

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

AUDIT REPORT
June 30, 2019

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

June 30, 2019

FINANCIAL SECTION

Independent Auditor’s Report 1

Management’s Discussion and Analysis 3

Basic Financial Statements:

 Government-wide Financial Statements:

 Statement of Net Position 10

 Statement of Activities 11

 Fund Financial Statements:

 Balance Sheet – Governmental Funds 12

 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position 15

 Statement of Revenues, Expenditures, and Changes in
 Fund Balances – Governmental Funds 16

 Reconciliation of the Governmental Funds Statement of
 Revenues, Expenditures, and Changes in Fund Balances
 to the Statement of Activities 18

 Statement of Net Position – Proprietary Fund..... 19

 Statement of Changes in Net Position – Proprietary Fund..... 20

 Statement of Cash Flows – Proprietary Fund..... 21

 Statement of Net Position – Fiduciary Funds..... 22

 Statement of Changes in Net Position – Fiduciary Funds..... 23

 Notes to Basic Financial Statements 25

REQUIRED SUPPLEMENTARY INFORMATION SECTION

Budgetary Comparison Schedule – General Fund..... 63

Schedule of District’s Proportionate Share of Net Pension Liability..... 64

Schedule of District Pension Contributions 66

Schedule of Changes in the District’s Net OPEB Liability and Related Ratios 68

Schedule of the District’s Proportionate Share of the Net OPEB Liability and Related Ratios 69

Schedule of District’s OPEB Contributions..... 70

SUPPLEMENTARY INFORMATION SECTION

Balance Sheet – Combining Nonmajor Funds..... 71

Statement of Revenues, Expenditures, and Changes in
 Fund Balances – Combining Nonmajor Funds..... 72

Organization 73

Schedule of Average Daily Attendance 74

Schedule of Instructional Time 75

Schedule of Financial Trends and Analysis 76

Schedule of Expenditures of Federal Awards..... 77

Note to the Schedule of Expenditures of Federal Awards 79

Reconciliation of Annual Financial and Budget Report
 with Audited Financial Statements 80

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

June 30, 2019

SUPPLEMENTARY INFORMATION SECTION (CONTINUED)

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*82

Independent Auditor’s Report on State Compliance 84

Independent Auditor’s Report on Compliance For Each Major Program
and on Internal Control over Compliance Required by
the Uniform Guidance86

FINDINGS AND RECOMMENDATIONS SECTION

Schedule of Audit Findings and Questioned Costs..... 89

Summary Schedule of Prior Year Audit Findings 94

FINANCIAL SECTION



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES

433 N. CAMDEN DR, STE 730
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES

5800 HANNUM AVENUE, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government-Auditing Standards*, issued by the Comptroller General of the United States and the *2018-2019 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting* prescribed by Title 5, *California Code of Regulations*, Section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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 3 through 9, the Budgetary Comparison Schedule on page 63, the Schedule of District's Proportionate Share of Net Pension Liability on pages 64 and 65, the Schedule of District's Pension Contributions on pages 66 and 67, the Schedule of Changes in the District's Net OPEB Liability and the Related Ratios on page 68, the Schedule of the District's Proportionate Share of the Net OPEB Liability and Related Ratios on page 69, and the Schedule of District's OPEB Contributions on pages 70, 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.

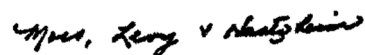
Supplementary Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, and is also not a required part of the basic financial statements of the District.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2019 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and do not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Moss, Levy & Hartzheim, LLP
Culver City, California
December 13, 2019

**Beverly Hills Unified School District
Management's Discussion and Analysis
June 30, 2019**

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, 2019 utilizing comparative information from 2018. 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 Districts audited financial reports show general fund revenue and other financing sources of \$73,531,961 and expenditures and other financing uses of \$71,984,758 leaving a net change of \$1,547,203. Ending general fund balance at June 30, 2019 was \$19,908,823, after a restatement of \$138,134.

FINANCIAL STATEMENT OVERVIEW

The audit report consists of four parts as required for the annual submission of the four parts consisting of Management's Discussion and Analysis, the financial statements, the required supplemental information, and other 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.
- Proprietary fund statements consist of self-insurance fund to account for resources committed to pay for costs arising from dental and vision claims.
- 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).

The District has three 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.

Proprietary Fund consist internal service fund is used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund.

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

Government-wide statements

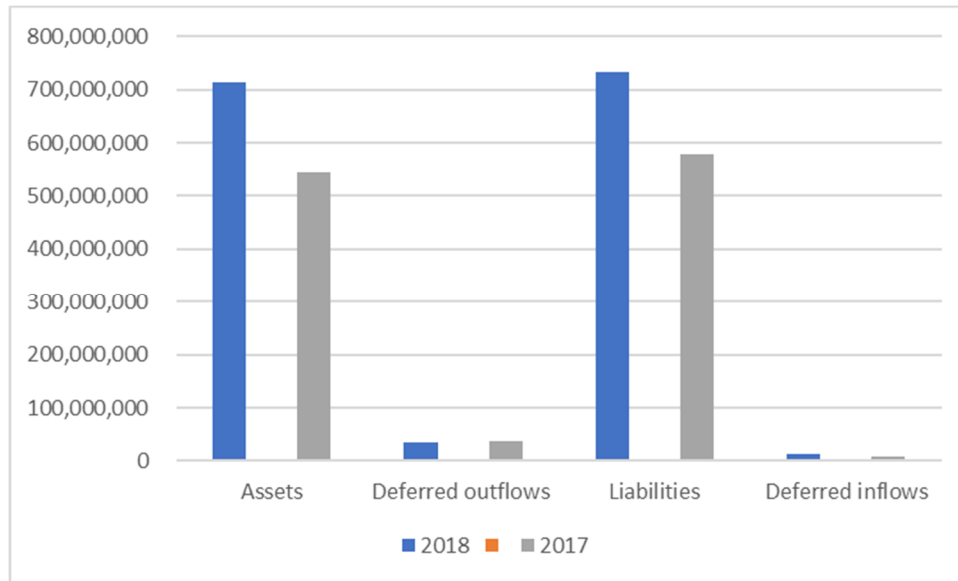
The statement of net position presents the financial position of the District at the end of the fiscal year, which ended June 30, 2018 and includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District. The difference between the (total assets and deferred outflows of resources) and (total liabilities and deferred inflows of resources) is one indicator of the 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 fiscal 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 fiscal year of the financial statement's date. The analysis below focuses on the net position and the change in net position from 2018 to 2019 for the District's governmental activities.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Statement of Net Position – Governmental Activities

