs	1,382,077
Nutrition	146,866
Unrestricted	<u>(89,976,010)</u>
Total net position (deficit)	<u>\$ (17,620,807)</u>

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2015

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 35,860,001	\$ 496,133	\$ 5,176,514	\$ -	\$ (30,187,354)
Instruction-related services:					
Instructional supervision and administration	1,530,359	22,591	507,651		(1,000,117)
Instructional library, media, and technology	1,249,878		9,261		(1,240,617)
School site administration	3,429,781	58,542	176,964		(3,194,275)
Pupil services:					
Home-to-school transportation	72,730		72,375		(355)
Food services	935,279	555,059	65,840		(314,380)
All other pupil services	2,901,152	7,320	684,127		(2,209,705)
General administration:					
Centralized data processing	59,869				(59,869)
All other general administration	5,371,597	9,836	76,299		(5,285,462)
Plant services	7,804,515				(7,804,515)
Community services	72,450		622		(71,828)
Interest on long-term debt	13,323,741				(13,323,741)
Other outgo	15,877				(15,877)
Depreciation (unallocated)	5,004,664				(5,004,664)
Total governmental activities	\$ 77,631,893	\$ 1,149,481	\$ 6,769,653	\$ -	(69,712,759)

General revenues:

Taxes and subventions:

Taxes levied for general purposes	38,215,115
Taxes levied for debt service	12,600,648
Tax levied for other specific purposes	56,666
Federal and state aid not restricted to specific purposes	3,442,756
Interest and investment earnings	740,894
Miscellaneous	14,255,220
Total general revenues	69,311,299

Change in net position (401,460)

Net position beginning of fiscal year 36,509,036

Prior period adjustments (53,728,383)

Net position beginning of fiscal year, restated (17,219,347)

Net position (deficit) end of fiscal year \$ (17,620,807)

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Building Fund	Bond Interest and Redemption Fund
Assets			
Cash in County Treasury	\$ 16,343,094	\$ 56,604,675	\$ 8,458,348
Cash on hand and in banks			
Revolving cash fund	50,000		
Accounts receivable	2,854,399	211,383	
Due from other funds	20,000		
Inventory, at cost			
Prepaid expenditures	187,803		
Other assets	162,625		
	<u>19,617,921</u>	<u>56,816,058</u>	<u>8,458,348</u>
Total assets	<u>\$ 19,617,921</u>	<u>\$ 56,816,058</u>	<u>\$ 8,458,348</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 3,830,174	\$ 5,270,256	\$ -
Due to other funds			
Unearned revenue	14,144		
	<u>3,844,318</u>	<u>5,270,256</u>	
Total liabilities	<u>3,844,318</u>	<u>5,270,256</u>	
Fund balances:			
Nonspendable			
Revolving cash	50,000		
Store inventories			
Prepaid expenditures	187,803		
Restricted			
Legally restricted balances	1,382,077		
Construction			
Debt service			8,458,348
Cafeteria program			
State School Facilities Projects			
Construction		51,545,802	
Committed			
Stabilization arrangements	9,226,431		
Assigned			
Other assignment	43		
Unassigned	4,927,249		
	<u>15,773,603</u>	<u>51,545,802</u>	<u>8,458,348</u>
Total fund balances	<u>15,773,603</u>	<u>51,545,802</u>	<u>8,458,348</u>
Total liabilities and fund balances	<u>\$ 19,617,921</u>	<u>\$ 56,816,058</u>	<u>\$ 8,458,348</u>

See notes to basic financial statements

Other Governmental Funds	Total Governmental Funds
\$ 3,571,949	\$ 84,978,066
96,075	96,075
	50,000
530,119	3,595,901
	20,000
17,610	17,610
	187,803
	162,625
<u>\$ 4,215,753</u>	<u>\$ 89,108,080</u>
\$ 23,551	\$ 9,123,981
20,000	20,000
	14,144
<u>43,551</u>	<u>9,158,125</u>
	50,000
17,610	17,610
	187,803
	1,382,077
3,484,897	3,484,897
	8,458,348
129,256	129,256
540,439	540,439
	51,545,802
	9,226,431
	43
	4,927,249
<u>4,172,202</u>	<u>79,949,955</u>
<u>\$ 4,215,753</u>	<u>\$ 89,108,080</u>

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2015

Total fund balances - governmental funds \$ 79,949,955

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

Capital assets at historical cost \$ 280,149,173

Accumulated depreciation (64,278,278)

Net 215,870,895

The District refunded portions of its 1998 and 2002 General Obligation Bonds. The difference between the amount that was sent to the trustee of the escrow account and the amount of the principal outstanding on the refunded obligations is amortized as an adjustment to interest expense over the remaining life of the refunded bonds. This balance represents the unamortized deferred losses on refunding.

168,043

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred.

(1,039,520)

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

General obligation bonds payable	\$	(191,910,577)
Unamortized premium		(6,995,918)
Accreted interest payable		(55,573,925)
Compensated absences		(597,426)
Capital leases		(481,485)
OPEB		(3,466,357)
SERP		(187,803)
Loans payable		(1,395,836)
Net pension liability		<u>(43,763,000)</u>

Total (304,372,327)

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

District's pension contributions subsequent to the measurement date	\$	3,255,151
Differences between projected and actual earnings on pension plan investments		<u>(11,453,004)</u>

Net (8,197,853)

Total net position, governmental activities \$ (17,620,807)

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2015

	General Fund	Building Fund	Bond Interest and Redemption Fund
Revenues:			
LCFF Sources:			
State Aid	\$ 1,432,549	\$ -	\$ -
Education Protection Account	833,782		
Local	38,215,116		
Federal	1,715,163		
Other state	3,502,092		14,414
Other local	16,562,263	503,174	12,712,465
	<u>62,260,965</u>	<u>503,174</u>	<u>12,726,879</u>
Total revenues			
Expenditures:			
Certificated salaries	27,500,243		
Classified salaries	7,990,335	114,484	
Employee benefits	11,923,850	35,512	
Books and supplies	1,592,418	10,037	
Contracted services and other operating expenditures	10,824,480	3,786,701	
Capital outlay	105,170	29,495,778	
Other outgo	15,877		
Debt service:			
Principal	413,722		17,715,471
Interest	91,409		5,837,129
	<u>60,457,504</u>	<u>33,442,512</u>	<u>23,552,600</u>
Total expenditures			
Excess of revenues over (under) expenditures	<u>1,803,461</u>	<u>(32,939,338)</u>	<u>(10,825,721)</u>
Other Financing Sources (Uses):			
Transfers in			
Transfers out	<u>(293,573)</u>		
Total other financing sources (uses)	<u>(293,573)</u>		
Net change in fund balances	1,509,888	(32,939,338)	(10,825,721)
Fund balance, July 1, 2014	<u>14,263,715</u>	<u>84,485,140</u>	<u>19,284,069</u>
Fund balance, June 30, 2015	<u>\$ 15,773,603</u>	<u>\$ 51,545,802</u>	<u>\$ 8,458,348</u>

See notes to basic financial statements

Other Governmental Funds	Totals Governmental Funds
\$ -	\$ 1,432,549
	833,782
	38,215,116
106,108	1,821,271
5,739	3,522,245
<u>1,627,565</u>	<u>31,405,467</u>
<u>1,739,412</u>	<u>77,230,430</u>
	27,500,243
339,866	8,444,685
121,345	12,080,707
433,550	2,036,005
55,116	14,666,297
	29,600,948
	15,877
	18,129,193
	<u>5,928,538</u>
<u>949,877</u>	<u>118,402,493</u>
<u>789,535</u>	<u>(41,172,063)</u>
293,573	293,573
	<u>(293,573)</u>
<u>293,573</u>	
1,083,108	(41,172,063)
<u>3,089,094</u>	<u>121,122,018</u>
<u>\$ 4,172,202</u>	<u>\$ 79,949,955</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

Total net change in fund balances - governmental funds		\$ (41,172,063)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures \$33,561,016 and depreciation expense \$5,004,664 for the period is:		28,556,352
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.		18,129,193
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		(6,675,970)
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences earned and compensated absences paid was:		(48,232)
In the statement of activities, postemployment benefits are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). The difference between amounts earned and benefits used was:		(51,234)
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pensions costs are recognized on the accrual basis. This fiscal year, the difference between accrual basis pension costs and actual employer contributions was:		1,767,530
Governmental funds report the effect of premiums, discounts, and deferred losses on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. Amortization for the period was:		
Premium amortization for the period	\$ 437,300	
Deferred losses on refunding amortized for the period	<u>(1,344,336)</u>	<u>(907,036)</u>
Changes in net position of governmental activities		<u>\$ (401,460)</u>

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	Retiree Benefit Fund	Agency Funds		Totals
		Warrant Pass-through Fund	Student Body Fund	
Assets				
Cash in County Treasury	\$ 20,380	\$ 336,858	\$ -	\$ 336,858
Cash on hand and in banks			1,032,294	1,032,294
Accounts receivable	65			
Other assets			2,035	2,035
Total assets	<u>20,445</u>	<u>\$ 336,858</u>	<u>\$ 1,034,329</u>	<u>\$ 1,371,187</u>
Liabilities				
Due to student groups	-	\$ -	\$ 1,034,329	\$ 1,034,329
Accounts payable	179	336,858		336,858
Total liabilities	<u>179</u>	<u>\$ 336,858</u>	<u>\$ 1,034,329</u>	<u>\$ 1,371,187</u>
Net Position				
Unrestricted	<u>20,266</u>			
Total net position	<u>\$ 20,266</u>			

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
RETIREE BENEFIT FUND
For the fiscal year ended June 30, 2015

	Retiree Benefit Fund
Additions:	
Interest	\$ 138
Change in net position	138
Net position - July 1, 2014	<u>20,128</u>
Net position - June 30, 2015	<u><u>\$ 20,266</u></u>

See notes to basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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

B. Reporting Entity

The reporting entity is the District. The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Education.

