

**MEASURE E BOND BUILDING FUND OF  
BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

**FINANCIAL AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014**

**San Diego**

**Los Angeles**

**San Francisco  
Bay Area**

**christywhite**  
A PROFESSIONAL  
ACCOUNTANCY CORPORATION *associates*

**MEASURE E BOND BUILDING FUND  
BEVERLY HILLS UNIFIED SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended June 30, 2014  
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**MEASURE E BOND BUILDING FUND  
BEVERLY HILLS UNIFIED SCHOOL DISTRICT  
Introduction and Citizens' Oversight Committee Member Listing  
June 30, 2014**

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The Beverly Hills Unified School District was unified in 1935 under the laws of the State of California and consists of an area comprising approximately 5.7 square miles. The District operates four elementary schools, and one high school.

In November 2008, the District's voters approved by more than the required 55% favorable vote, Measure E, authorizing the issuance and sale of general obligation bonds, not to exceed \$334,000,000. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects.

The Proposition 39 bonds were issued by the District, through the County of Los Angeles. On January 6, 2009, Election of 2008, Series 2009 of the Measure E bond authorization was issued, which consisted of current interest bonds and capital appreciation bonds with an initial par amount of \$72,044,664 with stated interest rates of 2.50% to 5.0% and maturing through August 1, 2033. As of June 30, 2014, the principal balance outstanding on the Election of 2008, Series 2009 bond was \$91,488,522.

On November 20, 2013, Election of 2008, Series 2013 of the Measure E bond authorization was issued, which consisted of current interest bonds and capital appreciation bonds with an initial par amount of \$44,999,303 with stated interest rates of 4.00% to 5.15% and maturing through August 1, 2038. As of June 30, 2014, the principal balance outstanding on the Election of 2008, Series 2013 bond was \$45,237,534.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Measure E including formation, composition and purpose of the Citizens' Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

**MEASURE E BOND BUILDING FUND  
 BEVERLY HILLS UNIFIED SCHOOL DISTRICT  
 Introduction and Citizens' Oversight Committee Member Listing, continued  
 June 30, 2014**

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The Citizens' Oversight Committee had the following members as of June 30, 2014, all of whom were appointed by the District's Board of Education with one to two year terms of office:

<b>Name</b>	<b>Title</b>	<b>Representation</b>	<b>Education Code Section</b>
Woodrow Clark II	Chair	Active in a Business Organization	15282(a)(1)
Steve Hendry	Vice Chair	Finance Background	15282(a)
Chris Kiper	Member	Parent of Child Enrolled in District and Active in a Parent-Teacher Organization	15282(a)(5)
Joe Safier	Member	Active in a Senior Citizens' Organization	15282(a)(2)
Shirley Zaragoza	Member	Parent of Child Enrolled in District	15282(a)(4)
Bradley Gibbons	Member	Construction Background	15282(a)
Craig Davis	Member	Community -at- Large	15282(a)
Isabel Hacker	Member	Community -at- Large	15282(a)
Jerid Maybaum	Member	Community -at- Large	15282(a)
John Dohm	Member	Community -at- Large	15282(a)
Joshua Friedman	Member	Community -at- Large	15282(a)
Rose Kaiserman	Member	Community -at- Large	15282(a)
Mathew Mokhtarzadeh	Member	Community -at- Large	15282(a)
Alexandra Polin	Member	Community -at- Large	15282(a)
Donald Rosen	Member	Community -at- Large	15282(a)
Kurt Slavick	Member	Community -at- Large	15282(a)
Mary Weiss	Member	Community -at- Large	15282(a)

## INDEPENDENT AUDITORS' REPORT

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

Heather Rubio

Governing Board Members and  
Measure E Citizens' Oversight Committee  
Beverly Hills Unified School District  
Beverly Hills, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Measure E Bond Building Fund of Beverly Hills Unified School District (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Measure E Bond Building Fund's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

As discussed in Note 1A, the financial statements present only the individual Proposition 39 Bond Building Fund, consisting of the net construction proceeds of the Measure E general obligation bonds as issued by the District, through the County of Los Angeles, and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure E Bond Building Fund of Beverly Hills Unified School District as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2015 on our consideration of the Measure E Bond Building Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Measure E Bond Building Fund's internal control over financial reporting and compliance.

*Christy White Associates*

San Diego, California  
February 25, 2015

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## FINANCIAL SECTION

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**MEASURE E BOND BUILDING FUND  
BEVERLY HILLS UNIFIED SCHOOL DISTRICT  
Balance Sheet  
June 30, 2014**

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<b>ASSETS</b>	
Cash in county treasury	\$ 87,039,828
Accounts receivable	<u>304,534</u>
<b>Total Assets</b>	<b><u>\$ 87,344,362</u></b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	<u>\$ 2,910,439</u>
<b>Total Liabilities</b>	<b><u>2,910,439</u></b>
<b>Fund Balance</b>	
Restricted for capital projects	<u>84,433,923</u>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 87,344,362</u></b>

The accompanying notes to financial statements are an integral part of this statement.



