

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

AUDIT REPORT  
June 30, 2014

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

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June 30, 2014

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# MOSS, LEVY & HARTZHEIM LLP

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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, 2014, 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.

### ***Auditors' 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 Education Audit Appeals Panel's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. 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 auditors' 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, 2014, 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 Matters***

### *Change in Accounting Principles*

As discussed in note 1 to the basic financial statements effective July 1, 2013, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Statement No. 66, *Technical Correction-2012*, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. 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 Schedules on page 45, and the Schedule of Funding Progress for Post-Employment Benefits Other Than Pensions on page 46, 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 conducted 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 required parts of the basic financial statements of the District. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 financial statements. The accompanying combining and individual fund financial statements and schedules, financial, statistical information, 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. The 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 basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls 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 10, 2014

# **Beverly Hills Unified School District Management's Discussion and Analysis June 30, 2014**

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, 2014 utilizing comparative information from 2013. The MD&A should be read in conjunction with the District's financial statements contained in the independent audit prepared by Moss, Levy & Hartzheim, LLP.

## **FINANCIAL HIGHLIGHTS**

The District is a Basic Aid district, which means it receives local tax revenue and no revenue limit state aid. 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 were not subject 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 \$77,950,421 and expenditures of \$72,682,679 leaving a net change surplus (revenue less expense) of \$5,267,742. Net position for the District totaled \$36, 509,036.

## **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

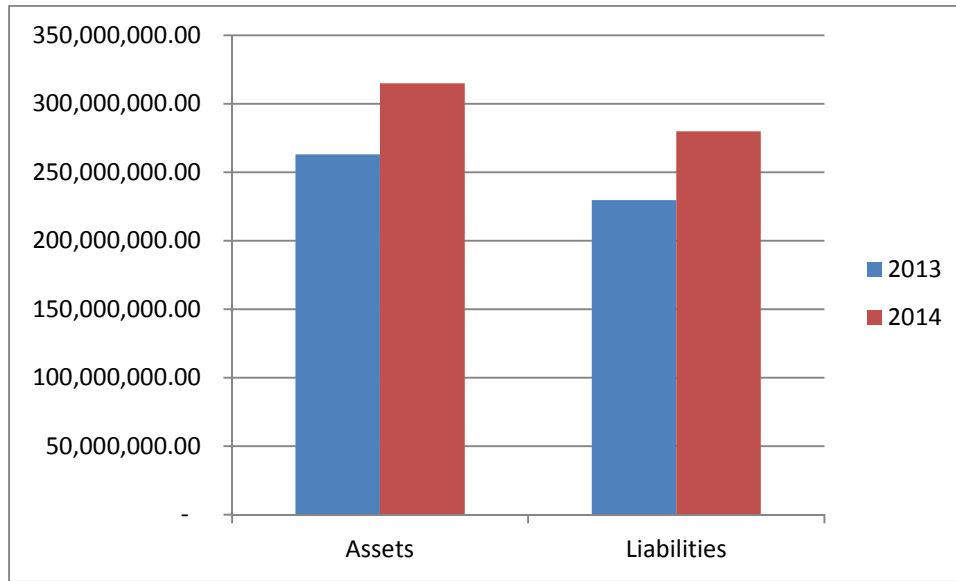
The statement of net position presents the financial position of the District at the end of the fiscal year, which ended June 30, 2014 and includes all assets and liabilities of the District. The difference between the total assets and total liabilities (net position) is one indicator of the current 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 2013 to 2014 for the District's governmental activities.

### *Governmental Activities – Table 1*

		<u>2013</u>	<u>2014</u>
<b><u>Assets</u></b>			
	Current and other assets	\$ 78,619,735	\$ 127,485,216
	Capital assets	184,441,197	187,314,543
	<b>Total Assets</b>	<u>\$ 263,060,932</u>	<u>\$ 314,799,759</u>
<b><u>Deferred Outflow of Resources</u></b>			\$ 1,512,379
<b><u>Liabilities</u></b>			
	Current Liabilities	\$ 14,916,392	\$ 7,666,270
	Long-term liabilities	214,621,478	272,136,832
	<b>Total Liabilities</b>	<u>\$ 229,537,870</u>	<u>\$ 279,803,102</u>
<b><u>Net Position</u></b>			
	Net Investment in Capital Asset	\$ 54,180,673	\$ 53,961,753
	Restricted	3,758,877	4,779,898
	Unrestricted	(24,416,488)	(22,233,615)
		<u>\$ 33,523,062</u>	<u>\$ 36,508,036</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>2013</u>	<u>2014</u>
<b><u>Revenues</u></b>		
General revenues		
Federal and State Aid (not restricted)	\$ 2,961,861	\$ 3,284,763
Property taxes	48,602,128	60,308,897
Other general revenues	16,609,046	14,356,761
<b>Total Revenues</b>	<u>\$ 67,609,046</u>	<u>\$ 77,950,421</u>
<b><u>Expenses (less program revenue)</u></b>		
Instruction related	\$ 33,404,754	\$ 36,951,681
Pupil services	2,121,964	2,396,930
Administration	2,955,665	4,245,458
Plant services	6,792,255	7,276,951
Other	18,205,940	21,811,659
<b>Total Expenses</b>	<u>\$ 63,480,578</u>	<u>\$ 72,682,679</u>
<b>Changes in Net Position</b>	<u>\$ 4,128,468</u>	<u>\$ 5,267,742</u>

The statement of activities presents the District’s results of operations. The District’s combined net position totaled \$36,508,036 for 2014. The capital assets report shows a total value of \$187,314,543, net of \$59,273,614 for accumulated depreciation.

The District’s 2013/2014 general revenues were \$77,950,421. Taxes levied for general purpose accounted for seventy-seven percent (77%) of the District’s revenue. Federal and State Aid made up four (4%) of the revenue. Local revenue/other made up the balance of the revenues at nineteen (19%), 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 2013/2014 fiscal year expenses increased by \$9,202,101 from the 2012/2013 fiscal year. The district’s expenses include instruction and pupil related services, which amount to fifty-one (51%) of the total expenses reported. The administrative activities of the District were six (6%) of expenses. Plant services (maintenance and operations) were ten percent (10%) of expenses. The other expenses included ancillary and community services, interest on debt, other outgo and depreciation, which was twenty-eight (30%) of the total expenses.