The District considered its financial and operational relationships with potential component units under the reporting entity definition of GASB Statement No. 14, *The Financial Reporting Entity*. The basic, but not the only, criterion for including another organization in the District's reporting entity for financial reports is the ability of the District's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one entity is dependent on another and that the dependent unit should be reported as part of the other.

Oversight responsibility is derived from the District's power and includes, but is not limited to: financial interdependency; selection of governing authority; designation of management; ability to significantly influence operations; and accountability for fiscal matters.

Based upon the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 39 and GASB Statement 61, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support of the District or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District, its component units, or its constituents.
2. The District, or its component units, are entitled to, or have the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the District, or its component units, are entitled to, or have the ability to otherwise access, are significant to the District.

However, based on the reasons indicated below, the Beverly Hills Education Foundation is not included in this report.

The Beverly Hills Education Foundation The Beverly Hills Education Foundation Inc. (the Foundation) is a legally separate, tax-exempt entity. The Foundation's sole purpose is to provide financial support for the District. Although the District does not control the timing or the amount of receipts of the Foundation, the majority of the resources held by the Foundation can only be used by, or for the benefit of the District. During the fiscal year ended June 30, 2015, the Foundation contributed \$648,886 to the District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. Government-wide statements differ from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds focus on net position and changes in net position. Trust funds use the flow of economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans. Agency funds also use the accrual basis of accounting, but, since they are custodial in nature and do not involve the measurement of results of operation, they do not use a measurement focus.

D. Basis of Accounting

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

Revenues/exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within one year after fiscal year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue.

Pensions:

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Beverly Hills School District's California Public Employees' Retirement System (CalPERS) and California State Teachers' Retirement Plan (CalSTRS) Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and CalSTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported as fair value.

Expenses/expenditures:

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

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred inflows of resources, liabilities, deferred outflows of resources, fund equity, revenues, and expenditures as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, nonmajor, and fiduciary funds as follows:

Major Governmental Funds:

The General Fund is the general operating fund of the District. It is used to account for and report all financial resources not accounted for and reported in another fund. Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) did not meet the GASB Statement No. 54 special revenue fund definition. The Special Reserve Fund and Adult Education Fund are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as an extension of the General Fund, and accordingly have been combined with the General Fund for presentation in these audit financial statements.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

Major Governmental Funds: (Continued)

The Building Fund is used to account for the acquisition of governmental capital facilities and buildings from the sale of general obligation bonds.

The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

Nonmajor Governmental Funds:

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

The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's food service operations.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The District maintains two nonmajor capital projects funds:

1. The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).
2. The County School Facilities Fund is used to account separately for apportionments from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants.

Fiduciary Funds:

Private Purpose Trust Funds are used to account for assets held by the District as trustee. The District maintains one private purpose trust fund, the Retiree Benefit Fund, which is used to provide retiree benefits.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains two agency funds, one for its student body accounts and one for payroll clearance purpose. The student body funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. The warrant pass-through fund is used to hold dedicated funds for payroll and related expenses.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and District Superintendent during the fiscal year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund in the financial statements.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgets and Budgetary Accounting (Continued)

Formal budgetary integration was employed as a management control device during the fiscal year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

H. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

1. Deposits and Investments

Cash balances held in banks and in revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation (all non-interest bearing transactions accounts are fully insured by the FDIC). All cash held by the financial institutions are fully insured or collateralized per California Government Code.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

2. Interfund Balances

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables. These amounts are eliminated in the governmental activities columns of the statement of net position.

3. Inventories and Prepaid Items

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and charged as expenditures when used. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

4. Amortization of Premiums and Discounts

The premiums and discounts are being amortized on the straight line method over the life of the debt on the government-wide statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity (Continued)

5. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more, and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the capital assets or materially extend the capital assets' lives are not capitalized, but are expensed as incurred.

Depreciation on all capital assets is computed using the straight-line basis over the following estimated useful lives.

<u>Description</u>	<u>Estimated Lives</u>
Buildings	20-50 years
Improvements	5-50 years
Equipment	2-15 years

6. Deferred inflows and outflows of resources

Pursuant to GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," the District recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The District has two items which qualify for reporting in this category; refer to Note 1 H.10 for deferred loss on refunding and Note 16 for a detailed listing of the deferred outflows of resources-pensions the District has recognized.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has one item which qualify for reporting in this category; refer to Note 16 for a detailed list of the deferred inflows of revenues the District has recognized.

7. Unearned Revenue

Cash is received for federal and state special projects and programs are recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

8. Compensated Absences

All vacation pay plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires, provided the employee was hired prior to July 1.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity (Continued)

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the period they were incurred.

10. Deferred Losses on Refunding

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

11. Fund Balance – Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board is the highest level of decision-making authority for the district. Commitments may be established, modified, or rescinded only through resolutions approved by the governing board. During the fiscal year 2014-2015, the governing board committed \$9,226,431 as stabilization arrangements.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or director may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the district considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

12. Net Position

The government-wide and fiduciary statement of net position includes three equity categories entitled net investment in capital assets; restricted net position; and unrestricted net position. The investment in capital assets category presents the District's equity interest in capital assets less outstanding principal of related debt. The restricted net position category is designed to reflect net position that are subject to restrictions beyond the District's control (externally imposed or imposed by law). The unrestricted net position category equals any remaining balance.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Property Taxes

The County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the County. The levy is based on the assessed values of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The County apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each fiscal year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as Local Control Funding Formula (LCFF) local sources by the District.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those reported.

K. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 68

For the fiscal year ended June 30, 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions." This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* as well as the requirements of Statement No. 50, *Pension Disclosures*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to pensions. Implementation of the GASB Statement No. 68 did have an impact on the District's financial statements for the fiscal year ended June 30, 2015, see Note 16 - Pension Plans and Note 19 -Restatements.

Governmental Accounting Standards Board Statement No. 71

For the fiscal year ended June 30, 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement will eliminate the source of potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual basis financial statements of employers and nonemployer contributing entities. Implementation of the GASB Statement No. 71 did have an impact on the District's financial statements for the fiscal year ended June 30, 2015, see Note 16 – Pension Plans and Note 19 - Restatements.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Future Accounting Pronouncements

GASB Statements Nos. 72-76 listed below will be implemented in future financial statements:

Statement No. 72	"Fair Value Measurement and Application"	The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2015.
Statement No. 73	"Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68"	The provisions of this statement are effective for fiscal years beginning after June 15, 2015 - except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016.
Statement No. 74	"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"	The provisions of this statement are effective for fiscal years beginning after June 15, 2016.
Statement No. 75	"Accounting and Financial Reporting Postemployment Benefit Plans Other Than Pension Plans"	The provisions of this statement are effective for fiscal years beginning after June 15, 2016.
Statement No. 76	"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"	The provisions of this statement are effective for fiscal years beginning after June 15, 2015.

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments at June 30, 2015 consisted of the following:

Cash and investments with County Treasury	\$ 85,335,304
Cash on hand and in banks	<u>1,178,369</u>
Total cash and investments	<u>\$ 86,513,673</u>

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

Cash in County Treasury, statement of net position	\$ 84,978,066
Cash on hand and in banks, statement of net position	96,075
Cash in revolving fund, statement of net position	50,000
Cash in County Treasury, statement of fiduciary net position	357,238
Cash on hand and in banks, statement of fiduciary net position	<u>1,032,294</u>
Total cash and investments	<u>\$ 86,513,673</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool (\$85,335,304 as of June 30, 2015). The fair value of this pool as of that date, as provided by the plan sponsor, was \$85,335,304. The District is considered to be an involuntary participant in the external pool. Interest is deposited in the participating funds. The County is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks, and in Revolving Fund

Cash balance on hand and in banks (\$1,128,369 as of June 30, 2015) and in the revolving fund (\$50,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institution is fully insured or collateralized per California Government Code.