Table 1

| | | <u>2019</u> | <u>2018</u> |
|---------------------------------|----------------------------------|---------------------|-----------------------|
| <u>Assets</u> | Current and other assets | \$ 357,563,983 | \$ 228,591,252 |
| | Capital assets | 357,117,696 | 316,949,538 |
| | Total Assets | <u>714,681,679</u> | <u>545,540,790</u> |
| <u>Deferred Outflows</u> | Deferred outflows | 34,467,191 | 35,986,689 |
| <u>Liabilities</u> | Current Liabilities | 20,768,107 | 15,834,029 |
| | Long-term liabilities | 711,727,023 | 561,495,217 |
| | Total Liabilities | <u>732,495,130</u> | <u>577,329,246</u> |
| <u>Deferred Inflows</u> | Deferred inflows | 12,498,276 | 7,813,232 |
| <u>Net Position</u> | Net investment in capital assets | 105,808,608 | 84,553,912 |
| | Restricted | 6,940,765 | 15,945,981 |
| | Unrestricted | (108,593,909) | (104,114,892) |
| | | <u>\$ 4,155,464</u> | <u>\$ (3,614,999)</u> |



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Statement of Activities – Governmental Activities

Table 2

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|----------------------|
| <u>Revenues</u> | | |
| General revenues | | |
| Federal and State Aid (not restricted) | \$ 3,572,902 | \$ 3,482,990 |
| Property taxes | 82,664,969 | 75,053,946 |
| Other general revenues | 16,791,434 | 17,063,944 |
| Total Revenues | <u>103,029,305</u> | <u>95,600,880</u> |
| <u>Expenses (less program revenue)</u> | | |
| Instruction related | 48,094,430 | 37,657,688 |
| Pupil services | 4,309,091 | 3,069,944 |
| Administration | 5,078,139 | 4,306,582 |
| Plant services | 10,202,740 | 8,179,571 |
| Other | 27,351,392 | 25,158,636 |
| Total Expenses | <u>95,035,792</u> | <u>78,372,421</u> |
| Changes in Net Position | <u>\$ 7,993,513</u> | <u>\$ 17,228,459</u> |

The statement of activities presents the District's results of operations. The District's changes in net position resulted in a surplus of \$7,993,513 for fiscal year ended June 30, 2019.

The District's 2018/19 general revenues were \$103,029,305. Taxes levied for general purpose accounted for (50.6%) of the District's general revenue. Taxes levied for debt service accounted for (29.6%) of the District's general revenue. Federal and State Aid made up (3.4%) of the District's general revenue. Local revenue/other made up the balance of the revenues at (16.4%) of the District's general revenue, 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 2018/2019 fiscal year expenses less program revenue increased by \$16,663,371 from the 2017/2018 fiscal year. The District's expenses include instruction and pupil related services, which amount to (55.2%) of the total expenses reported. The administrative activities of the District were five (5.3%) of expenses. Plant services (maintenance and operations) were (10.7%) of expenses. The other expenses included community services, interest on debt, other outgo and depreciation, which was thirty two (28.8%) of the total expenses.

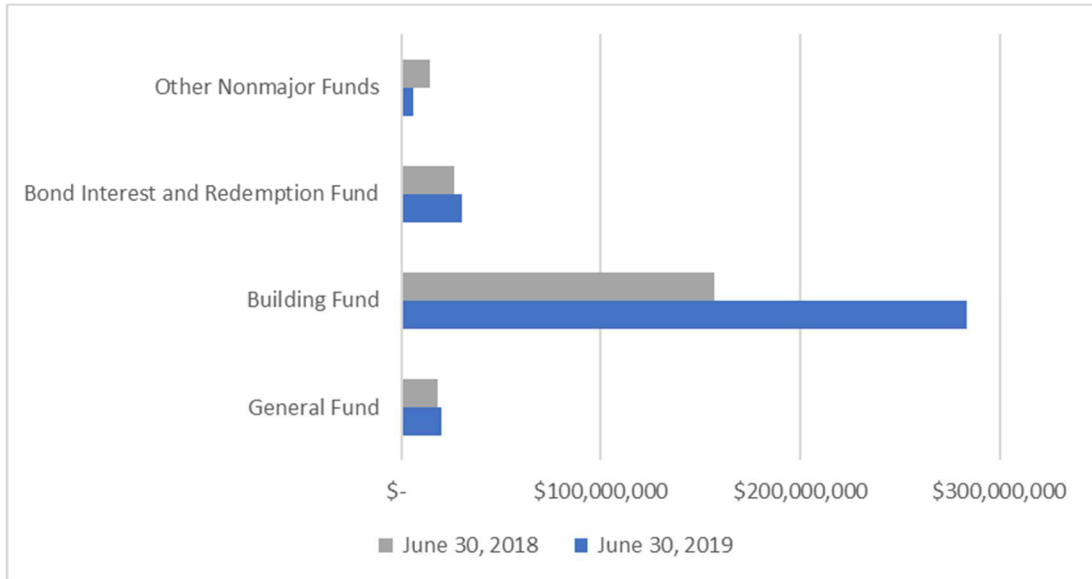
BALANCE SHEET

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, 2019</u> | <u>June 30, 2018</u> |
|-----------------------------------|-----------------------|-----------------------|
| General Fund | \$ 19,908,823 | \$ 18,223,486 |
| Building Fund | 283,478,412 | 156,866,764 |
| Bond Interest and Redemption Fund | 30,559,663 | 26,386,644 |
| Other Nonmajor Funds | <u>6,130,756</u> | <u>14,346,062</u> |
| Total Fund Balances | <u>\$ 340,077,654</u> | <u>\$ 215,822,956</u> |



Capital Assets and Long-Term Debt

GASB Statement No. 34 also requires the inclusion of capital assets and its related depreciation, and long-term debt into the basic financial statements. In accomplishing this for capital assets, the District is using a capitalization threshold of \$5,000. Items with original costs less than \$5,000 are expensed. Depreciation is computed on a straight-line basis over the estimated useful life of the asset.

The following reflects the comparison of the capital assets and long term debt between fiscal year 2019 and 2018

| | Balance <u>June 30, 2019</u> | Balance <u>July 1, 2018</u> |
|--|---------------------------------|--------------------------------|
| Capital assets, not being depreciated: | | |
| Land | \$ 2,933,062 | \$ 2,933,062 |
| Construction in progress | 220,088,041 | 175,526,349 |
| Total capital assets, not being depreciated | <u>223,021,103</u> | <u>178,459,411</u> |
| Capital assets being depreciated: | | |
| Buildings and improvements | 199,939,382 | 199,939,382 |
| Site improvements | 8,850,821 | 8,850,821 |
| Furniture and equipment | 7,542,435 | 7,506,866 |
| Total capital assets being depreciated | <u>216,332,638</u> | <u>216,297,069</u> |
| Less accumulated depreciation for: | | |
| Buildings and improvements | (68,371,007) | (64,419,527) |
| Site improvements | (6,713,549) | (6,350,011) |
| Furniture and equipment | (7,151,489) | (7,037,404) |
| Total accumulated depreciation | <u>(82,236,045)</u> | <u>(77,806,942)</u> |
| Total capital assets, being depreciated, net | <u>134,096,593</u> | <u>138,490,127</u> |
| Total capital assets, net | <u>\$ 357,117,696</u> | <u>\$ 316,949,538</u> |
| | | |
| | Balance <u>June 30, 2019</u> | Balance <u>July 1, 2018</u> |
| General obligation bonds: | | |
| Principal balance | \$ 520,178,542 | \$ 380,866,507 |
| Unamortized premium | 23,389,135 | 17,717,291 |
| Accreted interest payable | 83,395,592 | 74,496,705 |
| Compensated absences | 686,154 | 603,827 |
| Net OPEB obligation | 12,629,375 | 18,228,512 |
| Net pension liability | 69,857,661 | 66,574,426 |
| Supplemental retirement plan (SRP) | 1,530,564 | 2,947,949 |
| Loans payable | 60,000 | 60,000 |
| Totals | <u>\$ 711,727,023</u> | <u>\$ 561,495,217</u> |

During the fiscal year, the District issued 2018 general obligation bond series A in an amount of \$160,000,000.