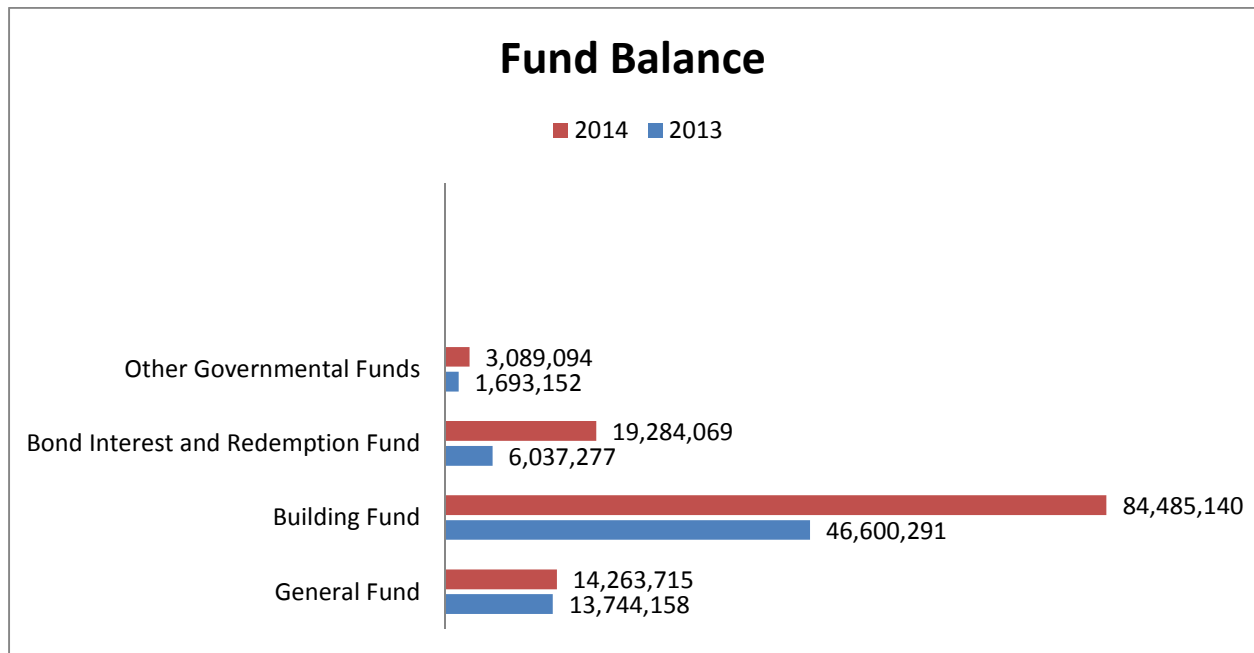
## BALANCE SHEET

### 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, 2013</u>	<u>June 30, 2014</u>
General Fund	\$ 13,744,158	\$ 14,263,715
Building Fund	46,600,291	84,485,140
Bond Interest and Redemption Fund	6,037,277	19,284,069
Other Governmental Funds	1,693,152	3,089,094



### FACTORS BEARING ON THE DISTRICT'S FUTURE

The board of education created an endowment in 2013/2014 established in the special reserve based on a \$10,000,000 balance, which will increase in value due to interest earned. The fore thought will assist the District in maintaining priority determined programs with the fluctuation of taxes in economically challenged times.

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 in 2015/16 fiscal year. Together the loss is about \$850,000.

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 Ms. La Tanya Kirk-Carter and the Director of Fiscal Services is Mr. Mark Keriakous.

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**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

## STATEMENT OF NET POSITION

June 30, 2014

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<b>Assets</b>	<u>Governmental Activities</u>
Cash in County Treasury	\$ 121,975,140
Cash on hand and in banks	30,999
Revolving cash fund	50,000
Accounts receivable	5,085,237
Inventory	6,936
Prepaid expenses	187,803
Other assets	149,101
Land	2,933,062
Construction in progress	27,607,758
Buildings and improvements	199,778,045
Site improvements	8,850,821
Furniture and equipment	7,418,471
Less accumulated depreciation	<u>(59,273,614)</u>
Total assets	<u>314,799,759</u>
Deferred outflows of resources	
Deferred losses on debt refunding	<u>1,512,379</u>
<b>Liabilities</b>	
Accounts payable	6,134,738
Interest payable	1,303,072
Unearned revenue	228,460
Long-term liabilities:	
Due within one year	18,792,265
Due in more than a year	<u>253,344,567</u>
Total liabilities	<u>279,803,102</u>
<b>Net Position</b>	
Net investment in capital assets	53,961,753
Restricted for:	
Capital projects	3,010,594
Education programs	1,672,139
Nutrition	97,165
Unrestricted	<u>(22,232,615)</u>
Total net position	<u><u>\$ 36,509,036</u></u>

See notes to basic financial statements

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 36,266,657	\$ 353,891	\$ 3,921,885	\$ 1,632
Instruction-related services:				
Instructional supervision and administration	1,387,499	14,691	390,128	
Instructional library, media, and technology	1,023,799	858	19,204	
School site administration	3,019,732	9,500	34,217	
Pupil services:				
Home-to-school transportation	45,807		45,807	
Food services	521,175	300,592	14,799	
All other pupil services	2,827,327	2,389	633,792	
General administration:				
Centralized data processing	264,326			
All other general administration	4,495,703	244,403	270,168	
Plant services	7,284,406	5,519	1,936	
Ancillary services	864,349	28,570	13,816	
Community services	69,616			
Interest on long-term debt	14,525,275			
Other outgo	1,367,559	66,607	32,209	
Depreciation (unallocated)	5,126,062			
<b>Total governmental activities</b>	<b>\$ 79,089,292</b>	<b>\$ 1,027,020</b>	<b>\$ 5,377,961</b>	<b>\$ 1,632</b>

General revenues:

Taxes and subventions:

  Taxes levied for general purposes

  Taxes levied for debt service

  Tax levied for other specific purposes

  Federal and state aid not restricted to specific purposes

  Interest and investment earnings

  Miscellaneous

Total general revenues

Change in net position

Net position beginning of fiscal year

Prior period adjustments

Net position beginning of fiscal year, restated

Net position end of fiscal year

See notes to basic financial statements

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Net (Expense)  
Revenue and  
Changes in  
Net Position

---

\$ (31,989,249)

(982,680)

(1,003,737)

(2,976,015)

(205,784)

(2,191,146)

(264,326)

(3,981,132)

(7,276,951)

(821,963)

(69,616)

(14,525,275)

(1,268,743)

(5,126,062)

---

(72,682,679)

---

35,641,708

24,625,263

41,926

3,284,763

737,594

13,619,167

---

77,950,421

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---

5,267,742

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32,417,341

(1,176,047)

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31,241,294

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\$ 36,509,036

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2014

	General Fund	Building Fund	Bond Interest and Redemption Fund
<b>Assets</b>			
Cash in County Treasury	\$ 13,639,842	\$ 87,050,682	\$ 19,284,069
Cash on hand and in banks			
Revolving cash fund	50,000		
Accounts receivable	3,711,380	304,580	
Inventory, at cost			
Prepaid expenditures	187,803		
Other assets	149,101		
<b>Total assets</b>	<b>\$ 17,738,126</b>	<b>\$ 87,355,262</b>	<b>\$ 19,284,069</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 3,245,951	\$ 2,870,122	\$ -
Unearned revenue	228,460		
<b>Total liabilities</b>	<b>3,474,411</b>	<b>2,870,122</b>	
<b>Fund balances:</b>			
<b>Nonspendable</b>			
Revolving cash	50,000		
Stores inventories			
Prepaid expenditures	187,803		
<b>Restricted</b>			
Legally restricted balances	1,672,139		
Debt service			19,284,069
Cafeteria program			
State School Facilities Projects			
Construction		84,485,140	
<b>Committed</b>			
Stabilization arrangements	10,054,108		
<b>Assigned</b>			
Other assignment	482		
Unassigned	2,299,183		
<b>Total fund balances</b>	<b>14,263,715</b>	<b>84,485,140</b>	<b>19,284,069</b>
<b>Total liabilities and fund balances</b>	<b>\$ 17,738,126</b>	<b>\$ 87,355,262</b>	<b>\$ 19,284,069</b>

See notes to basic financial statements



Other Governmental Funds	Total Governmental Funds
\$ 2,000,547	\$ 121,975,140
30,999	30,999
	50,000
1,069,277	5,085,237
6,936	6,936
	187,803
	149,101
<u>\$ 3,107,759</u>	<u>\$ 127,485,216</u>
\$ 18,665	\$ 6,134,738
	228,460
<u>18,665</u>	<u>6,363,198</u>
	50,000
6,936	6,936
	187,803
	1,672,139
	19,284,069
71,564	71,564
536,811	536,811
2,473,783	86,958,923
	10,054,108
	482
	2,299,183
<u>3,089,094</u>	<u>121,122,018</u>
<u>\$ 3,107,759</u>	<u>\$ 127,485,216</u>

See notes to basic financial statements

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**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2014**

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Total fund balances - governmental funds \$ 121,122,018

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	\$	246,588,157
Accumulated depreciation		<u>(59,273,614)</u>

Net 187,314,543

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 remaining balance.