Investments Authorized by the District’s Investment Policy

The District’s investment policy only authorizes investment in the local government investment pool administered by the County of Los Angeles. The District’s investment policy does not contain any specific provisions intended to limit the District’s exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity:

Investment Type	Carrying Amount	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
Los Angeles County Investment Pool	\$ 85,335,304	\$ 85,335,304	\$ -	\$ -	\$ -
Total	\$ 85,335,304	\$ 85,335,304	\$ -	\$ -	\$ -

Disclosures Relating to Credit Risk

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 2 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk (Continued)

Investment Type	Amount	Minimum Legal Rating	Exempt from Rating	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
Los Angeles County Investment Pool	\$ 85,335,304	N/A	\$ -	\$ -	\$ -	\$ -	\$ 85,335,304
Total	\$ 85,335,304		\$ -	\$ -	\$ -	\$ -	\$ 85,335,304

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allow financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2015, \$790,650 of the District's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

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

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

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

Funds	Excess Expenditures
Major Fund:	
General Fund:	
Employee benefits	\$ 1,346,657

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 4 - RECEIVABLES

Receivables at June 30, 2015, consist of the following:

	General Fund	Building Fund	Other Governmental Funds	Retiree Benefit Fund
Federal Government				
Categorical Aid	\$ 279,742	\$ -	\$ 43,516	\$ -
State Government				
Categorical Aid	583,839		2,961	
Lottery	405,486			
Local Government				
Interest	49,083	211,383	11,396	65
Other Local Sources	1,536,249		472,246	
	<u>\$ 2,854,399</u>	<u>\$ 211,383</u>	<u>\$ 530,119</u>	<u>\$ 65</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Due From/Due To Other Funds

Individual fund receivable and payable balances as of June 30, 2015, are as follows:

Fund	Due from	Due to
Major Fund:		
General Fund	\$ 20,000	\$ -
Nonmajor Fund:		
Cafeteria Fund		20,000
Totals	<u>\$ 20,000</u>	<u>\$ 20,000</u>

Interfund Transfers

Interfund transfers consist of transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the 2014-2015 fiscal year are as follows:

Fund	Transfers In	Transfers Out
Major Fund:		
General Fund	\$ -	\$ 293,573
Nonmajor Fund:		
Cafeteria Fund	293,573	
Totals	<u>\$ 293,573</u>	<u>\$ 293,573</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
Capital assets, not being depreciated:					
Land	\$ 2,933,062	\$ -	\$ -	\$ -	\$ 2,933,062
Construction in progress	27,607,758	33,487,183		(1,262,034)	59,832,907
Total capital assets, not being depreciated	<u>30,540,820</u>	<u>33,487,183</u>		<u>(1,262,034)</u>	<u>62,765,969</u>
Capital assets being depreciated:					
Buildings and improvements	199,778,045			1,262,034	201,040,079
Site improvements	8,850,821				8,850,821
Furniture and equipment	7,418,471	73,833			7,492,304
Total capital assets being depreciated	<u>216,047,337</u>	<u>73,833</u>		<u>1,262,034</u>	<u>217,383,204</u>
Less accumulated depreciation for:					
Buildings and improvements	48,258,948	4,207,432			52,466,380
Site improvements	4,895,856	363,539			5,259,395
Furniture and equipment	6,118,810	433,693			6,552,503
Total accumulated depreciation	<u>59,273,614</u>	<u>5,004,664</u>			<u>64,278,278</u>
Total capital assets, being depreciated, net	<u>156,773,723</u>	<u>(4,930,831)</u>		<u>1,262,034</u>	<u>153,104,926</u>
Total capital assets, net	<u>\$ 187,314,543</u>	<u>\$ 28,556,352</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,870,895</u>

Depreciation expense of \$5,004,664 was charged to governmental activities as unallocated.

NOTE 7 - LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the fiscal year ended June 30, 2015, is shown below:

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

	Balance July 1, 2014	Prior Period Adjustments	Additions	Deletions	Balance June 30, 2015	Due within One Year
General obligation bonds:						
Principal balance	\$ 209,626,048	\$ -	\$ -	\$ 17,715,471	\$ 191,910,577	\$ 6,763,318
Unamortized premium	7,433,218			437,300	6,995,918	437,300
Accreted interest payable	48,634,403		9,808,050	2,868,528	55,573,925	3,152,056
Compensated absences	549,194		412,675	364,443	597,426	298,713
Energy program equipment lease payable	787,057			305,572	481,485	317,825
Other postemployment benefits (OPEB)	3,227,320		1,740,598	1,501,561	3,466,357	
Net pension liability		56,657,744	18,504,628	31,399,372	43,763,000	
Supplement executive retirement plan (SERP)	375,606			187,803	187,803	187,803
Loans payable	1,503,986			108,150	1,395,836	127,320
Totals	<u>\$ 272,136,832</u>	<u>\$ 56,657,744</u>	<u>\$ 30,465,951</u>	<u>\$ 54,888,200</u>	<u>\$ 304,372,327</u>	<u>\$ 11,284,335</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 8 - GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2015	Due within One Year
				Outstanding July 1, 2014	Issued	Redeemed		
6/2001	5/2020	4.00-5.50%	\$ 13,600,000	\$ 5,795,000	\$ -	\$ 830,000	\$ 4,965,000	880,000
5/2002	8/2016	3.00-5.90%	44,999,260	879,260			879,260	
8/2005	8/2030	3.40-5.00%	45,000,000	780,000		345,000	435,000	435,000
7/2005	6/2023	2.70-5.25%	47,354,973	21,135,596		2,820,165	18,315,431	2,690,448
7/2005	8/2026	2.70-5.25%	36,384,991	22,247,225		2,020,306	20,226,919	1,997,870
1/2009	8/2033	2.50-8.10%	72,044,664	72,044,664		350,000	71,694,664	760,000
4/2012	8/2030	2.00-5.00%	42,230,000	41,745,000			41,745,000	
12/2013	8/2038	4.00-5.15%	44,999,303	44,999,303		11,350,000	33,649,303	
				<u>\$ 209,626,048</u>	<u>\$ -</u>	<u>\$ 17,715,471</u>	<u>\$ 191,910,577</u>	<u>\$ 6,763,318</u>

2001 General Obligation Refunding Bonds

On June 8, 2001, the District issued \$13,600,000 of General Obligation Refunding Bonds. The proceeds of these bonds were used to refund the outstanding principal of the District's General Obligation Bonds, 1995 Series A that was previously issued. Interest rates on the bonds range from 4.00 percent to 5.50 percent. As of June 30, 2015, the principal balance outstanding was \$4,965,000.

The bonds mature through 2020 as follows:

Fiscal Year Ended	Principal	Interest	Total
2016	\$ 880,000	\$ 273,075	\$ 1,153,075
2017	930,000	224,675	1,154,675
2018	990,000	173,525	1,163,525
2019	1,050,000	119,075	1,169,075
2020	1,115,000	61,325	1,176,325
	<u>\$ 4,965,000</u>	<u>\$ 851,675</u>	<u>\$ 5,816,675</u>

General Obligation Bonds, 2002 Series A

On May 30, 2002, the District issued \$44,999,260 of General Obligation Bonds. The bonds included \$44,120,000 in current interest bonds and \$879,260 in Capital Appreciation bonds totaling to the \$44,999,260. The Capital Appreciation bonds of \$879,260 accrete to a \$2,000,000 maturity value. The bonds were issued to finance the addition and modernization of school facilities. Interest rates range from 3.00 percent to 5.90 percent. In July 2005, the callable portion of the bonds was refinanced with the 2005 Refunding Bond Series B. As such, the callable portion of this issue has been considered an in-substance defeased debt. As of June 30, 2014, the principal balance of the un-callable bonds outstanding was \$879,260. The accreted interest on the capital appreciation bonds balance as of June 30, 2015 was \$998,751.

The bonds mature through 2017 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Interest	Total
2016	\$ -	\$ -	\$ -	\$ -
2017	879,260	1,120,740		2,000,000
	<u>\$ 879,260</u>	<u>\$ 1,120,740</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 8 - GENERAL OBLIGATION BONDS (Continued)

General Obligation Bonds, 2002 Series B

In August 2005, the District issued General Obligation Bonds, Election of 2002 Series B in the amount of \$45,000,000. The bonds were issued to finance certain addition and modernization of school facilities. The bonds interest rates ranged from 3.40 percent to 5.00 percent.

In April 2012, the District issued 2012 General Obligation Refunding Bonds to refinance portion of the District's outstanding General Obligation Bonds, Election of 2002, Series B in amount of \$42,230,000. As of June 30, 2015, the principal balance of the remaining outstanding was \$435,000.

The bonds mature through 2016 as follows:

Fiscal Year Ended	Principal	Interest	Total
2016	\$ 435,000	\$ 8,700	\$ 443,700
	<u>\$ 435,000</u>	<u>\$ 8,700</u>	<u>\$ 443,700</u>

2005 Refunding Bonds Series A and B

In July 2005, the District issued General Obligation Refunding Bonds Series A and B in the amount of \$47,354,973 and \$36,384,991, respectively. The bonds were issued for the purpose of providing funds to refinance two previously outstanding bond issues including the 1998 Series B and the 2002 Series A bonds. The 2005 Refunding Bonds Series A and B had combined deferred losses on refunding and premium that was fully amortized over the life of the debt. The premium was amortized utilizing the straight-line method. The bonds' interest rates range from 2.70 percent to 5.25 percent. The outstanding principal at June 30, 2015 was \$18,315,431 and \$20,226,919, respectively. The accreted interest on the capital appreciation bonds balance as of June 30, 2015 was \$10,433,541 and \$12,892,637 respectively.