**MEASURE E BOND BUILDING FUND  
 BEVERLY HILLS UNIFIED SCHOOL DISTRICT  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 For the Fiscal Year Ended June 30, 2014**

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<b>REVENUES</b>	
Interest income	\$ 454,589
<b>Total Revenues</b>	<u>454,589</u>
<b>EXPENDITURES</b>	
Facilities acquisition and construction	<u>7,941,170</u>
<b>Total Expenditures</b>	<u>7,941,170</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(7,486,581)
<b>OTHER FINANCING SOURCES</b>	
Interfund transfer in	331,029
Proceeds from sale of bonds	<u>45,000,000</u>
<b>Total Other Financing Sources</b>	<u>45,331,029</u>
<b>Net Change in Fund Balance</b>	37,844,448
<b>Fund Balance, July 1, 2013</b>	<u>46,589,475</u>
<b>Fund Balance, June 30, 2014</b>	<u>\$ 84,433,923</u>

The accompanying notes to financial statements are an integral part of this statement.

**MEASURE E BOND BUILDING FUND  
BEVERLY HILLS UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2014**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Beverly Hills Unified School District (the “District”) was established in 1935. The District serves approximately 4,679 students in four elementary schools (grades K-8), and one high school (grades 9-12).

On November 4, 2008 the District voters authorized \$334 million in general obligation bonds (Measure E) to provide safe and modernized school facilities, make necessary structural seismic safety repairs, upgrade, repair, and reconstruct aging classrooms, infrastructure, multiuse, gyms, libraries, science, technology & labs; roofing, plumbing, heating, ventilation and electrical systems to better protect students and staff from unauthorized entry, security risks and natural disasters.

An oversight committee to the District’s Governing Board and Superintendent, called the Citizens’ Oversight Committee (COC), was established pursuant to the requirements of State law and the provisions of the Measure E bond. The COC is required by state law (Education Code Section 15278(b)) to “actively review and report on the proper expenditure of taxpayers’ money for school construction.” The COC provides oversight and advises the public whether the District is spending the Measure E Bond funds for school capital improvements within the scope of projects outlined in the Measure E Bond project list. In fulfilling its duties, the COC reviews, among other things, the District’s annual performance and financial audits of Measure E activity.

The statements presented are for the individual Measure E Bond Building Fund of the District, consisting of the net construction proceeds of Election of 2008, Series 2009 and Series 2013 general obligation bonds as issued by the District, through the County of Los Angeles, and are not intended to be a complete presentation of the District’s financial position or results of operations. There are no related parties or component units included in this financial statement presentation.

**B. Accounting Policies**

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

**MEASURE E BOND BUILDING FUND  
BEVERLY HILLS UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2014**

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

**C. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and 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. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

**D. 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.

**E. Deposits and Investments**

In accordance with Education Code Sections 15357 and 41001, the District maintains a portion 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 cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

**F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and 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 amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**MEASURE E BOND BUILDING FUND  
BEVERLY HILLS UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2014**

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

**G. Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a 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 during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the 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.

**H. Fund Balance**

Under GASB Statement No. 54, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The fund balance of the Measure E Bond is considered restricted.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

**MEASURE E BOND BUILDING FUND  
BEVERLY HILLS UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2014**

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**NOTE 2 – CASH AND INVESTMENTS**

**Summary of Cash and Investments**

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as cash in county treasury for \$87,039,828.

**Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

*Cash in County Treasury* – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**MEASURE E BOND BUILDING FUND  
BEVERLY HILLS UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2014**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**General Authorizations**

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

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

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county treasury. The District maintains an investment with the Los Angeles County Investment Pool with a fair value of approximately \$86,657,954 and an amortized book value of \$87,039,828. The weighted average maturity for this pool as of June 30, 2014 was 741 days.

**MEASURE E BOND BUILDING FUND  
BEVERLY HILLS UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2014**

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**NOTE 2 – CASH AND INVESTMENTS (continued)**

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments within the Los Angeles County Investment Pool are rated at least A by Moody's Investors Service.

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable amounting to \$304,534 as of June 30, 2014 consists of interest earned on the District's investment in the county treasury.

**NOTE 4 – INTERFUND TRANSACTIONS**

Interfund activity is reported as loans, services provided reimbursements, or transfers. Loans are reported 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 are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as reimbursement. All other interfund transactions are treated as transfers. As of June 30, 2014, \$331,029 was transferred from the General Fund to the Measure E Building Fund for prior year expenditures and the balance of \$13,711 as a transfer of current year legal expenses.

**NOTE 5 – CONSTRUCTION COMMITMENTS**

The Measure E Bond Building Fund did not have any material construction commitments as of June 30, 2014.