1,512,379

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.

(1,303,072)

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	\$	(209,626,048)
Unamortized premium		(7,433,218)
Accreted interest payable		(48,634,403)
Compensated absences		(549,194)
Capital leases		(787,057)
OPEB		(3,227,320)
SERP		(375,606)
Loans payable		<u>(1,503,986)</u>

Total (272,136,832)

Total net position, governmental activities \$ 36,509,036

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2014

	General Fund	Building Fund	Bond Interest and Redemption Fund
<b>Revenues:</b>			
LCFF Sources:			
State Aid	\$ 1,373,753	\$ -	\$ -
Education Protection Account	865,754		
Local	35,641,708		
Federal	1,735,169		
Other state	2,120,736		32,721
Other local	15,456,984	454,675	24,668,543
	<u>57,194,104</u>	<u>454,675</u>	<u>24,701,264</u>
<b>Expenditures:</b>			
Certificated salaries	26,740,370		
Classified salaries	7,266,865	111,340	
Employee benefits	8,763,931	34,340	
Books and supplies	2,260,505	11,668	
Contracted services and other operating expenditures	10,552,594	2,777,363	
Capital outlay	65,631	5,210,649	
Other outgo	16,082		
Debt service:			
Principal	376,796		6,013,915
Interest	93,744		5,474,588
	<u>56,136,518</u>	<u>8,145,360</u>	<u>11,488,503</u>
Excess of revenues over (under) expenditures	<u>1,057,586</u>	<u>(7,690,685)</u>	<u>13,212,761</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from issuance of bonds		44,999,303	
Bond premium		245,203	34,031
Transfers in	6,708,406	331,029	
Transfers out	(7,246,435)		
	<u>(538,029)</u>	<u>45,575,535</u>	<u>34,031</u>
Total other financing sources (uses)			
Net change in fund balances	519,557	37,884,850	13,246,792
Fund balance, July 1, 2013	<u>13,744,158</u>	<u>46,600,290</u>	<u>6,037,277</u>
Fund balance, June 30, 2014	<u>\$ 14,263,715</u>	<u>\$ 84,485,140</u>	<u>\$ 19,284,069</u>

See notes to basic financial statements

Other Governmental Funds	Totals Governmental Funds
\$ -	\$ 1,373,753
	865,754
	35,641,708
	1,735,169
	2,153,457
<u>1,701,828</u>	<u>42,282,030</u>
<u>1,701,828</u>	<u>84,051,871</u>
	26,740,370
171,575	7,549,780
66,928	8,865,199
165,977	2,438,150
108,407	13,438,364
	5,276,280
	16,082
	6,390,711
	<u>5,568,332</u>
<u>512,887</u>	<u>76,283,268</u>
<u>1,188,941</u>	<u>7,768,603</u>
	44,999,303
	279,234
207,000	7,246,435
	<u>(7,246,435)</u>
<u>207,000</u>	<u>45,278,537</u>
1,395,941	53,047,140
<u>1,693,153</u>	<u>68,074,878</u>
<u>\$ 3,089,094</u>	<u>\$ 121,122,018</u>

See notes to basic financial statements

**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, 2014**

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Total net change in fund balances - governmental funds	\$	53,047,140
<p>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 \$7,999,408 and depreciation expense \$5,126,062 for the period is:</p>		
		2,873,346
<p>The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and issuance cost of long-term debt consumes the current financial resources of the governmental funds. However, in the statement of net position, the issuance increases long-term liabilities and the repayment reduces long-term liabilities and the repayment reduces long-term liabilities. This is the net change of the issuance of long-term debt and the principal repayment.</p>		
		(38,608,592)
<p>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:</p>		
		(9,682,874)
<p>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:</p>		
		2,574
<p>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:</p>		
		(1,171,376)
<p>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:</p>		
Premium, net of amortization for the period	\$	151,860
Deferred losses on refunding amortized for the period		(1,344,336)
		<u>(1,192,476)</u>
Changes in net position of governmental activities	\$	<u><u>5,267,742</u></u>

See notes to basic financial statements

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
June 30, 2014

	Retiree Benefit Fund	Agency Funds		Totals
		Warrant Pass-through Fund	Student Body Fund	
<b>Assets</b>				
Cash in County Treasury	\$ 20,058	\$ 222,786	\$ -	\$ 222,786
Cash on hand and in banks			875,240	875,240
Accounts receivable	170		20,104	20,104
Other assets			12,131	12,131
Total assets	<u>\$ 20,228</u>	<u>\$ 222,786</u>	<u>\$ 907,475</u>	<u>\$ 1,130,261</u>
<b>Liabilities</b>				
Due to student groups	\$ -	\$ -	\$ 907,475	\$ 907,475
Accounts payable	100	222,786		222,786
Total liabilities	<u>100</u>	<u>\$ 222,786</u>	<u>\$ 907,475</u>	<u>\$ 1,130,261</u>
<b>Net Position</b>				
Unrestricted	<u>20,128</u>			
Total net position	<u>\$ 20,128</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, 2014

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	Retiree Benefit Fund
Additions:	
Interest	\$ 128
Change in net position	128
Net position - July 1, 2013	<u>20,000</u>
Net position - June 30, 2014	<u><u>\$ 20,128</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 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, 2014, the Foundation contributed \$206,565 to the District.

**Financial Statement Presentation** Current audited financial information was not available at the time of the District's audit. As of June 30, 2013, Beverly Hills Education Foundation, Inc. reported total net assets of \$3,583,957 (unaudited) as provided by the Foundation.

**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 reconciliation 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.

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. One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) did not meet the GASB Statement No. 54 special revenue fund definition. The Special Reserve Fund and the 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.

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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E. Fund Accounting (Continued)

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.

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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 of Resources, Liabilities, 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.

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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

5. Capital Assets (Continued)

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

The District reports deferred outflows and inflows of resources. A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. A deferred inflow of resources represents an acquisition of net position that is applicable to a future period.

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. Revenue must also be susceptible to accrual; it must be both measurable and available to finance expenditures of the current fiscal period. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. This type of deferred inflow is unique to governmental funds, since it is tied to the modified accrual basis of accounting, which is used only in connection with governmental funds.

Occasionally, the District refunds some of its existing debt. When this occurs, the difference between the funds required to retire (reacquisition price of) the refunded debt and the net carrying amount of refunded debt results in a deferred amount on refunding. If there is an excess net carrying value amount of refunded debt over its reacquisition price, it is treated as a deferred inflow of resources (a deferred gain on refunding).