The Series A bonds mature through 2023 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Total
2016	\$ 2,690,448	\$ 1,805,007	\$ 4,495,455
2017	2,565,057	1,931,193	4,496,250
2018	2,445,124	2,051,375	4,496,499
2019	2,331,771	2,166,979	4,498,750
2020	2,221,948	2,275,552	4,497,500
2021-2023	6,061,083	7,433,915	13,494,998
	<u>\$ 18,315,431</u>	<u>\$ 17,664,021</u>	<u>\$ 35,979,452</u>

The Series B bonds mature through 2027 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Total
2016	\$ 1,997,870	\$ 1,347,049	\$ 3,344,919
2017	905,051	699,493	1,604,544
2018	1,917,845	1,632,948	3,550,793
2019	1,846,194	1,747,935	3,594,129
2020	1,801,589	1,885,930	3,687,519
2021-2025	8,388,901	11,577,499	19,966,400
2026-2027	3,369,469	6,177,655	9,547,124
	<u>\$ 20,226,919</u>	<u>\$ 25,068,509</u>	<u>\$ 45,295,428</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 8 - GENERAL OBLIGATION BONDS (Continued)

2008 General Obligation Bond Series 2009

In January 2009 the District issued General Obligation Bonds Series 2009 in the amount of \$72,044,664. The bonds included \$12,460,000 in Current Interest bonds and \$59,584,664 in Capital Appreciation bonds totaling to the \$72,044,664. The Capital Appreciation bonds of \$59,584,664 accrete to a \$203,900,000 maturity value. The bonds were issued for the purpose of providing funds to refinance new construction, additions to and modernization of school facilities for the District. The unamortized premium totaled \$2,067,968 as of June 30, 2015. The premium is being amortized utilizing the straight-line method over the life of the debt. The bonds' interest rates range from 2.50 percent to 8.10 percent. The outstanding principal at June 30, 2015, was \$71,694,664. The accreted interest on the capital appreciation bonds balance as of June 30, 2015 was \$28,530,585.

The bonds mature through 2034 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Interest	Total
2016	\$ 760,000	\$ -	\$ 515,261	\$ 1,275,261
2017	1,175,000		487,188	1,662,188
2018	1,625,000		443,156	2,068,156
2019	2,150,000		368,375	2,518,375
2020	2,825,000		249,375	3,074,375
2021-2025	13,656,334	14,818,666	89,375	28,564,375
2026-2030	24,695,030	50,304,970		75,000,000
2031-2034	24,808,300	79,191,700		104,000,000
	<u>\$ 71,694,664</u>	<u>\$ 144,315,336</u>	<u>\$ 2,152,730</u>	<u>\$ 218,162,730</u>

2012 General Obligation Refunding Bonds

In April 2012 the District issued 2012 General Obligation Refunding Bonds in the amount of \$42,230,000. The bonds were issued for the purpose of providing funds to refinance General Obligation Bonds, 2002 Series B. The unamortized premium totaled \$4,777,482 as of June 30, 2015. The premium is being amortized utilizing the straight-line method over the life of the debt. The bonds interest rates range from 2.00 percent to 5.00 percent. The outstanding principal at June 30, 2015, was \$41,745,000.

The bonds mature through 2033 as follows:

Fiscal Year Ended	Principal	Interest	Total
2016	\$ -	\$ 1,868,488	\$ 1,868,488
2017	520,000	1,858,088	2,378,088
2018	775,000	1,839,938	2,614,938
2019	985,000	1,812,488	2,797,488
2020	1,160,000	1,763,788	2,923,788
2021-2025	13,935,000	7,320,115	21,255,115
2026-2030	19,655,000	3,229,832	22,884,832
2031-2033	4,715,000	117,875	4,832,875
	<u>\$ 41,745,000</u>	<u>\$ 19,810,612</u>	<u>\$ 61,555,612</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 8 - GENERAL OBLIGATION BONDS (Continued)

2008 General Obligation Bond Series 2013

In December 2013, the District issued 2008 General Obligation Bonds Series 2013 in the amount of \$44,999,303. The bonds were issued for the purpose of financing the construction, renovation, modernization and equipping of school facilities. The unamortized premium totaled \$271,901 as of June 30, 2015. The premium is being amortized utilizing the straight-line method over the life of the debt. The bond's interest rates range from 4.00 percent to 5.15 percent. The outstanding principal at June 30, 2015, was \$33,649,303. The accreted interest on the capital appreciation bonds balance as of June 30, 2015 was \$2,718,411.

The bonds mature through 2039 as follows:

Fiscal Year			
Ended	Principal	Interest	Total
2016	\$ -	\$ -	\$ -
2017			
2018			
2019			
2020			
2021-2025			
2026-2030			
2031-2035	7,049,231	12,175,769	19,225,000
2036-2039	<u>26,600,072</u>	<u>58,459,928</u>	<u>85,060,000</u>
	<u>\$ 33,649,303</u>	<u>\$ 70,635,697</u>	<u>\$ 104,285,000</u>

NOTE 9 - COMPENSATED ABSENCES

The accumulated unpaid employee vacation for the District at June 30, 2015, amounted to \$597,426.

NOTE 10 - ENERGY PROGRAM EQUIPMENT LEASE

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

The annual interest rate is 3.95 percent. Principal and interest payments began February 15, 2006, and are due quarterly for a term of 11 years. The principal balance outstanding at June 30, 2015, was \$481,485.

The repayment schedule for the lease is as follows:

Fiscal Year			
Ended	Principal	Interest	Total
2016	\$ 317,825	\$ 14,353	\$ 332,178
2017	<u>163,660</u>	<u>22,429</u>	<u>186,089</u>
	<u>\$ 481,485</u>	<u>\$ 36,782</u>	<u>\$ 518,267</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the District. The District provides medical and dental benefits to certain retirees and their covered eligible dependents. The District pays a portion of the cost for eligible retirees, spouses, and dependents. All active employees who retire directly from District and meet the eligibility criteria may participate.

Funding Policy

The contribution requirement of plan members and the District are established under a funding policy approved by the District's Board, and may be amended by the District from time to time. The District's funding policy is to contribute an amount sufficient to pay the current fiscal year premiums. For fiscal year 2015, the District contributed \$1,501,561 to the plan, all of which was used for current premiums and prefunding of benefits has been made.

Annual OPEB and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

Annual required contribution	\$ 1,788,766
Interest on net OPEB Obligation	238,822
Adjustment to annual required contribution	<u>(286,990)</u>
Annual OPEB cost (expense)	1,740,598
Contributions made	<u>(1,501,561)</u>
Increase in net OPEB obligation	239,037
Net OPEB obligation - beginning of fiscal year	<u>3,227,320</u>
Net OPEB obligation - end of fiscal year	<u>\$ 3,466,357</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years 2015, 2014, and 2013 (restated) were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2013	\$1,599,801	17.38%	\$1,868,141
6/30/2014	1,679,085	19.05%	3,227,320
6/30/2015	1,740,598	86.27%	3,466,357

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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

Funded Status and Funding Progress

As of June 30, 2015, the most recent actuarial valuation date, the plan was 6.2 percent funded. The actuarial accrued liability for benefits was \$14,302,945, and the actuarial value of assets was \$880,711, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,422,234.

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

Actuarial Methods and Assumptions

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

In the June 30, 2015 actuarial valuation, a change in the actuarial funding method was made from the Unit Credit to the Entry Age Normal funding method, with normal cost developed as a level of percentage of payroll. The actuarial assumptions included a 7.4% investment rate of return, a change from 4% from the previous, which is the expected long-term investment returns on plan assets expected to be held by the plan. The District's pay-as-you-go funding policy includes amortization of the unfunded AAL over a closed 30 year period with amortization payment determined on a level dollar basis. This closed period began July 1, 2009, with 25 years remaining to develop the ARC for the fiscal year ending June 30, 2015.

NOTE 12 - SUPPLEMENTAL EMPLOYEE RETIREE PROGRAM (SERP)

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

The future SERP payments are as follows:

<u>Fiscal Year</u>	<u>Total Payment</u>
<u>Ended</u>	
2016	\$ 187,803

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 13 - LOANS PAYABLE

City of Beverly Hills Loan

On August 1, 2006, the District entered into an agreement with the City of Beverly Hills (City) whereby the City will provide partial funding to upgrade the lower athletic field at Beverly Hills High School with synthetic turf. In return, the District agreed to make available to the City the use of the athletic field. The term of the agreement stated the City would contribute \$600,000 toward the construction cost and provide an additional \$300,000 in the form of an interest free loan to the District. Repayment of the loan began in fiscal year 2008-2009.

The future payments are as follows:

Fiscal Year Ended	Total
2016	\$ 60,000

Residential Investment Loan

In July 2012, the District purchased a property to lease to the Superintendent of the District located in the City of Beverly Hills for an amount of \$1,586,305. The loan is to be paid quarterly in an amount of \$34,590. The effective interest rate of the loan is 3.70% and it is expected to mature in August 2027. The outstanding principal at June 30, 2015, was \$1,335,836.

Fiscal Year Ended	Principal	Interest	Total
2016	\$ 67,320	\$ 36,451	\$ 103,771
2017	92,703	45,659	138,362
2018	96,180	42,181	138,361
2019	99,789	38,573	138,362
2020	103,532	34,829	138,361
2021-2025	578,923	112,883	691,806
2026-2027	297,389	13,923	311,312
	<u>\$ 1,335,836</u>	<u>\$ 324,499</u>	<u>\$ 1,660,335</u>

NOTE 14 - RELATED PARTY TRANSACTION

In July 2012, the District purchased a residential investment located in the City of Beverly Hills for an amount of \$1,586,305 secured by a Deed of Trust on residential real estate in the City of Beverly Hills and signed a lease agreement with the Superintendent of the District.