For additional detail of the capital assets and long-term, please refer to the notes to the financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Staff, with Board approval, substantially completed the implementation of the district reconfiguration of schools. Four Kindergarten to Grade 8 (K-8) programs were closed and two K-5 schools and one 6-8 Middle School program were prepared for the opening of the 2019/2020 school year. The El Rodeo Elementary School campus was closed to complete a modernization project. Due to this reconfiguration, staffing was updated, reducing the district-wide number of full time equivalent(FTE) positions by over 28.

In 2019/2020, the District will be in year two of the current three year Collective Bargaining agreement. In FY 2019-20, base salaries will increase by 4.82%, staff will receive a .54% off salary schedule bonus calculated on base salary and, additionally, an increase in the District Health and Welfare contribution to \$10,250, a \$500 increase. In the final year of the agreement, FY 2020-2021, salaries will increase by 4.92% and the Health and welfare contribution will increase by 4.88%.

The District continues to pre-fund the OPEB liability by depositing 2% of regular salary earnings to the OPEB Trust. Staff will be recommending to the Board that 1.5% of the District's general fund be transferred and allocated for deferred maintenance projects throughout the District.

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 Assistant Superintendent of Business Services is J. Wade Roach and the Director of Fiscal Services is Angeli Villaflores.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT**STATEMENT OF NET POSITION**June 30, 2019

| Assets | <u>Governmental Activities</u> |
|--|------------------------------------|
| Cash in County Treasury | \$ 353,858,580 |
| Revolving cash fund | 50,000 |
| Accounts receivable | 3,383,647 |
| Inventory | 28,568 |
| Other assets | 243,188 |
| Land | 2,933,062 |
| Construction in progress | 220,088,041 |
| Buildings and improvements | 199,939,382 |
| Site improvements | 8,850,821 |
| Furniture and equipment | 7,542,435 |
| Less accumulated depreciation | <u>(82,236,045)</u> |
| Total assets | <u>714,681,679</u> |
| Deferred Outflows of Resources | |
| Deferred outflows of resources - pension related | 25,627,014 |
| Deferred losses on debt refunding | <u>8,840,177</u> |
| Total deferred outflows of resources | <u>34,467,191</u> |
| Liabilities | |
| Accounts payable | 17,323,017 |
| Interest payable | 3,378,050 |
| Unearned revenue | 67,040 |
| Long-term liabilities: | |
| Due within one year | 27,471,662 |
| Due in more than a year | <u>684,255,361</u> |
| Total liabilities | <u>732,495,130</u> |
| Deferred Inflow of Resources | |
| Deferred inflow of resources - pension related | 6,754,639 |
| Deferred inflow of resources - OPEB related | <u>5,743,637</u> |
| Total deferred inflows of resources | <u>12,498,276</u> |
| Net Position | |
| Net investment in capital assets | 105,808,608 |
| Restricted for: | |
| Capital projects | 5,892,936 |
| Education programs | 810,009 |
| Cafeteria program | 237,820 |
| Unrestricted | <u>(108,593,909)</u> |
| Total net position (deficit) | <u><u>\$ 4,155,464</u></u> |

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|---|-----------------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| Instruction | \$ 42,997,559 | \$ - | \$ 4,190,750 | \$ - | \$ (38,806,809) |
| Instruction-related services: | | | | | |
| Instructional supervision and administration | 2,606,576 | - | 772,821 | - | (1,833,755) |
| Instructional library, media, and technology | 2,934,763 | - | 85,668 | - | (2,849,095) |
| School site administration | 4,829,217 | - | 224,446 | - | (4,604,771) |
| Pupil services: | | | | | |
| Home-to-school transportation | 340,919 | - | 161,313 | - | (179,606) |
| Food services | 1,079,171 | 545,035 | 232,868 | - | (301,268) |
| All other pupil services | 4,826,512 | - | 998,295 | - | (3,828,217) |
| General administration: | | | | | |
| Centralized data processing | 201,524 | - | - | - | (201,524) |
| All other general administration | 5,059,117 | - | 182,502 | - | (4,876,615) |
| Plant services | 10,420,074 | - | 217,334 | - | (10,202,740) |
| Ancillary services | 694,830 | - | 146,151 | - | (548,679) |
| Community services | 111,351 | - | 878 | - | (110,473) |
| Interest on long-term debt | 19,917,141 | - | - | - | (19,917,141) |
| Other outgo | 2,345,996 | - | - | - | (2,345,996) |
| Depreciation (unallocated) | 4,429,103 | - | - | - | (4,429,103) |
| Total governmental activities: | \$ 102,793,853 | \$ 545,035 | \$ 7,213,026 | \$ - | (95,035,792) |

General revenues:

| | |
|--|--------------------|
| Taxes and subventions: | |
| Taxes levied for general purposes | 52,145,086 |
| Taxes levied for debt service | 30,477,649 |
| Tax levied for other specific purposes | 42,234 |
| Federal and state aid not restricted to specific purposes | 3,572,902 |
| Interest and investment earnings | 4,433,212 |
| Miscellaneous | 12,358,222 |
| Total general revenues | 103,029,305 |
| Change in net position | 7,993,513 |
| Net position (deficit), beginning of fiscal year | (3,614,999) |
| Restatements | (223,050) |
| Net position beginning of fiscal year, restated | (3,838,049) |
| Net position (deficit), end of fiscal year | \$ 4,155,464 |