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 of Resources, Liabilities, 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 reported net of applicable bond premium or discount.

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

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, 2014, 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 ordinances or resolutions approved by the governing board. During the fiscal year 2013-2014, the governing board committed \$10,054,108 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, 2014

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

I. Property Tax

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 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 revenue limit 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. 65

For the fiscal year ended June 30, 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of the statement and the impact on the District's financial statements are explained in Note 20 - Restatements.

Governmental Accounting Standards Board Statement No. 66

For the fiscal year ended June 30, 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Correction - 2012." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," and GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement No. 54 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement No. 62 and Statements No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, regarding the reporting of certain operating lease transactions, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of the GASB Statement No. 66 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2014.



**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2014

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

K. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 67

For the fiscal year ended June 30, 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50 "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of the GASB Statement No. 67 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 70

For the fiscal year ended June 30, 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of the GASB Statement No. 70 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2014.

**NOTE 2 - CASH AND INVESTMENTS**

The District's cash and investments at June 30, 2014 consisted of the following:

Cash and investments with County Treasury	\$ 122,217,984
Cash on hand and in banks	<u>956,239</u>
Total cash and investments	<u>\$ 123,174,223</u>

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

Cash in County Treasury, statement of net position	\$ 121,975,140
Cash on hand and in banks, statement of net position	30,999
Cash in revolving fund, statement of net position	50,000
Cash in County Treasury, statement of fiduciary net position	242,844
Cash on hand and in banks, statement of fiduciary net position	<u>875,240</u>
Total cash and investments	<u>\$ 123,174,223</u>

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2014

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**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 (\$122,217,984 as of June 30, 2014). The fair value of this pool as of that date, as provided by the plan sponsor, was \$122,217,984. 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 (\$906,239 as of June 30, 2014) 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	\$122,217,984	\$122,217,984	\$ -	\$ -	\$ -
Total	\$122,217,984	\$122,217,984	\$ -	\$ -	\$ -

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2014

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

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.

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	\$122,217,984	N/A	\$ -	\$ -	\$ -	\$ -	\$ 122,217,984
Total	\$122,217,984		\$ -	\$ -	\$ -	\$ -	\$ 122,217,984

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, 2014, \$623,241 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 did not exceed appropriations in any individual funds.

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2014

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2014, consist of the following:

	General Fund	Building Fund	Other Governmental Funds	Retiree Benefit Fund	Student Body Fund
Federal Government					
Categorical Aid	\$ 1,451,933	\$ -	\$ -	\$ -	\$ -
State Government					
Apportionment	291,830				
Categorical Aid	557,863				
Lottery	359,074				
Local Government					
Interest	30,486	304,580	35,722		
Other Local Sources	1,020,194		1,033,555	170	20,104
	<u>\$ 3,711,380</u>	<u>\$ 304,580</u>	<u>\$ 1,069,277</u>	<u>\$ 170</u>	<u>\$ 20,104</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.

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 2013-2014 fiscal year are as follows:

Fund	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ 6,708,406	\$ 7,246,435
Building Fund	331,029	
Nonmajor Fund:		
Cafeteria Fund	207,000	
Totals	<u>\$ 7,246,435</u>	<u>\$ 7,246,435</u>

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 6 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Transfers	Balance June 30, 2014
Capital assets, not being depreciated:					
Land	\$ 2,933,062	\$ -	\$ -	\$ -	\$ 2,933,062
Construction in progress	20,914,203	7,872,116		(1,178,561)	27,607,758
Total capital assets, not being depreciated	<u>23,847,265</u>	<u>7,872,116</u>		<u>(1,178,561)</u>	<u>30,540,820</u>
Capital assets being depreciated:					
Buildings and improvements	198,599,484			1,178,561	199,778,045
Site improvements	8,776,267	74,554			8,850,821
Furniture and equipment	7,365,733	52,738			7,418,471
Total capital assets being depreciated	<u>214,741,484</u>	<u>127,292</u>		<u>1,178,561</u>	<u>216,047,337</u>
Less accumulated depreciation for:					
Buildings and improvements	44,129,400	4,129,548			48,258,948
Site improvements	4,532,939	362,917			4,895,856
Furniture and equipment	5,485,213	633,597			6,118,810
Total accumulated depreciation	<u>54,147,552</u>	<u>5,126,062</u>			<u>59,273,614</u>
Total capital assets, being depreciated, net	<u>160,593,932</u>	<u>(4,998,770)</u>		<u>1,178,561</u>	<u>156,773,723</u>
Total capital assets	<u>\$ 184,441,197</u>	<u>\$ 2,873,346</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,314,543</u>

Depreciation expense of \$5,126,062 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, 2014, 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, 2013	Additions	Deletions	Balance June 30, 2014	Due within One Year
General obligation bonds:					
Principal balance	\$ 170,640,660	\$ 44,999,303	\$ 6,013,915	\$ 209,626,048	\$ 17,715,471
Unamortized premium	7,585,078	279,234	431,094	7,433,218	437,300
Accreted interest payable	38,912,579	12,332,763	2,610,939	48,634,403	
Compensated absences	551,768	412,675	415,249	549,194	
Energy program equipment lease payable	1,080,848		293,791	787,057	305,572
Other postemployment benefits (OPEB)	1,868,141	1,679,085	319,906	3,227,320	
Supplement executive retirement plan (SERP)	563,409		187,803	375,606	187,803
Loans payable	1,586,991		83,005	1,503,986	146,119
Totals	<u>\$ 222,789,474</u>	<u>\$ 59,703,060</u>	<u>\$ 10,355,702</u>	<u>\$ 272,136,832</u>	<u>\$ 18,792,265</u>

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2014

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**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, 2014
				Outstanding July 1, 2013	Issued	Redeemed	
6/2001	5/2020	4.00-5.50%	\$ 13,600,000	\$ 6,580,000	\$ -	\$ 785,000	\$ 5,795,000
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	955,000		175,000	780,000
7/2005	6/2023	2.70-5.25%	47,354,973	24,089,097		2,953,501	21,135,596
7/2005	8/2026	2.70-5.25%	36,384,991	24,347,639		2,100,414	22,247,225
1/2009	8/2033	2.50-8.10%	72,044,664	72,044,664			72,044,664
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		44,999,303
				<u>\$170,640,660</u>	<u>\$ 44,999,303</u>	<u>\$ 6,013,915</u>	<u>\$ 209,626,048</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, 2014, the principal balance outstanding was \$5,795,000.

The bonds mature through 2020 as follows:

Fiscal Year Ended	Principal	Interest	Total
2015	\$ 830,000	\$ 318,725	\$ 1,148,725
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>\$ 5,795,000</u>	<u>\$ 1,170,400</u>	<u>\$ 6,965,400</u>

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2014

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**NOTE 8 - GENERAL OBLIGATION BONDS (Continued)**

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, 2014 was \$892,666.

The bonds mature through 2017 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Interest	Total
2015	\$ -	\$ -	\$ -	\$ -
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>

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, 2014, the principal balance of the remaining outstanding was \$780,000.