NOTE 15 - JOINT VENTURES (Joint Powers Agreements)

The District is a member of the Southern California Relief (SCR), Schools Linked for Insurance Management (SLIM), and Schools Excess Liability Fund (SELF), Joint Power Authorities (JPAs). The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 16 – PENSION PLANS

State Teachers’ Retirement System (CalSTRS)

A. General Information about the Pension Plan

Plan Descriptions – All qualified California full-time and part-time public school teachers from pre-kindergarten through community college and certain other employees of the public school system are eligible to participate in the CalSTRS Pension Plans, multiple-employer, cost-sharing defined benefit plans administered by the California State Teacher’s Retirement System (CalSTRS). Benefit provisions under the Plans are established by the Teachers’ Retirement Law (California Education Code Section 22000 et seq), as enacted and amended by the California Legislature. The benefit terms of the plans may be amended through legislation CalSTRS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalSTRS website.

Benefits Provided – The CALSTRS Defined Benefit Program has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform services that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS

The Defined Benefit Program provides retirement benefits based on members’ final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and o survivors/beneficiaries upon death of eligible members.

After earning five years of credited service, members become 100 percent vested in retirement benefits.

After five years of credited service, a member (prior to age 60 if under Coverage A, no age limit if under Coverage B, as defined in Education Code Sections 24001 and 24101, respectively) is eligible for disability benefits of up to 50.0 percent of final compensation plus 10.0 percent of final compensation for each eligible child, up to a maximum addition of 40.0 percent. The member must have a disability that will exceed a period of 12 or more months to qualify for benefit.

Any compensation for service in excess of one year in a school year due to overtime or working additional assignments is credited to the Defined Benefit Supplement Program so long as it is under the creditable compensation limit. Other compensation, such as allowances, bonuses, cash in-lieu of fringe benefits, limited–period compensation or compensation determined to have been paid to enhance a benefit, are not creditable to any CalSTRS benefit program.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	53
Monthly benefits, as a % of eligible compensation	2.0% to 2.4%	2.00%
Required employee contributions rates	8.15%	8.15%
Required employer contribution rates	8.88%	8.88%

Specific details for the retirement, disability or death benefit calculations for each of the pension plans are available in the CalSTRS Comprehensive Annual Financial Report (CAFR). The CalSTRS’ CAFR is available online at <http://www.calstrs.com/comprehensive-annual-financial-report>.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 16 – PENSION PLANS (Continued)

State Teachers’ Retirement System (CalSTRS) (Continued)

A. General Information about the Pension Plan (Continued)

Contributions – Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the fiscal year ended June 30, 2015, the contributions recognized as part of pension expense was as follows:

Contribution – employer	\$ 2,194,804
Contribution – state	\$ 1,534,461

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liability for its proportionate share of the net pension liability was \$36,815,310.

The District’s net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the District’s proportion was 0.0630%, which was the same as its proportion measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$875,070. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		9,065,700
Changes in proportion and differences between District contributions and proportionate share of contributions		
District contributions subsequent to the measurement date	<u>2,412,979</u>	
Total	<u>\$ 2,412,979</u>	<u>\$ 9,065,700</u>

NOTE 16 – PENSION PLANS (Continued)

State Teachers’ Retirement System (CalSTRS) (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

\$2,412,979 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amount</u>
2016	\$(2,266,425)
2017	(2,266,425)
2018	(2,266,425)
2019	(2,266,425)

Actuarial Assumptions – The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information.

The long-term expected rate of return on pension plan investments was determined using a building- block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary’s (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 16 – PENSION PLANS (Continued)

State Teachers’ Retirement System (CalSTRS) (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47 %	4.50 %
Private Equity	12 %	6.2 %
Real Estate	15 %	5 %
Inflation Sensitive	5 %	3.2 %
Fixed Income	20 %	0.20 %
Cash/Liquidity	1 %	0.00 %

*10-year geometric average

Discount Rate – The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the CalSTRS fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate –The following presents the District’s proportionate share of the net pension liability, calculated using the discount rate, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease	6.60%
Net Pension Liability	\$ 57,385,440
Current Discount Rate	7.60%
Net Pension Liability	\$ 36,815,310
1% Increase	8.60%
Net Pension Liability	\$ 19,663,560

Pension Plan Fiduciary Net Position —Detailed information about pension plan's fiduciary net position is available in the separately issued CalSTRS financial reports.

C. Payable to the Pension Plan

At June 30, 2015, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2015.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 16 – PENSION PLANS (Continued)

California Public Employees’ Retirement System (CalPERS)

A. General Information About the Pension Plan

Plan Description - The Beverly Hills Unified School 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. Plan membership consists of non-teaching and non-certificated employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS’ annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Benefits Provided –The CalPERS Defined Benefit Program has two benefit formulas:

CalPERS 2% at 55: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalPERS

CalPERS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalPERS

The Defined Benefit Program provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members.

After earning five years of credited service, members become 100 percent vested in retirement benefits.

A family benefit is available if an active member dies and has at least one year of credited service.

Members' accumulated contributions are refundable with interest upon separation from CalPERS. The board determines the credited interest rate each fiscal year. For the fiscal year ended June 30, 2014, the rate of interest credited to members' accounts was 6 percent.

The member’s benefit is reduced dollar for dollar, regardless of age, for the first 180 days after retirement if the member performs activities in the public schools that could be creditable to CalPERS, unless the governing body of the school district takes specified actions with respect to a member who is above normal retirement age.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.17% to 2.5%	1.00% to 2.5%
Required employee contributions rates	7%	7%
Required employer contribution rates	11.771%	11.771%

Specific details for retirement, disability or death benefit calculations for each of the pension plans are available in the CalPERS’ Comprehensive Annual Financial Report (CAFR). The CalPERS’ CAFR is available online at <https://www.calpers.ca.gov/page/forms-publications>.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 16 – PENSION PLANS (Continued)

California Public Employees’ Retirement System (CalPERS) (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

\$842,172 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30	Amount
2016	\$ (596,826)
2017	(596,826)
2018	(596,826)
2019	(596,826)

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Experience Study	July 1, 1997, through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies
Post-retirement Benefit Increases	Up to 2.00% until purchasing power protection Allowance flows purchasing power applies, 2.75% thereafter

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.60 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plan in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 16 – PENSION PLANS (Continued)

California Public Employees’ Retirement System (CalPERS) (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed February 2018. Any changes to the discount rate will require Board action and proper stockholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal years. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectation’s as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates are net of administrative expenses.

Asset Class	New Strategic Allocation	Expected Real Rate of Return Years 1 - 10 (a)	Expected Real Rate of Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% was used for this period

(b) An expected inflation of 3.0% was used for this period

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

NOTE 16 – PENSION PLANS (Continued)

California Public Employees’ Retirement System (CalPERS) (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability, calculated using the discount rate, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease		6.5%
Net Pension Liability	\$	12,187,834
Current Discount Rate		7.5%
Net Pension Liability	\$	6,947,690
1% Decrease		8.5%
Net Pension Liability	\$	2,569,021

Pension Plan Fiduciary Net Position —Detailed information about pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

At June 30, 2015, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2015.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Litigation

According to the District’s staff and attorney, a lawsuit had been filed by the District former Director of Planning and Facilities, who contracted with the District to provide the same services under a consultant agreement. The consultant sued the District to recover over \$22 million in damages for breach of the 2008 contract and amendment. The case proceeded to trial in Los Angeles Superior Court (Hon. J. Stephen Czuleger, presiding) in early 2015. The trial court refused to instruct the jury regarding the District’s primary argument that the consultant had a conflict of interest in violation of section 1090 and that, as a result, the District acted properly by invalidating the contracts and declaring them void. The jury awarded the consultant \$7,710,509 in general contract damages and a further \$6 million in special or consequential contract damages. The court entered judgment on the verdict on March 27, 2015.

The District filed motions for new trial and JNOV, arguing both categories of contract damages were grossly excessive and were unsupported by either the evidence or the language of the parties’ agreements. The trial court denied both motions. The court then awarded \$2,359,521.67 in attorneys’ fees to the consultant, plus costs in the amount of \$42,898.73. On May 29, 2015, the District appealed from the judgment, the denial of its motion for JNOV, and the order awarding attorneys’ fees.

The record on appeal filed on October 26, 2015. The District’s opening brief is presently due December 7, 2015. However, the District’s attorney intends to apply for a 60-day extension of time to file that brief, so we expect to file the brief sometime

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2015

in February 2016.

The District intends to vigorously pursue its rights on appeal. In particular, the District intends to litigate the applicability of section 1090 to the facts of this case. The District also plans to challenge the jury’s awards of general and special contract damages as excessive and unsupported by the contract language and the evidence.

While the District has valid arguments, given the uncertainty in the law and the persuasiveness of the arguments on both sides, the District’s attorney cannot say the prospects for success of their arguments under section 1090 are greater than 50 percent. Given the conflict in the published case law, there is also a substantial chance (perhaps 15 percent or higher) that the California Supreme Court ultimately would grant review to resolve the conflict regardless of which party prevails in the Court of Appeal.

The District also has good arguments on appeal that, even if it breached its contracts with the consultant, the damages awarded by the jury are excessive. Specifically, the award of general damages is at odds with the contract’s express termination provisions as well as other contract language and the apparent intention of the parties. If the Court of Appeal agrees, it could and should limit the award of general contract damages to no more than \$1,143,617.87. Likewise, the District has a compelling argument that the consultant was entitled to no consequential damages because they presented no substantial evidence concerning the market value of the consultant, which had no clients other than the District. On the other hand, excessive damages arguments generally are viewed with disfavor on appeal – the appellate courts usually preferring to defer to the jury and the trial judge with respect to damages calculations. As a result, the District’s attorney cannot state that either of these arguments enjoys more than a 40 percent chance of success.