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

| | General Fund | Building Fund | Bond Interest and Redemption Fund |
|--------------------------------------|----------------------|-----------------------|--|
| Assets | | | |
| Cash in County Treasury | \$ 25,716,606 | \$ 290,146,667 | \$ 30,559,663 |
| Revolving cash fund | 50,000 | - | - |
| Accounts receivable | 2,136,144 | 738,911 | - |
| Inventory, at cost | - | - | - |
| Other assets | 243,188 | - | - |
| | <u>28,145,938</u> | <u>290,885,578</u> | <u>30,559,663</u> |
| Total assets | <u>\$ 28,145,938</u> | <u>\$ 290,885,578</u> | <u>\$ 30,559,663</u> |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 8,170,075 | \$ 7,407,166 | \$ - |
| Unearned revenue | 67,040 | - | - |
| | <u>8,237,115</u> | <u>7,407,166</u> | <u>-</u> |
| Total liabilities | <u>8,237,115</u> | <u>7,407,166</u> | <u>-</u> |
| Fund balances: | | | |
| Nonspendable | | | |
| Revolving cash | 50,000 | - | - |
| Store inventories | - | - | - |
| Restricted | | | |
| Legally restricted balances | 810,009 | - | - |
| Cafeteria program | - | - | - |
| Capital projects | - | 283,478,412 | - |
| Debt service | - | - | 30,559,663 |
| Assigned | | | |
| Other assignments | 157,805 | - | - |
| Stabilization arrangements | 10,657,701 | - | - |
| Unassigned | 8,233,308 | - | - |
| | <u>19,908,823</u> | <u>283,478,412</u> | <u>30,559,663</u> |
| Total fund balances | <u>19,908,823</u> | <u>283,478,412</u> | <u>30,559,663</u> |
| Total liabilities and fund balances | <u>\$ 28,145,938</u> | <u>\$ 290,885,578</u> | <u>\$ 30,559,663</u> |

See notes to basic financial statements

| Other Governmental Funds | Total Governmental Funds |
|--------------------------------|--------------------------------|
| \$ 6,673,398 | \$ 353,096,334 |
| - | 50,000 |
| 508,592 | 3,383,647 |
| 28,568 | 28,568 |
| - | 243,188 |
| <u>7,210,558</u> | <u>356,801,737</u> |
| | |
| \$ 1,079,802 | \$ 16,657,043 |
| - | 67,040 |
| <u>1,079,802</u> | <u>16,724,083</u> |
| | |
| - | 50,000 |
| 28,568 | 28,568 |
| - | 810,009 |
| 209,252 | 209,252 |
| 5,892,936 | 289,371,348 |
| - | 30,559,663 |
| - | 157,805 |
| - | 10,657,701 |
| - | 8,233,308 |
| <u>6,130,756</u> | <u>340,077,654</u> |
| <u>\$ 7,210,558</u> | <u>\$ 356,801,737</u> |

THIS PAGE INTENTIONALLY LEFT BLANK

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2019

Total fund balances - governmental funds \$ 340,077,654

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 | \$ | 439,353,741 |
| Accumulated depreciation | | <u>(82,236,045)</u> |

Net 357,117,696

The District refunded portions of its 2008 Series 2009 and full amount of 2008 Series 2013 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. 8,840,177

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. (3,378,050)

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 | \$ | (520,178,542) |
| Unamortized premium | | (23,389,135) |
| Accreted interest payable | | (83,395,592) |
| Compensated absences | | (686,154) |
| Net OPEB Liability | | (12,629,375) |
| SRP | | (1,530,564) |
| Loans payable | | (60,000) |
| Net pension liability | | <u>(69,857,661)</u> |

Total (711,727,023)

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

| | | |
|--------------------------------|----|---------------------|
| Deferred outflows of resources | \$ | 25,627,014 |
| Deferred inflows of resources | | <u>(12,498,276)</u> |

Net 13,128,738

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is: 96,272

Total net position (deficit), governmental activities \$ 4,155,464

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019

| | General Fund | Building Fund | Bond Interest and Redemption Fund |
|---|----------------------|-----------------------|--|
| Revenues: | | | |
| LCFF Sources | \$ 54,237,161 | \$ - | \$ - |
| Federal | 1,701,929 | - | - |
| Other state | 7,475,883 | - | 24,739 |
| Other local | 15,471,166 | 3,032,956 | 30,830,979 |
| Total revenues | <u>78,886,139</u> | <u>3,032,956</u> | <u>30,855,718</u> |
| Expenditures: | | | |
| Certificated salaries | 32,093,144 | - | - |
| Classified salaries | 10,539,214 | 113,606 | - |
| Employee benefits | 21,789,985 | 50,458 | - |
| Books and supplies | 1,899,500 | 1,179,086 | - |
| Contracted services and other operating expenditures | 10,699,843 | 4,943,436 | 1,450,510 |
| Capital outlay | 13,910 | 36,284,441 | - |
| Other outgo | 20,524 | - | - |
| Debt service: | | | |
| Principal | - | - | 20,687,965 |
| Interest | - | - | 11,520,252 |
| Total expenditures | <u>77,056,120</u> | <u>42,571,027</u> | <u>33,658,727</u> |
| Excess of revenues over (under) expenditures | <u>1,830,019</u> | <u>(39,538,071)</u> | <u>(2,803,009)</u> |
| Other Financing Sources (Uses): | | | |
| Proceeds from issuance of bonds | - | 160,000,000 | - |
| Bond premium | - | - | 6,976,028 |
| Transfers in | - | - | - |
| Transfers out | (282,816) | - | - |
| Total other financing sources (uses) | <u>(282,816)</u> | <u>160,000,000</u> | <u>6,976,028</u> |
| Net change in fund balances | <u>1,547,203</u> | <u>120,461,929</u> | <u>4,173,019</u> |
| Fund balances, July 1, 2018 | 18,223,486 | 156,866,764 | 26,386,644 |
| Restatements | 138,134 | 6,149,719 | - |
| Fund balances, July 1, 2018, restated | <u>18,361,620</u> | <u>163,016,483</u> | <u>26,386,644</u> |
| Fund balance, June 30, 2019 | <u>\$ 19,908,823</u> | <u>\$ 283,478,412</u> | <u>\$ 30,559,663</u> |

See notes to basic financial statements

| Other Governmental Funds | Totals Governmental Funds |
|--------------------------------|---------------------------------|
| \$ - | \$ 54,237,161 |
| 193,506 | 1,895,435 |
| 9,064 | 7,509,686 |
| <u>1,544,050</u> | <u>50,879,151</u> |
| 1,746,620 | 114,521,433 |
| - | 32,093,144 |
| 436,658 | 11,089,478 |
| 174,209 | 22,014,652 |
| 894,599 | 3,973,185 |
| 400,056 | 17,493,845 |
| 1,791,552 | 38,089,903 |
| - | 20,524 |
| - | 20,687,965 |
| <u>-</u> | <u>11,520,252</u> |
| 3,697,074 | 156,982,948 |
| <u>(1,950,454)</u> | <u>(42,461,515)</u> |
| - | 160,000,000 |
| - | 6,976,028 |
| 282,816 | 282,816 |
| <u>-</u> | <u>(282,816)</u> |
| 282,816 | 166,976,028 |
| <u>(1,667,638)</u> | <u>124,514,513</u> |
| 14,346,062 | 215,822,956 |
| <u>(6,547,668)</u> | <u>(259,815)</u> |
| <u>7,798,394</u> | <u>215,563,141</u> |
| <u>\$ 6,130,756</u> | <u>\$ 340,077,654</u> |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