The bonds mature through 2016 as follows:

Fiscal Year Ended	Principal	Interest	Total
2015	\$ 345,000	\$ 24,300	\$ 369,300
2016	435,000	8,700	443,700
	<u>\$ 780,000</u>	<u>\$ 33,000</u>	<u>\$ 813,000</u>

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2014

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**NOTE 8 - GENERAL OBLIGATION BONDS (Continued)**

2005 Refunding Bonds Series A and B

In July 2005, the District issued General Obligation Refunding Bonds Series A and B in the amount of \$47,354,973 and \$36,384,991, respectively. The bonds were issued for the purpose of providing funds to refinance two previously outstanding bonds issues including the 1998 Series B and the 2002 Series A bonds. The 2005 Refunding Bonds Series A and B 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, 2014 was \$21,135,596 and \$22,247,225, respectively. The accreted interest on the capital appreciation bonds balance as of June 30, 2014 was \$10,425,973 and \$12,341,182 respectively.

The Series A bonds mature through 2023 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Total
2015	\$ 2,820,165	\$ 1,671,665	\$ 4,491,830
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
2020-2023	8,283,031	9,709,467	17,992,498
	<u>\$ 21,135,596</u>	<u>\$ 19,335,686</u>	<u>\$ 40,471,282</u>

The Series B bonds mature through 2027 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Total
2015	\$ 2,020,306	\$ 1,196,863	\$ 3,217,169
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
2020-2024	8,555,761	10,800,158	19,355,919
2025-2027	5,004,198	8,840,926	13,845,124
	<u>\$ 22,247,225</u>	<u>\$ 26,265,372</u>	<u>\$ 48,512,597</u>



**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
June 30, 2014

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**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, 2014. The premium was 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, 2014, was \$72,044,664. The accreted interest on the capital appreciation bonds balance as of June 30, 2014 was \$23,293,681.

The bonds mature through 2034 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Interest	Total
2015	\$ 350,000	\$ -	\$ 530,087	\$ 880,087
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
2020-2024	12,271,834	9,028,166	338,750	21,638,750
2025-2029	23,440,320	42,559,680		66,000,000
2030-2034	30,272,510	92,727,490		123,000,000
	<u>\$ 72,044,664</u>	<u>\$144,315,336</u>	<u>\$ 2,682,817</u>	<u>\$ 219,042,817</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 \$5,093,349 as of June 30, 2014. The premium was 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, 2014, was \$41,745,000.

The bonds mature through 2031 as follows:

Fiscal Year Ended	Principal	Interest	Total
2015	\$ -	\$ 1,868,488	\$ 1,868,488
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
2020-2024	11,640,000	7,914,590	19,554,590
2025-2029	18,655,000	4,085,433	22,740,433
2030-2033	9,170,000	431,587	9,601,587
	<u>\$ 41,745,000</u>	<u>\$ 21,679,100</u>	<u>\$ 63,424,100</u>

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2014

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**NOTE 8 - GENERAL OBLIGATION BONDS (Continued)**

2008 General Obligation Refunding Bond Series 2013

In December 2013 the District issued 2008 General Obligation Refunding 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, 2014. The premium was amortized utilizing the straight-line method over the life of the debt. The bonds interest rates range from 4.00 percent to 5.15 percent. The outstanding principal at June 30, 2014, was \$44,999,303. The accreted interest on the capital appreciation bonds balance as of June 30, 2014 was \$1,680,901.

The bonds mature through 2039 as follows:

Fiscal Year Ended	Principal	Interest	Total
2015	\$ 11,350,000	\$ 291,317	\$ 11,641,317
2016			
2017			
2018			
2019			
2020-2024			
2025-2029			
2030-2034			
2035-2039	<u>33,649,303</u>	<u>70,635,697</u>	<u>104,285,000</u>
	<u>\$ 44,999,303</u>	<u>\$ 70,927,014</u>	<u>\$ 115,926,317</u>

**NOTE 9 - COMPENSATED ABSENCES**

The accumulated unpaid employee vacation for the District at June 30, 2014, amounted to \$549,194.

**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, 2014, was \$787,057.

The repayment schedule for the lease is as follows:

Fiscal Year Ended	Principal	Interest	Total
2015	\$ 305,572	\$ 26,606	\$ 332,178
2016	317,825	14,353	332,178
2017	<u>163,660</u>	<u>2,429</u>	<u>166,089</u>
	<u>\$ 787,057</u>	<u>\$ 43,388</u>	<u>\$ 830,445</u>

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2014

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**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 2014, the District contributed \$319,906 to the plan, all of which was used for current premiums and no 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	\$ 1,721,244
Interest on net OPEB Obligation	74,726
Adjustment to annual required contribution	<u>(116,885)</u>
Annual OPEB cost (expense)	1,679,085
Contributions made	<u>(319,906)</u>
Increase in net OPEB obligation	1,359,179
Net OPEB obligation - beginning of fiscal year	<u>1,868,141</u>
Net OPEB obligation - end of fiscal year	<u><u>\$ 3,227,320</u></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 2014, 2013 (restated), and 2012 were as follows:

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
6/30/2012	\$ 496,119	68.39%	\$ 546,445
6/30/2013	1,599,801	17.38%	1,868,141
6/30/2014	1,679,085	19.05%	3,227,320

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2014

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

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$13,582,760, and the actuarial value of assets was \$20,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,562,760.

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, 2013 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 4% investment rate of return, a change from 5% 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 26 years remaining to develop the ARC for the fiscal year ending June 30, 2014.

**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:

Fiscal Year <u>Ended</u>	<u>Total Payment</u>
2015	\$ 187,803
2016	187,803
	<u>\$ 375,606</u>

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2014

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**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
2015	\$ 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, 2014, was \$1,443,986.

Fiscal Year Ended	Principal	Interest	Total
2015	\$ 86,119	\$ 52,242	\$ 138,361
2016	89,350	49,011	138,361
2017	92,703	45,659	138,362
2018	96,180	42,181	138,361
2019	99,789	38,573	138,362
2020-2024	557,989	133,817	691,806
2025-2027	421,856	27,818	449,674
	<u>\$ 1,443,986</u>	<u>\$ 389,301</u>	<u>\$ 1,833,287</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.

**NOTE 16 - EMPLOYEE RETIREMENT SYSTEMS**

**State Teachers' Retirement System (STRS)**

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The Plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS' annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$2,194,804, \$2,229,203, and \$2,176,222, respectively, and equal 100% of the required contributions for each fiscal year.

**California Public Employees' Retirement System (CalPERS)**

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement 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.

Funding Policy

Active plan members are required to contribute 7.0% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2013-2014 was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$734,557, \$753,079, and \$730,941, respectively, and equal 100% of the required contributions for each fiscal year.

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2014

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**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

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2014.

**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 - SUBSEQUENT EVENTS**

Management of the District has evaluated subsequent events through December 10, 2014, the date of these financial statements were available to be issued, and has determined there were no material events requiring disclosure.

**NOTE 20 - RESTATEMENTS**

Due to the implementation of GASB Statement No. 65, the District’s unamortized amount of deferred charges of \$1,176,047 at June 30, 2013 is no longer reported as part of net position in the government-wide statement of net position.