If the judgment against the District is affirmed on appeal, the potential loss would include: (a) the \$13,710,509 judgment; (b) the award of \$2,359,521.67 in attorneys’ fees; (c) simple interest of 10 percent per annum calculated from the date of the judgment (March 27, 2015) and the date of the attorneys’ fee award (May 22, 2015); and (d) costs in the amount of \$42,898.73 (plus the possibility of additional costs of an undetermined amount, which might be awarded on appeal). This verdict would be a general fund judgment, and if the judgment is affirmed, the District would then explore options provided in Ed. Code to make payments over a ten year term.

NOTE 18 - NET POSITION

The government-wide and fiduciary funds financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment In Capital Assets – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the District, not restricted for any project or other purpose.

NOTE 19 - RESTATEMENTS

Due to the implementation of GASB Statements No. 68 and No. 71, the District’s deferred outflows relating to pensions of \$2,929,361 and pension liability of \$56,657,744 at June 30, 2014 are now reported as part of net position in the governmental activities of the government-wide statement of net position.

	Governmental Activities
Ending Net Position per prior fiscal year audit	\$ 36,509,036
Restatement, per GASB Statements No. 68 and No. 71	(53,728,383)
Net Position, restated July 1, 2014	<u>\$ (17,219,347)</u>

REQUIRED SUPPLEMENTARY INFORMATION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
LCFF Sources:				
State Aid	\$ 1,338,733	\$ 1,338,733	\$ 1,432,549	\$ 93,816
Education Protection Account	864,456	823,604	833,782	10,178
Local	37,317,715	39,277,192	38,215,116	(1,062,076)
Federal	1,577,467	1,740,284	1,715,163	(25,121)
Other state	1,619,909	1,557,175	3,502,092	1,944,917
Other local	15,126,865	15,252,439	16,562,263	1,309,824
Total revenues	<u>57,845,145</u>	<u>59,989,427</u>	<u>62,260,965</u>	<u>2,271,538</u>
Expenditures:				
Certificated salaries	25,746,244	27,500,244	27,500,243	1
Classified salaries	7,633,240	8,000,878	7,990,335	10,543
Employee benefits	9,743,679	10,577,193	11,923,850	(1,346,657)
Books and supplies	2,055,804	1,666,607	1,592,418	74,189
Contracted services and other operating expenditures	10,221,164	11,421,467	10,824,480	596,987
Capital outlay	64,646	105,171	105,170	1
Other outgo		973,750	15,877	957,873
Debt service				
Principal	470,542	470,542	413,722	56,820
Interest			91,409	(91,409)
Total expenditures	<u>55,935,319</u>	<u>60,715,852</u>	<u>60,457,504</u>	<u>258,348</u>
Excess of revenues over (under) expenditures	<u>1,909,826</u>	<u>(726,425)</u>	<u>1,803,461</u>	<u>2,529,886</u>
Other Financing Sources (Uses):				
Transfers in	12,000	6,708,406		(6,708,406)
Transfers out	(207,000)	(251,000)	(293,573)	(42,573)
Total other financing sources (uses)	<u>(195,000)</u>	<u>6,457,406</u>	<u>(293,573)</u>	<u>(6,750,979)</u>
Net change in fund balance	1,714,826	5,730,981	1,509,888	(4,221,093)
Fund balance, July 1, 2014	<u>14,263,715</u>	<u>14,263,715</u>	<u>14,263,715</u>	
Fund balance, June 30, 2015	<u>\$ 15,978,541</u>	<u>\$ 19,994,696</u>	<u>\$ 15,773,603</u>	<u>\$ (4,221,093)</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 Last 10 Years*
 As of June 30, 2015

The following table provides required supplementary information regarding the District's CALPERS Pension Plan.

	<u>2015</u>
Proportion of the net pension liability	0.0612%
Proportionate share of the net pension liability	\$ 6,947,690
Covered employee payroll	\$ 6,419,830
Proportionate share of the net pension liability as percentage of covered employee payroll	108.22%
Plan's total pension liability	\$ 68,292,799,349
Plan's fiduciary net position	\$ 56,940,364,500
Plan fiduciary net position as a percentage of the total pension liability	83.38%

*- Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 Last 10 Years*
 As of June 30, 2015

The following table provides required supplementary information regarding the District's CALSTRS Pension Plan.

	<u>2015</u>
Proportion of the net pension liability	0.0630%
Proportionate share of the net pension liability	\$ 36,815,310
Covered employee payroll	\$ 26,603,685
Proportionate share of the net pension liability as percentage of covered employee payroll	138.38%
Plan's total pension liability	\$ 248,911,000,000
Plan's fiduciary net position	\$ 190,474,000,000
Plan fiduciary net position as a percentage of the total pension liability	76.52%

*- Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
 Last 10 Years*
 As of June 30, 2015

The following table provides required supplementary information regarding the District's CALPERS Pension Plan.

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 842,172
Contribution in relation to the actuarially determined contributions	<u>842,172</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 7,154,634
Contributions as a percentage of covered employee payroll	11.771%

Notes to Schedule

Valuation Date: 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Asset valuation method	5-year smoothed market
Amortization method	The unfunded actuarial accrued liability is amortized over an open 17 year period as a level percentage of payroll
Discount rate	7.75%
Amortization growth rate	3.75%
Price Inflation	3.25%
Salary increases	3.75% plus merit component based on employee classification and years of service
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with a 2 year setback for males and a 4 year setback for females

*- Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
 Last 10 Years*
 As of June 30, 2015

The following table provides required supplementary information regarding the District's CALSTRS Pension Plan.

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 2,412,979
Contribution in relation to the actuarially determined contributions	<u>2,412,979</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 27,173,187
Contributions as a percentage of covered employee payroll	8.88%

Notes to Schedule

Valuation Date: 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Asset valuation method	Excepted value with 33% adjustment to market value
Amortization method	The unfunded actuarial accrued liability is amortized over an open 30 year period as a level percentage of payroll
Discount rate	7.60%
Amortization growth rate	3.75%
Price Inflation	3.00%
Salary increases	3.75%
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with a 2 year setback for males and a 4 year setback for females

*- Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS TREND INFORMATION
June 30, 2015

Schedule of Funding Progress for Retiree Health Plan

Actuarial Valuation Date	Unit Credit Cost Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
07/01/07	\$ 3,771,449	\$ -	\$ 3,771,449	0.00%	\$26,649,916	14.15%
07/01/09	4,140,873		4,140,873	0.00%	25,206,465	16.43%
06/30/13	13,582,760	20,000	13,562,760	0.15%	29,926,796	45.32%
06/30/15	14,302,945	880,711	13,422,234	6.16%	34,416,538	39.00%

SUPPLEMENTARY INFORMATION SECTION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUND
BALANCE SHEET
June 30, 2015

	Cafeteria Fund
Assets	
Cash in County Treasury	\$ 28,423
Cash on hand and in banks	96,075
Accounts receivable	48,309
Inventory, at cost	<u>17,610</u>
Total assets	<u>\$ 190,417</u>
Liabilities and Fund Balance	
Liabilities:	
Accounts payable	\$ 23,551
Due to other funds	<u>20,000</u>
Total liabilities	<u>43,551</u>
Fund balance:	
Nonspendable	
Store inventories	17,610
Restricted	
Cafeteria Program	<u>129,256</u>
Total fund balance	<u>146,866</u>
Total liabilities and fund balance	<u>\$ 190,417</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2015

	Cafeteria Fund
Revenues:	
Federal	\$ 106,108
Other state	5,739
Other local	612,823
	<hr/>
Total revenues	724,670
	<hr/>
Expenditures:	
Classified salaries	339,866
Employee benefits	121,345
Books and supplies	433,550
Contracted services and other operating expenditures	55,116
	<hr/>
Total expenditures	949,877
	<hr/>
Excess of revenues over (under) expenditures	(225,207)
	<hr/>
Other Financing Sources (Uses):	
Transfers in	293,573
	<hr/>
Total other financing sources (uses)	293,573
	<hr/>
Net change in fund balance	68,366
	<hr/>
Fund balance , July 1, 2014	78,500
	<hr/>
Fund balance, June 30, 2015	\$ 146,866
	<hr/> <hr/>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Cafeteria Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Federal	\$ 100,000	\$ 106,108	\$ 6,108
Other state	20,000	5,739	(14,261)
Other local	567,700	612,823	45,123
Total revenues	<u>687,700</u>	<u>724,670</u>	<u>36,970</u>
Expenditures:			
Classified salaries	366,791	339,866	26,925
Employee benefits	136,063	121,345	14,718
Books and supplies	445,776	433,550	12,226
Contracted services and other operating expenditures	<u>68,411</u>	<u>55,116</u>	<u>13,295</u>
Total expenditures	<u>1,017,041</u>	<u>949,877</u>	<u>67,164</u>
Excess of revenues over (under) expenditures	<u>(329,341)</u>	<u>(225,207)</u>	<u>104,134</u>
Other Financing Sources (Uses):			
Transfers in	<u>251,000</u>	<u>293,573</u>	<u>42,573</u>
Net change in fund balance	(78,341)	68,366	146,707
Fund balance , July 1, 2014	<u>78,500</u>	<u>78,500</u>	
Fund balance, June 30, 2015	<u>\$ 159</u>	<u>\$ 146,866</u>	<u>\$ 146,707</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
June 30, 2015