Total net change in fund balances - governmental funds \$ 124,514,513

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 and depreciation expense for the period is:

| | | |
|---------------------------------|--------------------|------------|
| Expenditures for capital outlay | \$ 44,597,261 | |
| Depreciation expense | <u>(4,429,103)</u> | 40,168,158 |

In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases in liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium were: (166,976,028)

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. 20,687,965

Governmental funds report the effect of premiums, discounts, and deferred losses on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. Amortization for the period was:

| | | |
|---|------------------|---------|
| Premium amortization for the period | \$ 1,304,184 | |
| Deferred losses on refunding amortized for the period | <u>(541,231)</u> | 762,953 |

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: (9,159,842)

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: (82,327)

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This fiscal year, the difference between accrual basis OPEB expenses and actual employer OPEB contributions was: (3,392)

In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time. This fiscal year, expenses incurred for such obligations were: 1,417,385

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This fiscal year, the difference between accrual basis pension costs and actual employer contributions was: (3,344,017)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: 8,145

Changes in net position of governmental activities \$ 7,993,513

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2019

| | Governmental Activities |
|-------------------------|----------------------------------|
| | <u>Internal Service Fund</u> |
| Assets | |
| Cash in County Treasury | \$ 762,246 |
| Total assets | <u>762,246</u> |
| Liabilities | |
| Accounts payable | <u>665,974</u> |
| Total liabilities | <u>665,974</u> |
| Net Position | |
| Unrestricted | <u>96,272</u> |
| Total net position | <u><u>\$ 96,272</u></u> |

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2019

| | Governmental Activities |
|--|----------------------------------|
| | <u>Internal Service Fund</u> |
| Operating Revenues: | |
| In-district premiums | \$ <u>46</u> |
| Operating Expenses: | |
| Contracted services and other operating expenses | <u>-</u> |
| Operating income | <u>46</u> |
| Non-Operating Revenues (Expenses): | |
| Interest income | <u>8,099</u> |
| Change in net position | <u>8,145</u> |
| Net position - July 1, 2018 | 51,362 |
| Restatements | <u>36,765</u> |
| Net position - July 1, 2018, restated | <u>88,127</u> |
| Net position - June 30, 2019 | <u><u>\$ 96,272</u></u> |

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2019

| | Governmental Activities |
|--|----------------------------------|
| | <u>Internal Service Fund</u> |
| Cash flows from operating activities: | |
| Cash received from internal charges | \$ 46 |
| Cash awaiting to paid for contracted services and other operating expenses | <u>698,272</u> |
| Net cash provided by operating activities | 698,318 |
| Cash flows from investing activities: | |
| Interest received | <u>8,110</u> |
| Net increase in cash and cash equivalents | 706,428 |
| Cash and cash equivalents at July 1, 2018 | <u>55,818</u> |
| Cash and cash equivalents at June 30, 2019 | <u><u>\$ 762,246</u></u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Operating income | \$ 46 |
| Increase (decrease) in operating liabilities: | |
| Accounts payable | <u>698,272</u> |
| Net cash provided by operating activities | <u><u>\$ 698,318</u></u> |

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2019

| | Retiree Benefit Fund | Agency Funds | | Totals |
|---------------------------|----------------------------|---------------------------------|----------------------|-------------------|
| | | Warrant Pass-through Fund | Student Body Fund | |
| Assets | | | | |
| Cash in County Treasury | \$ 22,759 | \$ (163,598) | \$ - | \$ (163,598) |
| Cash on hand and in banks | - | - | 1,079,561 | 1,079,561 |
| Investments | 1,950,489 | - | - | - |
| Accounts receivable | 125 | - | - | - |
| Total assets | <u>1,973,373</u> | <u>\$ (163,598)</u> | <u>\$ 1,079,561</u> | <u>\$ 915,963</u> |
| Liabilities | | | | |
| Due to student groups | \$ - | \$ - | \$ 1,079,561 | \$ 1,079,561 |
| Accounts payable | <u>1,392</u> | <u>(163,598)</u> | <u>-</u> | <u>(163,598)</u> |
| Total liabilities | <u>1,392</u> | <u>\$ (163,598)</u> | <u>\$ 1,079,561</u> | <u>\$ 915,963</u> |
| Net Position | | | | |
| Unrestricted | <u>1,971,981</u> | | | |
| Total net position | <u>\$ 1,971,981</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, 2019

| | Retiree Benefit Fund |
|------------------------------|----------------------------|
| Additions: | |
| Interest | \$ 470 |
| Contributions | <u>1,950,489</u> |
| Total additions | <u>1,950,959</u> |
| Change in net position | 1,950,959 |
| Net position - July 1, 2018 | <u>21,022</u> |
| Net position - June 30, 2019 | <u><u>\$ 1,971,981</u></u> |

See notes to basic financial statements

THIS PAGE INTENTIONALLY LEFT BLANK

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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, GASB Statement No. 61, and GASB Statement No. 80, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support of the District or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

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

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

The Beverly Hills Education Foundation The Beverly Hills Education Foundation Inc. (the Foundation) is a legally separate, tax-exempt entity. The Foundation's sole purpose is to provide financial support for the District. Although the District does not control the timing or the amount of receipts of the Foundation, the majority of the resources held by the Foundation can only be used by, or for the benefit of the District. During the fiscal year ended June 30, 2019, the Foundation contributed \$507,712 to the District.

Financial Statement Presentation For financial statement purpose, the Foundation's financial activity should be discretely presented in the District's financial statements. However, current audited financial information was not available at the time of the District's audit.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

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

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position for proprietary funds present increases (i.e. revenues) and decreases (i.e. expenses) in net position. The statement of cash flows provides information about how the District meets the cash flow needs of proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the internal service fund is charges to other funds for self-insurance costs. Operating expenses for the internal service fund include the costs of insurance premiums and claims related to self-insurance.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The internal service fund is presented on the proprietary fund statements. 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.

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.

Cash and Cash Equivalents:

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the *Statement of Cash Flows*.

Unearned revenue:

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

Pensions:

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

Other Postemployment Benefits (OPEB):

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Expenses/expenditures:

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

E. 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, proprietary, and fiduciary funds as follows:

Major Governmental Funds:

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

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

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

Nonmajor Governmental Funds:

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

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

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

1. The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

Nonmajor Governmental Funds:

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.

Proprietary Fund:

Internal Service Fund is used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund.

The Self-Insurance Fund is used to account for resources committed to pay for costs arising from dental and vision claims that are not covered, or are only partially covered, through purchased insurance.

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.

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.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Assets, Deferred Outflows and Inflows 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

The premiums 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.

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 |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Deferred inflows and outflows of resources

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

In addition to assets and liabilities, the Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. A deferred outflow of resources is defined as a consumption of net position while a deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period. The District has items which qualify for reporting in these two categories; refer to Note 1 H.10, Notes 10,11, and 15 for a detailed listing of the deferred outflows/inflows of resources.

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.