	<u>Governmental Activities</u>
Ending Net Position per prior year fiscal year audit	\$ 32,417,341
Restatement, per GASB Statement No. 65	<u>(1,176,047)</u>
Net Position, restated July 1, 2013	<u><u>\$ 31,241,294</u></u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
LCFF Sources:				
State Aid	\$ -	\$ 870,476	\$ 1,373,753	\$ 503,277
Education Protection Account	876,000	881,500	865,754	(15,746)
Local	35,771,292	36,552,981	35,641,708	(911,273)
Federal	1,905,061	2,066,671	1,735,169	(331,502)
Other state	2,330,704	2,304,513	2,120,736	(183,777)
Other local	15,476,499	15,522,241	15,456,984	(65,257)
Total revenues	<u>56,359,556</u>	<u>58,198,382</u>	<u>57,194,104</u>	<u>(1,004,278)</u>
<b>Expenditures:</b>				
Certificated salaries	26,858,250	27,484,202	26,740,370	743,832
Classified salaries	7,442,843	7,511,534	7,266,865	244,669
Employee benefits	10,096,184	10,020,967	8,763,931	1,257,036
Books and supplies	1,609,597	2,682,043	2,260,505	421,538
Contracted services and other operating expenditures	9,399,009	11,062,019	10,552,594	509,425
Capital outlay	15,002	75,834	65,631	10,203
Other outgo	2	16,083	16,082	1
Debt service				
Principal	376,796	376,796	376,796	
Interest	93,744	93,744	93,744	
Total expenditures	<u>55,891,427</u>	<u>59,323,222</u>	<u>56,136,518</u>	<u>3,186,704</u>
Excess of revenues over (under) expenditures	<u>468,129</u>	<u>(1,124,840)</u>	<u>1,057,586</u>	<u>2,182,426</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	12,000	6,708,406	6,708,406	
Transfers out	(207,000)	(7,246,435)	(7,246,435)	
Total other financing sources (uses)	<u>(195,000)</u>	<u>(538,029)</u>	<u>(538,029)</u>	
Net change in fund balance	273,129	(1,662,869)	519,557	2,182,426
Fund balance, July 1, 2013	<u>13,744,158</u>	<u>13,744,158</u>	<u>13,744,158</u>	
Fund balance, June 30, 2014	<u>\$ 14,017,287</u>	<u>\$ 12,081,289</u>	<u>\$ 14,263,715</u>	<u>\$ 2,182,426</u>

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS TREND INFORMATION**  
June 30, 2014

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Schedule of Funding Progress for Retiree Health Plan

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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%

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**NONMAJOR SPECIAL REVENUE FUND**  
**BALANCE SHEET**  
June 30, 2014

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	Cafeteria Fund
<b>Assets</b>	
Cash in County Treasury	\$ 57,264
Cash on hand and in banks	30,999
Accounts receivable	1,966
Inventory, at cost	<u>6,936</u>
Total assets	<u>\$ 97,165</u>

**Liabilities and Fund Balance**

<b>Liabilities:</b>	
Accounts payable	\$ <u>18,665</u>
Total liabilities	<u>18,665</u>
<b>Fund balance:</b>	
Nonspendable	
Stores inventories	6,936
Restricted	
Cafeteria Program	<u>71,564</u>
Total fund balance	<u>78,500</u>
Total liabilities and fund balance	<u>\$ 97,165</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, 2014**

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	Cafeteria Fund
<b>Revenues:</b>	
Other local	\$ 309,632
Total revenues	<u>309,632</u>
<b>Expenditures:</b>	
Classified salaries	171,575
Employee benefits	66,928
Books and supplies	165,977
Contracted services and other operating expenditures	<u>108,407</u>
Total expenditures	<u>512,887</u>
Excess of revenues over (under) expenditures	<u>(203,255)</u>
<b>Other Financing Sources (Uses):</b>	
Transfers in	<u>207,000</u>
Total other financing sources (uses)	<u>207,000</u>
Net change in fund balance	3,745
Fund balance , July 1, 2013	<u>74,755</u>
Fund balance, June 30, 2014	<u><u>\$ 78,500</u></u>

**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, 2014

	Cafeteria Fund		
	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Other local	\$ 519,601	\$ 309,632	\$ (209,969)
Total revenues	519,601	309,632	(209,969)
<b>Expenditures:</b>			
Classified salaries	171,575	171,575	
Employee benefits	72,555	66,928	5,627
Books and supplies	238,350	165,977	72,373
Contracted services and other operating expenditures	223,600	108,407	115,193
Total expenditures	706,080	512,887	193,193
Excess of revenues over (under) expenditures	(186,479)	(203,255)	(16,776)
<b>Other Financing Sources (Uses):</b>			
Transfers in	207,000	207,000	
Total other financing sources (uses)	207,000	207,000	
Net change in fund balance	20,521	3,745	(16,776)
Fund balance , July 1, 2013	74,755	74,755	
Fund balance, June 30, 2014	\$ 95,276	\$ 78,500	\$ (16,776)

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2014**

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	Capital Facilities Fund	County School Facilities Fund	Totals
<b>Assets</b>			
Cash in County Treasury	\$ 1,409,553	\$ 533,730	\$ 1,943,283
Accounts receivable	1,064,230	3,081	1,067,311
Total assets	<u>\$ 2,473,783</u>	<u>\$ 536,811</u>	<u>\$ 3,010,594</u>

**Liabilities and Fund Balances**

Fund balances:

Restricted

State School Facilities Projects	\$ -	\$ 536,811	\$ 536,811
Construction	2,473,783		2,473,783

Total fund balances	<u>2,473,783</u>	<u>536,811</u>	<u>3,010,594</u>
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Total liabilities and fund balances	<u>\$ 2,473,783</u>	<u>\$ 536,811</u>	<u>\$ 3,010,594</u>
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**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, 2014**

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	Capital Facilities Fund	County School Facilities Fund	Totals
<b>Revenues:</b>			
Other local	\$ 1,387,596	\$ 4,600	\$ 1,392,196
Total revenues	1,387,596	4,600	1,392,196
Fund balance , July 1, 2013	1,086,187	532,211	1,618,398
Fund balance, June 30, 2014	<u>\$ 2,473,783</u>	<u>\$ 536,811</u>	<u>\$ 3,010,594</u>



**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, 2014**

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	Capital Facilities Fund		
	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Other local	\$ 406,000	\$ 1,387,596	\$ 981,596
Total revenues	<u>406,000</u>	<u>1,387,596</u>	<u>981,596</u>
<b>Expenditures:</b>			
Contracted services and other operating expenditures	15,000		15,000
Capital outlay	<u>400,000</u>		<u>400,000</u>
Total expenditures	<u>415,000</u>		<u>415,000</u>
Excess of revenues over (under) expenditures	(9,000)	1,387,596	1,396,596
Fund balance , July 1, 2013	<u>1,086,187</u>	<u>1,086,187</u>	
Fund balance, June 30, 2014	<u><u>\$ 1,077,187</u></u>	<u><u>\$ 2,473,783</u></u>	<u><u>\$ 1,396,596</u></u>

County School Facilities Fund			Totals		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ 4,500	\$ 4,600	\$ 100	\$ 410,500	\$ 1,392,196	\$ 981,696
4,500	4,600	100	410,500	1,392,196	981,696
500,000		500,000	15,000 900,000		15,000 900,000
500,000		500,000	915,000		915,000
(495,500)	4,600	500,100	(504,500)	1,392,196	1,896,696
532,211	532,211		1,618,398	1,618,398	
<u>\$ 36,711</u>	<u>\$ 536,811</u>	<u>\$ 500,100</u>	<u>\$ 1,113,898</u>	<u>\$ 3,010,594</u>	<u>\$ 1,896,696</u>

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**SUPPLEMENTARY INFORMATION SECTION**

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**ORGANIZATION**  
June 30, 2014

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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, 2014 were as follows:

GOVERNING BOARD

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

ADMINISTRATION

Dr. Gary W. Woods  
Superintendent

La Tanya Kirk-Carter  
Chief Administrative Officer

Dr. Jennifer Tedford  
Chief Academic Officer

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**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**For the Fiscal Year Ended June 30, 2014**

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	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary		
Kindergarten to Third	951	951
Fourth through Sixth	795	793
Seventh and Eighth	<u>721</u>	<u>720</u>
Subtotals	<u>2,467</u>	<u>2,464</u>
High School		
Ninth through Twelfth	<u>1,657</u>	<u>1,646</u>
Subtotals	<u>1,657</u>	<u>1,646</u>
Totals	<u><u>4,124</u></u>	<u><u>4,110</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.