	Capital Facilities Fund	County School Facilities Fund	Totals
Assets			
Cash in County Treasury	\$ 3,006,024	\$ 537,502	\$ 3,543,526
Accounts receivable	478,873	2,937	481,810
Total assets	\$ 3,484,897	\$ 540,439	\$ 4,025,336
 Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities			
Fund balances:			
Restricted			
State School Facilities Projects		540,439	540,439
Construction	3,484,897		3,484,897
Total fund balances	3,484,897	540,439	4,025,336
Total liabilities and fund balances	\$ 3,484,897	\$ 540,439	\$ 4,025,336

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2015

	Capital Facilities Fund	County School Facilities Fund	Totals
Revenues:			
Other local	\$ 1,011,114	\$ 3,628	\$ 1,014,742
Total revenues	1,011,114	3,628	1,014,742
Excess of revenues over (under) expenditures	1,011,114	3,628	1,014,742
Fund balance , July 1, 2014	2,473,783	536,811	3,010,594
Fund balance, June 30, 2015	\$ 3,484,897	\$ 540,439	\$ 4,025,336

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Capital Facilities Fund		Variance Positive (Negative)
	Final Budget	Actual	
Revenues:			
Other local	\$ 1,614,000	\$ 1,011,114	\$ (602,886)
Total revenues	1,614,000	1,011,114	(602,886)
Expenditures:			
Contracted services and other operating expenditures	15,000		15,000
Capital outlay	400,000		400,000
Total expenditures	415,000		415,000
Excess of revenues over (under) expenditures	1,199,000	1,011,114	(187,886)
Fund balance , July 1, 2014	2,473,783	2,473,783	
Fund balance, June 30, 2015	\$ 3,672,783	\$ 3,484,897	\$ (187,886)

County School Facilities Fund			Totals		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ 4,500	\$ 3,628	\$ (872)	\$ 1,618,500	\$ 1,014,742	\$ (603,758)
4,500	3,628	(872)	1,618,500	1,014,742	(603,758)
500,000		500,000	15,000		15,000
			900,000		900,000
500,000		500,000	915,000		915,000
(495,500)	3,628	499,128	703,500	1,014,742	311,242
536,811	536,811		3,010,594	3,010,594	
\$ 41,311	\$ 540,439	\$ 499,128	\$ 3,714,094	\$ 4,025,336	\$ 311,242

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2015**

The Beverly Hills Unified School District (District) was unified in 1935 under the laws of the State of California and consists of an area comprising approximately 5.7 square miles. The District operates four elementary schools, one high school, and one adult school. There were no changes in the boundaries of the District during the current fiscal year.

The Board of Education and the District Administrators for the fiscal year ended June 30, 2015 were as follows:

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Dr. Brian David Goldberg, Ph.D.	President	December, 2015
Mr. Howard Goldstein	Vice President	December, 2017
Ms. Lisa Korbatov	Member	December, 2017
Mr. Lewis Hall	Member	December, 2015
Mr. Noah Margo	Member	December, 2015

ADMINISTRATION

Mr. Steve Kessler
Superintendent

La Tanya Kirk-Carter
Chief Administrative Officer

Dr. Jennifer Tedford
Chief Academic Officer

Ms. Yolanda Mendoza
Chief Human Resources Administrator

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Fiscal Year Ended June 30, 2015

	<u>Second Period</u> <u>Report</u>	<u>Annual</u> <u>Report</u>
Elementary		
Kindergarten to Third	979.77	988.18
Fourth through Sixth	840.88	843.38
Seventh and Eighth	<u>697.17</u>	<u>652.91</u>
Subtotals	<u>2,517.82</u>	<u>2,484.47</u>
High School		
Ninth through Twelfth	<u>1,591.77</u>	<u>1,583.16</u>
Subtotals	<u>1,591.77</u>	<u>1,583.16</u>
Totals	<u><u>4,109.59</u></u>	<u><u>4,067.63</u></u>

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2015

Grades	Ed Code	Ed Code	2014-15 Actual Minutes	Number of Days Traditional Calendar	Status
	Section 46207 Minutes Requirement	Section 46207 Revised Minutes Requirement			
Kindergarten	36,000	35,000	41,350	180	In compliance
Grade 1	50,400	49,000	53,230	180	In compliance
Grade 2	50,400	49,000	53,230	180	In compliance
Grade 3	50,400	49,000	53,230	180	In compliance
Grade 4	54,000	52,500	56,881	180	In compliance
Grade 5	54,000	52,500	56,881	180	In compliance
Grade 6	54,000	52,500	56,776	180	In compliance
Grade 7	54,000	52,500	56,776	180	In compliance
Grade 8	54,000	52,500	56,776	180	In compliance
Grade 9	64,800	63,000	72,821	180	In compliance
Grade 10	64,800	63,000	72,821	180	In compliance
Grade 11	64,800	63,000	72,821	180	In compliance
Grade 12	64,800	63,000	72,821	180	In compliance

Districts must maintain their instructional minutes as defined in Education Code Section 46207.

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30, 2015

General Fund	(Budget) 2016	2015	2014	2013
Revenues and other financial sources	\$ 62,321,740	\$ 62,260,965	\$ 63,902,510	\$ 63,336,323
Expenditures	64,798,969	60,457,504	56,136,518	55,334,688
Other uses and transfers out	239,682	293,573	7,246,435	200,000
Total outgo	65,038,651	60,751,077	63,382,953	55,534,688
Changes in fund balance (deficit)	(2,716,911)	1,509,888	519,557	7,801,635
Ending fund balance	\$ 13,056,692	\$ 15,773,603	\$ 14,263,715	\$ 13,744,158
Available reserves (Note 1)	\$ 10,260,299	\$ 4,927,249	\$ 2,299,183	\$ 1,955,145
Available reserves as a percentage of total outgo	15.8%	8.1%	3.6%	3.5%
Total long-term debt	\$ 293,036,758	\$ 304,133,290	\$ 272,136,832	\$ 221,683,753
Average daily attendance at P-2	3,891	4,110	4,124	4,318

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

The General Fund balance has increased by \$2,029,445 over the past two fiscal years. The fiscal year 2015-2016 budget projects a decrease of \$2,716,911. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures and other uses (total outgo).

The District has incurred an operating surplus in each of the past three fiscal years, and anticipates an operating deficit during the 2015-16 fiscal year. Total long-term debt has increased by \$82,449,537 over the past two fiscal years.

Average daily attendance has decreased by 208 over the past two fiscal years. A decrease of 219 ADA is anticipated during the fiscal year 2015-2016.

NOTES:

- 1 Available reserves consist of unassigned fund balances within the General Fund, Special Reserve Fund and Adult Education Fund.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Catalog (CFDA) Number	Pass-through Entity Identifying Number	Federal Expenditures
Federal Programs:			
U.S. Department of Education:			
Passed through the California Department of Education (CDE):			
NCLB Title I , Part A, Basic Grants Low Income and Neglected	84.010	14329	\$ 643,739
NCLB - Title II, Part A, Improving Teacher Quality	84.367	14341	87,397
NCLB - Title III Limited English Proficiency (LEP) Student Program	84.365	14346	18,971
NCLB: Title III, Immigrant Education Program	84.365	15146	11,106
Special Ed: IDEA - Basic Local Assistance Entitlement, Part B	84.027	13379	846,714
Special Ed: IDEA - Preschool Grant, Part B	84.173	13430	25,702
Special Ed: IDEA - Preschool Local Entitlement	84.027A	13682	47,062
Advance Placement	84.330	14831	2,220
Vocational & Applied Technology Secondary	84.048	14894	32,252
U.S. Department of Agriculture:			
Passed Through California Department of Education (CDE):			
National School Lunch Program	10.555	13391	106,108
Total Expenditures of Federal Awards			\$ 1,821,271

The accompanying notes are an integral part of this schedule.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Beverly Hills Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
June 30, 2015

	<u>General Fund*</u>	<u>Cafeteria Fund</u>	<u>Building Fund</u>
June 30, 2015 Annual Financial and Budget Report Fund Balances	\$ 14,359,355	\$ 28,187	\$ 52,055,608
Understatement of cash in bank		56,978	
Understatement of accounts receivable	622,334	46,476	
Understatement of prepaid expenditures	187,803		
Understatement of inventory, at cost		10,674	
Over- (understatement) of accounts payable	<u>604,111</u>	<u>4,551</u>	<u>(509,806)</u>
June 30, 2015 Audited Financial Statements Fund Balances	<u>\$ 15,773,603</u>	<u>\$ 146,866</u>	<u>\$ 51,545,802</u>

* Included Special Reserve Fund for Other Than Capital Outlay Projects Fund Fund Balance in an amount of \$10,054,108 and Adult Education Fund of \$482.

	<u>Bond Interest and Redemption Fund</u>
June 30, 2015 Annual Financial and Budget Report Fund Balances	<u>\$ 8,458,348</u>
June 30, 2015 Audited Financial Statements Fund Balances	<u>\$ 8,458,348</u>

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities as reported on the Annual Financial and Budget Report to the audited financial statements.