9. Long-Term Obligations

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

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

10. Deferred Losses on Refunding

The deferred losses on refunding in the government-wide financial statements represent the difference between the cost of the old debt and the cost of the refunding. As the amount is directly related to the debt, the amount is deferred and amortized over the life, shorter of the old or new debt, using the straight-line method. During the fiscal year, \$541,231 was amortized as interest expense and as of June 30, 2019, the remaining balance is \$8,840,177.

11. Fund Balance – Governmental Funds

As of June 30, 2019, 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.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Fund Balance – Governmental Funds (Continued)

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

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board is the highest level of decision-making authority for the district. Commitments may be established, modified, or rescinded only through resolutions approved by the governing board.

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. During the fiscal year 2018-2019, the governing board assigned \$10,657,701 as stabilization arrangements.

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.

I. Property Taxes

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

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

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

J. Estimates

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

GASB Statements listed below will be implemented in future financial statements:

| | | |
|------------------|---|--|
| Statement No. 84 | "Fiduciary Activities" | The provision of this statement is effective for fiscal years beginning after December 15, 2018. |
| Statement No. 87 | "Leases" | The provision of this statement is effective for fiscal years beginning after December 15, 2019. |
| Statement No. 89 | "Accounting for Interest Cost Incurred before the End of a Construction Period" | The provision of this statement is effective for fiscal years beginning after December 15, 2019. |
| Statement No. 90 | "Majority Equity Interest-an Amendment of GASB Statements No. 14 and No. 61" | The provision of this statement is effective for fiscal years beginning after December 15, 2018. |
| Statement No. 91 | "Conduit Debt Obligations" | The provision of this statement is effective for fiscal years beginning after December 15, 2020. |

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments at June 30, 2019 consisted of the following:

| | |
|---|---------------------------|
| Cash and investments with County Treasury | \$ 353,717,741 |
| Cash on hand and in banks | 1,129,561 |
| Investments | <u>1,950,489</u> |
| Total cash and investments | <u>\$ 356,797,791</u> |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

| | |
|--|----------------------------------|
| Cash in County Treasury, statement of net position | \$ 353,858,580 |
| Cash in revolving fund, statement of net position | 50,000 |
| Cash in County Treasury, statement of fiduciary net position | (140,839) |
| Cash on hand and in banks, statement of fiduciary net position | 1,079,561 |
| Investment, statement of fiduciary net position | <u>1,950,489</u> |
| Total cash and investments | <u><u>\$ 356,797,791</u></u> |

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. These principles recognized a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District had investments in the Los Angeles County Investment Pool, however, this external pool is not measured under Level 1, 2, or 3.

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 (\$353,717,741 as of June 30, 2019). The fair value of this pool as of that date, as provided by the plan sponsor, was \$353,717,741. The District is considered to be an involuntary participant in the external pool. Interest is deposited in the participating funds. The County is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Cash on Hand, in Banks, and in Revolving Fund

Cash balance on hand and in banks (\$1,079,561 as of June 30, 2019) 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 authorizes investment in the local government investment pool administered by the County of Los Angeles and the PARS OPEB trust. 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.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District’s investment policy. The following table identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements (Continued)

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---------------------|---------------------------------------|--|
| Money Market Mutual Funds | N/A | None | None |
| Local Agency Investment Fund (State Pool) | None | None | \$65 million |
| Guaranteed Investment Contract | N/A | None | None |
| County Investment Pool | None | None | None |

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 | \$ 353,717,741 | \$ 353,717,741 | \$ - | \$ - | \$ - |
| PARS OPEB Trust | 1,950,489 | 1,950,489 | - | - | - |
| Total | \$ 355,668,230 | \$ 355,668,230 | \$ - | \$ - | \$ - |

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 | \$ 353,717,741 | N/A | \$ - | \$ - | \$ - | \$ - | \$ 353,717,741 |
| PARS OPEB Trust | 1,950,489 | N/A | - | - | - | - | 1,950,489 |
| Total | \$ 355,668,230 | | \$ - | \$ - | \$ - | \$ - | \$ 355,668,230 |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 2 - CASH AND INVESTMENTS (Continued)

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, 2019, \$990,938 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

For the fiscal year ended June 30, 2019, the District incurred no excess of expenditures over appropriations of in the General Fund as presented in the Budgetary Comparison Schedule by major object code.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consist of the following:

| | General Fund | Building Fund | Other Governmental Funds | Retiree Benefit Fund |
|---------------------|---------------------|-------------------|--------------------------------|----------------------------|
| Federal Government | | | | |
| Categorical Aid | \$ 1,113,332 | \$ - | \$ 55,303 | \$ - |
| State Government | | | | |
| Categorical Aid | 346,515 | - | 2,051 | - |
| Lottery | 118,485 | - | - | - |
| Local Government | | | | |
| Interest | 168,159 | 738,911 | 75,487 | 125 |
| Other Local Sources | 389,653 | - | 375,751 | - |
| | <u>\$ 2,136,144</u> | <u>\$ 738,911</u> | <u>\$ 508,592</u> | <u>\$ 125</u> |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

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 2018-2019 fiscal year are as follows:

| Fund | Transfers In | Transfers Out |
|----------------|-------------------|-------------------|
| Major Fund: | | |
| General Fund | \$ - | \$ 282,816 |
| Nonmajor Fund: | | |
| Cafeteria Fund | <u>282,816</u> | <u>-</u> |
| Totals | <u>\$ 282,816</u> | <u>\$ 282,816</u> |

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

| | Balance July 1, 2018 | Additions | Deletions | Balance June 30, 2019 |
|--|-------------------------|----------------------|-------------|--------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,933,062 | \$ - | \$ - | \$ 2,933,062 |
| Construction in progress | <u>175,526,349</u> | <u>44,561,692</u> | <u>-</u> | <u>220,088,041</u> |
| Total capital assets, not being depreciated | <u>178,459,411</u> | <u>44,561,692</u> | <u>-</u> | <u>223,021,103</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 199,939,382 | - | - | 199,939,382 |
| Site improvements | 8,850,821 | - | - | 8,850,821 |
| Furniture and equipment | <u>7,506,866</u> | <u>35,569</u> | <u>-</u> | <u>7,542,435</u> |
| Total capital assets being depreciated | <u>216,297,069</u> | <u>35,569</u> | <u>-</u> | <u>216,332,638</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (64,419,527) | (3,951,480) | - | (68,371,007) |
| Site improvements | (6,350,011) | (363,538) | - | (6,713,549) |
| Furniture and equipment | <u>(7,037,404)</u> | <u>(114,085)</u> | <u>-</u> | <u>(7,151,489)</u> |
| Total accumulated depreciation | <u>(77,806,942)</u> | <u>(4,429,103)</u> | <u>-</u> | <u>(82,236,045)</u> |
| Total capital assets, being depreciated, net | <u>138,490,127</u> | <u>(4,393,534)</u> | <u>-</u> | <u>134,096,593</u> |
| Total capital assets, net | <u>\$ 316,949,538</u> | <u>\$ 40,168,158</u> | <u>\$ -</u> | <u>\$ 357,117,696</u> |