**MEASURE E BOND BUILDING FUND  
BEVERLY HILLS UNIFIED SCHOOL DISTRICT  
Notes to Financial Statements, continued  
June 30, 2014**

**NOTE 6 – MEASURE E GENERAL OBLIGATION BONDS**

As of June 30, 2014, the principal balance outstanding on the District’s Measure E general obligation bonds is indicated as follows:

	Date of Issue	Interest Rate %*	Maturity Date	Amount of Original Issue	Outstanding July 1, 2013	Additions	Deletions	Outstanding June 30, 2014
Series 2009	1/6/2009	2.50% - 5.00%	8/1/2033	\$ 72,044,664	\$ 86,690,216	\$ 4,798,306	\$ -	\$ 91,488,522
Series 2013	11/20/2013	4.00 - 5.15%	8/1/2038	44,999,303	-	45,237,534	-	45,237,534
				<u>\$ 117,043,967</u>	<u>\$ 86,690,216</u>	<u>\$ 50,035,840</u>	<u>\$ -</u>	<u>\$ 136,726,056</u>

\* Interest rates affect the current interest bonds of each issuance. The capital appreciation bonds accrete interest as reflected in the current year addition to long-term debt. The combined yield of all Series 2009 bonds ranges from 2.0% to 6.36% and ranges from 4.92% to 5.15% for Series 2013.

**Election of 2008, Series 2009 and Series 2013**

On January 6, 2009, Series 2009 bonds of the Measure E bond authorization were issued, which consisted of \$12,460,000 of current interest bonds and \$59,584,664 of capital appreciation bonds with an initial total par amount of \$72,044,664, with stated interest rates of 2.50% to 5.0%, a combined yield of 2.0% to 6.36% and maturing through August 1, 2033.

On November 20, 2013, Series 2013 bonds of the Measure E bond authorization were issued, which consisted of \$11,350,000 of current interest bonds and \$33,649,303 of capital appreciation bonds with an initial total par amount of \$44,999,303, with stated interest rates of 4.00% to 5.15%, a combined yield of 4.92% to 5.15% and maturing through August 1, 2038.

The annual requirements to amortize all Measure E general obligation bonds payable outstanding as of June 30, 2014, are as follows:

Year Ended	Principal	Interest	Total
June 30,			
2015	\$ 11,700,000	\$ 825,780	\$ 12,525,780
2016	760,000	525,713	1,285,713
2017	1,175,000	487,188	1,662,188
2018	1,625,000	443,156	2,068,156
2019	2,150,000	416,750	2,566,750
2020-2024	12,271,834	9,526,916	21,798,750
2025-2029	23,440,320	42,559,680	66,000,000
2030-2034	30,272,510	92,727,490	123,000,000
2035-2039	33,649,303	70,635,697	104,285,000
Accretion	19,682,089	(19,682,089)	-
Total	<u>\$ 136,726,056</u>	<u>\$ 198,466,281</u>	<u>\$ 335,192,337</u>



**MEASURE E BOND BUILDING FUND  
 BEVERLY HILLS UNIFIED SCHOOL DISTRICT  
 Notes to Financial Statements, continued  
 June 30, 2014**

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**NOTE 7 – MEASURE E EXPENDITURES BY MAJOR OBJECT**

The following table presents the expenditure amounts by major object for the fiscal year ended June 30, 2014:

<b>Expenditures by Object</b>	<b>Amount</b>	<b>Percent</b>
Classified salaries	\$ 111,340	1.4%
Employee benefits	34,340	0.4%
Books and supplies	11,667	0.2%
Services and other operating expenditures	2,573,174	32.4%
Capital outlay	5,210,649	65.6%
Total	\$ 7,941,170	100.0%

**NOTE 8 – MEASURE E EXPENDITURES BY PROJECT**

The following table presents the expenditure amounts by project for the fiscal year ended June 30, 2014:

<b>School Site</b>	<b>Amount</b>	<b>Percent</b>
Beverly Vista School	\$ 122,721	1.5%
El Rodeo School	994,318	12.5%
Hawthorne Elementary School	117,422	1.5%
Horace Mann School	909,523	11.5%
Beverly Hills High School	2,780,477	35.0%
Facilities and planning*	3,016,709	38.0%
Total	\$ 7,941,170	100.0%

*\*Program administration as presented in the prior year has been included in facilities and planning.*

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**OTHER INDEPENDENT AUDITORS'  
REPORT**

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

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

Heather Rubio

Governing Board Members and  
Measure E Citizens' Oversight Committee  
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 Measure E Bond Building Fund, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Measure E Bond Building Fund's basic financial statements, and have issued our report thereon dated February 25, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Measure E Bond Building Fund'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 Measure E Bond Building Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Measure E Bond Building Fund'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.

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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.

### **Compliance and Other Matters**

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

### **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.

*Christy White Associates*

San Diego, California  
February 25, 2015

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**AUDIT FINDINGS AND  
MANAGEMENT'S RESPONSES SECTION**

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**MEASURE E BOND BUILDING FUND  
BEVERLY HILLS UNIFIED SCHOOL DISTRICT  
Schedule of Audit Findings and Management's Responses  
For the Fiscal Year Ended June 30, 2014**

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*There were no audit findings for the year ended June 30, 2014.*

**MEASURE E BOND BUILDING FUND  
BEVERLY HILLS UNIFIED SCHOOL DISTRICT  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2014**

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*There were no prior audit findings reported in 2012-13.*