Capital Facilities Fund	County School Facilities Fund
\$ 3,014,617	\$ 540,439
470,280	
<u>\$ 3,484,897</u>	<u>\$ 540,439</u>

	<u>Long-Term Debt</u>
June 30, 2015 Annual Financial and Budget Report Total Liabilities	\$ 196,833,555
Understatement of general obligation bonds payable	62,569,843
Understatement of other general long-term debt	37,969
Understatement of net pension liability	43,763,000
Understatement of net OPEB obligation	1,119,728
Understatement of compensated absences	<u>48,232</u>
June 30, 2015 Audited Financial Statements Long-Term Debt Total Liabilities	<u>\$ 304,372,327</u>



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Education
Beverly Hills Unified School District
Beverly Hills, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Beverly Hills Unified School District (District), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 a 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. 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.

Our consideration of internal control 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 material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-1 through 2015-3 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Responses to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
December 15, 2015



MOSS, LEVY & HARTZHEIM LLP

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INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Board of Education
Beverly Hills Unified School District
Beverly Hills, California

Report on State Compliance

We have audited the Beverly Hills Unified School District (District)’s compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2014-15*, published by the Education Audit Appeals Panel that could have a direct and material effect on each of the District’s state programs identified below for the fiscal year ended June 30, 2015.

Management’s Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the District’s state programs based on our audit of the types of compliance requirements referred to above. 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 the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2014-2015*, published by the Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District’s compliance with those requirements.

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

Description	Procedures Performed
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (See next page)
Continuation Education	No (See next page)
Instructional Time for School Districts	Yes

Description	Procedures Performed
Instructional Materials General Requirements	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or early college high schools	Not Applicable
K-3 grade span adjustment	Not Applicable
Transportation maintenance of effort	Yes
Regional occupational centers or programs maintenance of effort	Yes
Adult education maintenance of effort	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	
General Requirements	Not Applicable
After School	Not Applicable
Before School	Not Applicable
Proper expenditures of education protection account funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local control and accountability plan	Yes
Charter Schools	
Attendance	Not Applicable
Mode of instruction	Not Applicable
Nonclassroom-based instruction/independent Study	Not Applicable
Determination of funding for nonclassroom-based instruction	Not Applicable
Annual instructional minutes - classroom based	Not Applicable
Facility grant program	Not Applicable

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

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the fiscal year ended June 30, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of all the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with *standards and Procedures for Audits of California K-12 Local Education Agencies 2014-15*, published by the Education Audit Appeals Panel in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 15, 2015

The term "not applicable" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Education
Beverly Hills Unified School District
Beverly Hills, California

Report on Compliance for Each Major Federal Program

We have audited the Beverly Hills Unified School District (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 fiscal year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of audit findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB-Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Beverly Hills Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Beverly Hills Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify and deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 15, 2015

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FINDINGS AND RECOMMENDATIONS SECTION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2015

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

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

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)

_____ Yes	<u> X </u> No
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Identification of major programs

CFDA Number (s)

84.027, 84.173

Name of Federal Program or Cluster

Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee:

<u> X </u> Yes	_____ No
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State Awards

Any audit findings disclosed that are required to be reported in accordance with Standards and Procedures for Audits of California K-12 Local Education Agencies?

_____ Yes	<u> X </u> No
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Type of auditor’s report issued on compliance for state programs:

Unmodified

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2015

Section II – Financial Statement Findings

FINDING 2015-1
INTERNAL CONTROLS – ASSOCIATED STUDENT BODY
30000

Condition:

During our review of internal control at the High School ASB, we noted that there were instances of missing cash receipts. There is lack of oversight in the cash receipts area. Furthermore, there is no review of voids, journal entries, and reversed transactions. Also, monthly bank reconciliations were not prepared in a timely manner.

Effect:

The effect of the lack of control over voids and reversed transactions can lead to misappropriations of funds that may go undetected.

Cause:

Lack of oversight of the ASB office.

Recommendation:

To the extent possible, we feel that internal control could be improved if the schools were to implement the following procedures:

- Sufficient segregation of duties must exist. Following functions should be segregated:
 - ✓ The person initiate, authorize or approve transactions
 - ✓ The person executing the transactions
 - ✓ The person recording the transactions
 - ✓ The person who reconcile the transactions
- When receipt is turned into the ASB bookkeeper, the supporting document should accompany the appropriate reconciling reports/forms. Examples of these reports and forms include cash count form, cash register tape, report of ticket sales, receipt book log, and/or tally sheet.
- The ASB bookkeeper should always count the cash in the presence of the advisor before turning in the cash received. Time should be set aside to count the receipts together to ensure the accurate total of collection. The cash count form should be signed by the ASB bookkeeper and the ASB advisor. Then, a copy of the receipt should be given to the ASB advisor.
- Deposits should be made to the ASB account at least weekly, though two to three business days are recommended to ensure the timely deposit of cash receipts.
- A member of management should review the voided transaction reports and document his or her approvals by signing the reports.
- Monthly or quarterly financial statements, along with the bank reconciliation, bank statements, and voided transaction report should be sent to the ASB advisor and the District accounting department for review and approval.

LEA's Corrective Action Plan:

The District is in the process of hiring a part-time ASB clerk to assist with the segregation of duties. However, the District and the High School Administration must devise a plan that sufficiently addresses the need for regular and routine higher level financial accountant oversight.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2015

Section II – Financial Statement Findings (Continued)

FINDING 2015-2
INTERNAL CONTROLS
30000

Condition:

During the audit, we noted that certain non-standard journal entries selected for testing were not supported by adequate documentation. However, we were able to satisfy ourselves that such entries were appropriate upon review of collaborating evidence.

Effect:

Journal entries without proper explanation and supporting documents present the risk of inaccurate account balances.

Cause:

A lack of policy can be attributed to journal entries being entered without supporting explanations.

Recommendation:

We recommend that all non-standard journal entries always be supported by appropriate documentation. Good documentation serves as an important accounting record and facilitates future review as well as provides additional insight for others to verify and confirm past adjustments.

LEA's Corrective Action Plan:

This finding is duly noted and Staff has been directed to maintain all appropriate documentation when performing journal entries. Additionally, all Journal entries will be approved by the CAO.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2015

Section II – Financial Statement Findings (Continued)

FINDING 2015-3
INTERNAL CONTROLS
30000

Condition:

During the audit, we noted that clearing bank account deposits were not remitted to the Los Angeles County Treasury in a timely manner.

Effect:

Clearing bank account's deposits that are not transfer in a timely manner present the risk of inaccurate revenue account balances.

Cause:

A lack of policy and a vacant in accountant position can be attributed to the timely transfer.

Recommendation:

We recommend the District to implement policies and procedures to ensure the deposits withheld in bank clearing account are remitted to the Los Angeles County Treasury in a timely manner.

LEA's Corrective Action Plan:

The District accountant position will be filled, in addition, staff has been directed that in the event an additional vacancy or excessive workload, to contract with a profession school accounting firm.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2015

Section III – Federal Award Findings

There were no findings on the federal awards in the current year.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2015

Section IV – State Award Findings

There were no findings on the state awards in the current year.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2015

Section I – Financial Statement Findings

FINDING 2014-1
INTERNAL CONTROLS – ASSOCIATED STUDENT BODY
30000

Condition:

During our review of internal control at the High School ASB, we noted that there were instances of missing cash receipts. There is lack of oversight in the cash receipts area. Furthermore, there is no review of voids, journal entries, and reversed transactions.

Effect:

The effect of the lack of control over voids and reversed transactions can lead to misappropriations of funds that may go undetected.

Cause:

Lack of oversight of the ASB office.

Recommendation:

To the extent possible, we feel that internal control could be improved if the schools were to implement the following procedures:

- Sufficient segregation of duties must exist. Following functions should be segregated:
 - ✓ The person initiate, authorize or approve transactions
 - ✓ The person executing the transactions
 - ✓ The person recording the transactions
 - ✓ The person who reconcile the transactions
- When receipt is turned into the ASB bookkeeper, the supporting document should accompany the appropriate reconciling reports/forms. Examples of these reports and forms include cash count form, cash register tape, report of ticket sales, receipt book log, and/or tally sheet.
- The ASB bookkeeper should always count the cash in the presence of the advisor before turning in the cash received. Time should be set aside to count the receipts together to ensure the accurate total of collection. The cash count form should be signed by the ASB bookkeeper and the ASB advisor. Then, a copy of the receipt should be given to the ASB advisor.
- Deposits should be made to the ASB account at least weekly, though two to three business days are recommended to ensure the timely deposit of cash receipts.
- A member of management should review the voided transaction reports and document his or her approvals by signing the reports.
- Monthly or quarterly financial statements, along with the bank reconciliation, bank statements, and voided transaction report should be sent to the ASB advisor and the District accounting department for review and approval.

LEA's Corrective Action Plan:

The District has reexamined and implemented proper cash handling procedures to include segregation of duties and dual cash counting at the ASB office. The district office is providing oversight and monthly review of ASB financial reports including transaction history and cash register short and over reports. Starting January 2015 cash pickup for deposit to the bank will be scheduled for every Wednesday and Friday instead of once. ASB Bank reconciliations are being performed by the district accounting staff. Security cameras will be installed by March 2015 to allow for further monitoring of cash handling.

Current Status:

Not implemented, see current fiscal year finding 2015-1.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2015

Section II – Federal Award Findings

There were no findings on the federal awards in the prior year.

Section III – State Award Findings

There were no findings on the state awards in the prior year.