Depreciation expense of \$4,429,103 was charged to governmental activities as unallocated.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 7 - LONG-TERM LIABILITIES – SCHEDULE OF CHANGES

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2019, is shown below:

- General Obligation Bonds are paid from tax revenues and are reported in the Bond Interest and Redemption Fund.
- SRP, pension liability, and OPEB liability 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, 2018 | Additions | Deletions | Balance June 30, 2019 | Due within One Year |
|------------------------------------|-------------------------|-----------------------|------------------------|--------------------------|------------------------|
| General obligation bonds: | | | | | |
| Principal balance | \$ 380,866,507 | \$ 160,000,000 | \$ (20,687,965) | \$ 520,178,542 | \$ 20,928,537 |
| Unamortized premium | 17,717,291 | 6,976,028 | (1,304,184) | 23,389,135 | 1,582,298 |
| Accreted interest payable | 74,496,705 | 12,813,801 | (3,914,914) | 83,395,592 | 3,925,828 |
| Compensated absences | 603,827 | 284,511 | (202,184) | 686,154 | 229,750 |
| Net OPEB liability | 18,228,512 | - | (5,599,137) | 12,629,375 | - |
| Net pension liability | 66,574,426 | 3,283,235 | - | 69,857,661 | - |
| Supplemental retirement plan (SRP) | 2,947,949 | - | (1,417,385) | 1,530,564 | 745,249 |
| Loans payable | 60,000 | - | - | 60,000 | 60,000 |
| Totals | <u>\$ 561,495,217</u> | <u>\$ 183,357,575</u> | <u>\$ (33,125,769)</u> | <u>\$ 711,727,023</u> | <u>\$ 27,471,662</u> |

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, 2019 | Due within One Year |
|------------|---------------|---------------|----------------|--------------------------------|-----------------------|------------------------|---------------------------------|----------------------|
| | | | | Bonds Outstanding July 1, 2018 | Issued | Redeemed | | |
| 6/2001 | 5/2020 | 4.00-5.50% | \$ 13,600,000 | \$ 2,165,000 | \$ - | \$ (1,050,000) | \$ 1,115,000 | \$ 1,115,000 |
| 7/2005 | 6/2023 | 2.70-5.25% | 47,354,973 | 10,614,802 | - | (2,331,771) | 8,283,031 | 2,221,948 |
| 7/2005 | 8/2026 | 2.70-5.25% | 36,384,991 | 15,406,153 | - | (1,846,194) | 13,559,959 | 1,801,589 |
| 1/2009 | 8/2033 | 2.50-8.10% | 72,044,664 | 61,734,664 | - | (2,150,000) | 59,584,664 | - |
| 4/2012 | 8/2030 | 2.00-5.00% | 42,230,000 | 40,450,000 | - | (985,000) | 39,465,000 | 1,160,000 |
| 9/2015 | 8/2032 | 2.00-5.00% | 76,000,000 | 65,055,000 | - | (4,945,000) | 60,110,000 | 3,305,000 |
| 11/2016 | 8/2038 | 3.00-5.00% | 55,738,598 | 55,628,598 | - | - | 55,628,598 | 2,640,000 |
| 2/2017 | 8/2040 | 2.00-5.00% | 140,952,290 | 129,812,290 | - | (7,380,000) | 122,432,290 | 8,685,000 |
| 6/2019 | 8/2044 | 3.00-5.00% | 160,000,000 | - | 160,000,000 | - | 160,000,000 | - |
| | | | | <u>\$ 380,866,507</u> | <u>\$ 160,000,000</u> | <u>\$ (20,687,965)</u> | <u>\$ 520,178,542</u> | <u>\$ 20,928,537</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, 2019, the principal balance outstanding was \$1,115,000.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 8 - GENERAL OBLIGATION BONDS (Continued)

2001 General Obligation Refunding Bonds (Continued)

The bonds mature through fiscal year 2020 as follows:

| Fiscal Year Ended | Principal | Interest | Total |
|----------------------|---------------------|------------------|---------------------|
| 2020 | \$ 1,115,000 | \$ 61,325 | \$ 1,176,325 |
| | <u>\$ 1,115,000</u> | <u>\$ 61,325</u> | <u>\$ 1,176,325</u> |

2005 Refunding Bonds Series A and B

In July 2005, the District issued General Obligation Refunding Bonds Series A and B in the amount of \$47,354,973 and \$36,384,991, respectively. The bonds were issued for the purpose of providing funds to refinance two previously outstanding bond issues including the 1998 Series B and the 2002 Series A bonds. The 2005 Refunding Bonds Series A and B had combined deferred losses on refunding and premium that was fully amortized over the life of the debt. The premium was amortized utilizing the straight-line method. The bonds' interest rates range from 2.70 percent to 5.25 percent. The outstanding principal at June 30, 2019 was \$8,283,031 and \$13,559,959, respectively. The accreted interest on the capital appreciation bonds balance as of June 30, 2019 was \$7,596,331 and \$13,843,069 respectively.

The Series A bonds mature through fiscal year 2023 as follows:

| Fiscal Year Ended | Principal | Accreted Interest | Total |
|----------------------|---------------------|----------------------|----------------------|
| 2020 | \$ 2,221,948 | \$ 2,275,552 | \$ 4,497,500 |
| 2021 | 2,117,780 | 2,379,720 | 4,497,500 |
| 2022 | 2,018,818 | 2,479,432 | 4,498,250 |
| 2023 | 1,924,485 | 2,574,765 | 4,499,250 |
| | <u>\$ 8,283,031</u> | <u>\$ 9,709,469</u> | <u>\$ 17,992,500</u> |

The Series B bonds mature through fiscal year 2027 as follows:

| Fiscal Year Ended | Principal | Accreted Interest | Total |
|----------------------|----------------------|----------------------|----------------------|
| 2020 | \$ 1,801,589 | \$ 1,885,930 | \$ 3,687,519 |
| 2021 | 1,753,835 | 2,020,383 | 3,774,218 |
| 2022 | 1,709,865 | 2,158,691 | 3,868,556 |
| 2023 | 1,667,039 | 2,298,462 | 3,965,501 |
| 2024 | 1,623,433 | 2,436,692 | 4,060,125 |
| 2025-2027 | 5,004,198 | 8,840,926 | 13,845,124 |
| | <u>\$ 13,559,959</u> | <u>\$ 19,641,084</u> | <u>\$ 33,201,043</u> |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

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' interest rates range from 2.50 percent to 8.10 percent. The bonds were issued for the purpose of providing funds to refinance new construction, additions to and modernization of school facilities for the District. On November 2, 2016, the District issued 2016 General Obligation Refunding Bonds to advance refund partial of the Current Interest bonds. The advance refunding resulted in a legal defeasance of the bonds. An irrevocable trust was established with funds sufficient to fund payments on the bonds until the redemption date. The difference between the debt service of the original bonds and the refunding bonds is \$428,121 and an economic gain (difference between the present values of the old and new debt) of \$387,754. Because the transaction qualifies as a legal defeasance the obligations for the defeased bonds have been removed from the District's financial statements. The remaining unamortized premium totaled \$1,390,932 as of June 30, 2019. The premium is being amortized utilizing the straight-line method over the life of the debt. The outstanding principal at June 30, 2019, was \$59,584,664. The accreted interest on the capital appreciation bonds balance as of June 30, 2019 was 53,034,436.