There were no audit findings which resulted in necessary revisions to attendance.

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**For the Fiscal Year Ended June 30, 2014**

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Grades	Ed Code	Ed Code	Ed Code		Status
	Section 46207	Section 46207	Section 46207	2013-14	
	Minutes	Minutes	Actual	Traditional	
	Requirement	Requirement	Minutes	Calendar	
Kindergarten	36,000	35,000	40,500	180	In compliance
Grade 1	50,400	49,000	53,280	180	In compliance
Grade 2	50,400	49,000	53,280	180	In compliance
Grade 3	50,400	49,000	53,280	180	In compliance
Grade 4	54,000	52,500	57,420	180	In compliance
Grade 5	54,000	52,500	57,420	180	In compliance
Grade 6	54,000	52,500	55,749	180	In compliance
Grade 7	54,000	52,500	55,749	180	In compliance
Grade 8	54,000	52,500	55,749	180	In compliance
Grade 9	64,800	63,000	66,353	180	In compliance
Grade 10	64,800	63,000	66,353	180	In compliance
Grade 11	64,800	63,000	66,353	180	In compliance
Grade 12	64,800	63,000	66,353	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. The District met or exceeded its targeted funding.



**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2014**

General Fund	(Budget) 2015	2014	2013	2012
Revenues and other financial sources	<u>\$ 57,845,145</u>	<u>\$ 63,902,510</u>	<u>\$ 63,336,323</u>	<u>\$ 56,737,230</u>
Expenditures	55,996,519	56,136,518	55,334,688	54,830,439
Other uses and transfers out	<u>207,000</u>	<u>7,246,435</u>	<u>200,000</u>	<u>2,500,000</u>
Total outgo	<u>56,203,519</u>	<u>63,382,953</u>	<u>55,534,688</u>	<u>57,330,439</u>
Changes in fund balance (deficit)	<u>1,641,626</u>	<u>519,557</u>	<u>7,801,635</u>	<u>(593,209)</u>
Ending fund balance	<u>\$ 15,905,341</u>	<u>\$ 14,263,715</u>	<u>\$ 13,744,158</u>	<u>\$ 5,942,523</u>
Available reserves	<u>\$ 4,545,163</u>	<u>\$ 2,299,183</u>	<u>\$ 1,955,145</u>	<u>\$ 4,642,773</u>
Available reserves as a percentage of total outgo	<u>8.1%</u>	<u>3.6%</u>	<u>3.5%</u>	<u>8.1%</u>
Total long-term debt	<u>\$ 253,344,567</u>	<u>\$ 272,136,832</u>	<u>\$ 221,683,753</u>	<u>\$ 221,299,275</u>
Average daily attendance at P-2	<u>3,891</u>	<u>4,124</u>	<u>4,318</u>	<u>4,414</u>

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 \$8,321,192 over the past two fiscal years. The fiscal year 2014-2015 budget projects an increase of \$1,641,626. 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 the two of the past three fiscal years, and anticipates an operating surplus during the 2014-15 fiscal year. Total long-term debt has increased by \$50,837,557 over the past two fiscal years.

Average daily attendance has decreased by 290 over the past two fiscal years. A decrease of 233 ADA is anticipated during the fiscal year 2014-2015.

NOTES:

- 1 Budget 2015 is included for analytical purposes only and has not been subjected to audit.
- 2 Available reserves consist of unassigned fund balances within the General Fund.

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Catalog (CFDA) Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>Federal Programs:</b>			
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	\$ 619,126
NCLB - Title II, Part A, Improving Teacher Quality	84.367	14341	111,633
NCLB - Title III Limited English Proficiency (LEP) Student Program	84.365	14346	53,510
NCLB: Title III, Immigrant Education Program	84.365	15146	26,750
Special Ed: IDEA - Basic Local Assistance Entitlement, Part B	84.027	13379	826,743
Special Ed: IDEA - Preschool Grant, Part B	84.173	13430	22,740
Special Ed: IDEA - Preschool Local Entitlement	84.027A	13682	38,510
Special Ed: Mental Health	84.027	15197	32,602
Advance Placement	84.330	14831	3,555
Total Expenditures of Federal Awards			\$ 1,735,169

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, 2014**

---

**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, 2014

---

	<u>General Fund*</u>	<u>Cafeteria Fund</u>	<u>Building Fund</u>
June 30, 2014 Annual Financial and Budget Report Fund Balances	\$ 14,278,839	\$ 77,923	\$ 84,444,823
Under- (overstatement) of accounts receivable	(130,852)	(4,928)	
Over- (understatement) of accounts payable	(139,157)	5,505	40,317
Overstatement of unearned revenue	254,885		
June 30, 2014 Audited Financial Statements Fund Balances	<u>\$ 14,263,715</u>	<u>\$ 78,500</u>	<u>\$ 84,485,140</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, 2014 Annual Financial and Budget Report Fund Balances	<u>\$ 19,284,069</u>
June 30, 2014 Audited Financial Statements Fund Balances	<u>\$ 19,284,069</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.

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Capital Facilities Fund	County School Facilities Fund
\$ 2,473,783	\$ 535,597
	1,214
<u>\$ 2,473,783</u>	<u>\$ 536,811</u>

	<u>Long-Term Debt</u>
June 30, 2014 Annual Financial and Budget Report Total Liabilities	\$ 215,943,871
Understatement of general obligation bonds payable	53,675,594
Overstatement of capital leases payable	(1,880,096)
Overstatement of compensated absences	(146,040)
Understatement of net OPEB obligation	3,227,320
Understatement of other general long-term debt	<u>1,316,183</u>
June 30, 2014 Audited Financial Statements Long-Term Debt Total Liabilities	<u>\$ 272,136,832</u>



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

**PARTNERS**

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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, 2014, 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 10, 2014.

**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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-1 that we consider to be a significant deficiency.

## **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 10, 2014



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 2013-14, 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, 2014.

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.

Auditors' 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 2013-14, 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:

Table with 3 columns: Description, Procedures in Panel's Audit Guide, Procedures Performed. Rows include Attendance Reporting, Teacher Certification and Misassignments, Kindergarten Continuance, Independent Study, Continuation Education, and Instructional Time for School Districts.



Description	Panel's Audit Guide	Procedures Performed
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance, for		
Charter Schools	1	Not Applicable
Mode of Instruction, for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent		
Study, for Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based		
Instruction, for Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based, for		
Charter Schools	4	Not Applicable
Charter School Facility Grant Program	1	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, 2014.

### 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 2013-14*, 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 10, 2014

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

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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, 2014. 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.

**Auditors' 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, 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 major federal programs for the fiscal year ended June 30, 2014.

## Report on Internal Control

Management of 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 of the effectiveness of 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 10, 2014

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## **FINDINGS AND RECOMMENDATIONS SECTION**

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
 June 30, 2014

---

**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:	<u>Unmodified</u>
---	-------------------

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)	_____ Yes	<u>  X  </u> No
---	-----------	-----------------

Identification of major programs

<u>CFDA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
--	-------------------

Auditee qualified as low-risk auditee:	<u>  X  </u> Yes	_____ No
--	------------------	----------

*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?	<u>  X  </u> Yes	_____ No
---	------------------	----------

Type of auditors’ report issued on compliance for state programs:	<u>Unmodified</u>
---	-------------------

**Section II – 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.

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
June 30, 2014

---

**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, 2014

---

**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, 2014

---

**Section I – Financial Statement Findings**

**FINDING 2013-1**  
**INTERNAL CONTROLS**  
**30000**

**Condition:**

During our examination of Post-Employment Benefit Other than Pension (OPEB) liability, we noted that the District did not have required actuarial study done. It is required that the actuarial study be done at least biennially for OPEB plans with a total membership of 200 or more. The last actuarial study was done during the fiscal year 2010-2011.

**Effect:**

Departure from GASB Statement No. 45.

**Cause:**

Lack of control and oversight of the District.

**Recommendation:**

We recommend the District obtain a new OPEB actuarial study to meet the requirements for the frequency and timing of actuarial valuations.

**LEA's Corrective Action Plan:**

The Board authorized the distribution of Request for Proposals (RFPs) and we received responses after repeated requests. On November 26, 2013, the Board of Education approved the proposal from Bickmore to bring the District up to date with a more thorough proposal that breaks down the liability by group. The Finance Committee reviewed the proposals and made the recommendation and will review the study upon the acceptance by the Governing Board in early 2014.

**Current Status:**

Implemented

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
June 30, 2014

---

**Section I – Financial Statement Findings (Continued)**

**FINDING 2013-2**  
**INTERNAL CONTROLS – ASSOCIATED STUDENT BODY**  
**30000**

**Condition:**

During our review of internal control at the High School ASB, we noted that there is no oversight or control over voids 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:

- 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 District accounting department for review.

**LEA's Corrective Action Plan:**

There are two financial technicians providing program check and balance for the ASB. The ASB currently has a segregation of duties utilizing these two technicians and they operate within the ASB program under direction of the site designated administrator. The Site administrator will continue to review and approve all bank reconciliation statements, all adjustments and/or reversals to the appropriate journals that will update the financial statements, and approve all proposed disbursements in advance of purchase and check issuance. Internal control procedures can be upgraded to provide additional oversight by including district office review on a quarterly basis. This review will begin with the October to December 2013 quarter.

**Current Status:**

Not implemented, see finding 2014-1.

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
June 30, 2014

---

**Section I – Financial Statement Findings (Continued)**

**FINDING 2013-3**  
**INTERNAL CONTROLS – ASSOCIATED STUDENT BODY**  
**30000**

**Condition:**

During our test of cash disbursements of the Associated Student Body account, we examined twenty canceled checks, invoices, and related documentation and noted that ten of the twenty disbursements examined were not approved in the minutes.

**Effect:**

Without the properly approval of the Associated Student Body, it is not in compliance with the formal ASB’s policies and procedures.

**Cause:**

Lack of control and oversight of the ASB school site.

**Recommendation:**

We recommend that minutes approval sections on the disbursement voucher forms are properly filled out.

**LEA’s Corrective Action Plan:**

Due to the time constraints of providing athletic officials timely payments, the ASB has provided authorization to pay officials in a not to exceed amount of \$35,000 and ratifies the checks with a bulk approval and not individually. The district office will assist the ASB in finding a more detailed reporting mechanism for the minutes created by the students in their leadership class. Currently, all monies and check authorizations are reviewed by a site administrator prior to payment and all warrants issued require two signatures.

**Current Status:**

Implemented

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
June 30, 2014

---

**Section II – Federal Award Findings**

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

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
June 30, 2014

---

**Section III – State Award Findings**

**FINDING 2013-4**  
**ATTENDANCE**  
**40000**

**Criteria:**

*Education Code Section 41601 states that, “For the purposes of this chapter, the governing board of each school district shall report to the Superintendent of Public Instruction during each fiscal year the average daily attendance of the district for all full school months during (1) the period between July 1 and December 31, inclusive, to be known as the “first period” report for the first principal apportionment, and (2) the period between July 1 and April 15, inclusive, to be known as the “second period” report for the second principal apportionment. Each county superintendent of schools shall report the average daily attendance for the schools and classes maintained by him or her and the average daily attendance for the county school tuition fund.”*

**Condition:**

During our compliance audit of attendance reporting, we noted that ADA for independent study was not included in the second period attendance report and annual attendance report.

**Effect:**

14 Units of Average Daily Attendance (ADA) for Independent study were not included in attendance reporting submitted to the California Department of Education.

**Questioned cost:**

Not applicable. The District is a basic aid school district.

**Cause:**

There is a lack of oversight on the part of the District.

**Recommendation:**

We recommend that the District report ADA for independent study on its second period attendance report and annual attendance report.

**LEA’s Corrective Action Plan:**

District has reviewed all our attendance spreadsheets in October 2013 and has made sure the Average Daily Attendance accounting is correct for independent studies. District has tested the spreadsheets against the CDE requirements for reporting independent studies. The District Accountant will also review the Aeires printouts with school attendance personnel to ensure proper coding has been used for students. District has also added an additional layer of check and balance as part of our internal control for submission in our attendance reports utilizing an additional independent reviewer at the district.

**Current Status**

Implemented

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
June 30, 2014

---

**Section III – State Award Findings (Continued)**

**FINDING 2013-5**  
**INSTRUCTIONAL MATERIALS**  
**40000**

**Criteria:**

Pursuant to Education Code Section 60119 (a) (B) *The public hearing shall take place on or before the end of the eighth week from the first day pupils attend school for that year. A school district that operates schools on a multitrack, year-round calendar shall hold the hearing on or before the end of the eighth week from the first day pupils attend school for that year on any tracks that begin a school year in August or September.*

**Condition:**

During our review of instructional materials, we noted that the governing board did not hold a public hearing on or before the end of the eighth week from the first day pupils attend school as required. The first day pupil attended school was August 27, 2012 and the public hearing was held on October 23, 2012. The public hearing was held during the 9<sup>th</sup> week from the first day pupil attended school.

**Effect:**

The District is not in compliance with the public hearing requirements for instructional materials.

**Questioned cost:**

No question cost due to basic aid reduction.

**Cause:**

Lack of oversight of the District personnel.

**Recommendation:**

We recommend that the District implemented procedures to ensure that public hearing requirement is met for instructional material.

**LEA's Corrective Action Plan:**

The hearing was held at a regularly scheduled board meeting on the 9<sup>th</sup> week of school. In order to meet all the requirements, the school calendar will be overlaid with the regular public hearing requirements at the beginning of the fiscal year to schedule the all necessary public hearings on the appropriate Board of Education agenda and to include the person responsible for the posting.

**Current Status**

Implemented