The bonds mature through fiscal year 2034 as follows:

| Fiscal Year Ended | Principal | Accreted Interest | Total |
|----------------------|----------------------|-----------------------|-----------------------|
| 2020 | \$ - | \$ - | \$ - |
| 2021 | - | - | - |
| 2022 | 1,634,424 | 2,765,576 | 4,400,000 |
| 2023 | 1,715,550 | 3,284,450 | 5,000,000 |
| 2024 | 2,521,860 | 2,978,140 | 5,500,000 |
| 2025-2029 | 23,440,320 | 42,559,680 | 66,000,000 |
| 2029-2034 | 30,272,510 | 92,727,490 | 123,000,000 |
| | <u>\$ 59,584,664</u> | <u>\$ 144,315,336</u> | <u>\$ 203,900,000</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 \$3,514,014 as of June 30, 2019. The premium is being amortized utilizing the straight-line method over the life of the debt. The bonds interest rates range from 2.00 percent to 5.00 percent. The outstanding principal at June 30, 2019, was \$39,465,000.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 8 - GENERAL OBLIGATION BONDS (Continued)

2012 General Obligation Refunding Bonds (Continued)

The bonds mature through fiscal year 2031 as follows:

| Fiscal Year Ended | Principal | Interest | Total |
|----------------------|----------------------|----------------------|----------------------|
| 2020 | \$ 1,160,000 | \$ 1,763,788 | \$ 2,923,788 |
| 2021 | 1,370,000 | 1,714,238 | 3,084,238 |
| 2022 | 2,745,000 | 1,625,063 | 4,370,063 |
| 2023 | 3,020,000 | 1,480,938 | 4,500,938 |
| 2024 | 3,345,000 | 1,330,563 | 4,675,563 |
| 2025-2029 | 18,655,000 | 4,085,433 | 22,740,433 |
| 2030-2031 | 9,170,000 | 431,587 | 9,601,587 |
| | <u>\$ 39,465,000</u> | <u>\$ 12,431,610</u> | <u>\$ 51,896,610</u> |

2008 General Obligation Bond Series 2013

In December 2013, the District issued 2008 General Obligation Bonds Series 2013 in the amount of \$44,999,303. The bonds were issued for the purpose of financing the construction, renovation, modernization and equipping of school facilities. On November 2, 2016, the District issued 2016 General Obligation Refunding Bonds to advance refund the bonds. The advance refunding resulted in a legal defeasance of the bonds. An irrevocable trust was established with funds sufficient to fund payments on the bonds until the redemption date. The difference between the debt service of the original bonds and the refunding bonds is \$5,800,000 and an economic gain (difference between the present values of the old and new debt) of \$2,959,192. Because the transaction qualifies as a legal defeasance the obligations for the defeased bonds have been removed from the District's financial statements. As of June 30, 2019, the defeased bonds balance including accreted interest of \$10,739,861 was \$44,389,164.

2008 General Obligation Bond Series 2015

In September 2015, the District issued 2008 General Obligation Bonds Series 2015 in the amount of \$76,000,000. The bonds were issued for the purpose of financing the construction, renovation, modernization and equipping of school facilities. The unamortized premium totaled \$5,098,613 as of June 30, 2019. The premium is being amortized utilizing the straight-line method over the life of the debt. The bond's interest rates range from 2.00 percent to 5.00 percent. The outstanding principal at June 30, 2019, was \$60,110,000.

The bonds mature through fiscal year 2033 as follows:

| Fiscal Year Ended | Principal | Interest | Total |
|----------------------|----------------------|----------------------|----------------------|
| 2020 | \$ 3,305,000 | \$ 2,107,101 | \$ 5,412,101 |
| 2021 | 3,390,000 | 2,023,626 | 5,413,626 |
| 2022 | 3,395,000 | 1,955,776 | 5,350,776 |
| 2023 | 3,540,000 | 1,886,426 | 5,426,426 |
| 2024 | 3,780,000 | 1,775,426 | 5,555,426 |
| 2025-2029 | 27,370,000 | 5,810,742 | 33,180,742 |
| 2030-2033 | 15,330,000 | 796,025 | 16,126,025 |
| | <u>\$ 60,110,000</u> | <u>\$ 16,355,122</u> | <u>\$ 76,465,122</u> |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 8 - GENERAL OBLIGATION BONDS (Continued)

2016 General Obligation Refunding Bond

On November 2, 2016, the District issued 2016 General Obligation Refunding Bonds in the amount of \$55,738,598. The bonds were issued for the purpose of refund portions of the 2008 General Obligation Bond Series 2009 and refund the entire portions of the 2008 General Obligation Bond Series 2013. The bonds included \$6,135,000 in Current Interest bonds and \$49,603,598 in Capital Appreciation bonds. The Capital Appreciation bonds accrete to a \$98,485,000 maturity value. The unamortized premium totaled \$224,313 as of June 30, 2019. The premium is being amortized utilizing the straight-line method over the life of the debt. The bond's interest rates range from 3.00 percent to 5.00 percent. The outstanding principal at June 30, 2019, was \$55,628,598. The accreted interest on the capital appreciation bonds balance as of June 30, 2019 was \$4,258,066.

The bonds mature through fiscal year 2039 as follows:

| Fiscal Year Ended | Principal | Accreted Interest | Interest | Total |
|----------------------|----------------------|----------------------|-------------------|-----------------------|
| 2020 | \$ 2,640,000 | \$ - | \$ 235,250 | \$ 2,875,250 |
| 2021 | 3,385,000 | - | 84,625 | 3,469,625 |
| 2022 | - | - | - | - |
| 2023 | - | - | - | - |
| 2024 | - | - | - | - |
| 2025-2029 | - | - | - | - |
| 2030-2034 | - | - | - | - |
| 2035-2039 | 49,603,598 | 48,881,402 | - | 98,485,000 |
| | <u>\$ 55,628,598</u> | <u>\$ 48,881,402</u> | <u>\$ 319,875</u> | <u>\$ 104,829,875</u> |

2008 General Obligation Bond Series 2017

On February 9, 2017, the District issued 2008 General Obligation Bond Series 2017 in the amount of \$140,952,290. The bonds were issued for the purpose of financing to acquire, repair, and construct certain equipment, sites and facilities of the District. The bonds included \$99,565,000 in Current Interest bonds and \$41,387,290 in Capital Appreciation bonds. The Capital Appreciation bonds accrete to a \$95,705,000 maturity value. The unamortized premium totaled \$6,185,235 as of June 30, 2019. The premium is being amortized utilizing the straight-line method over the life of the debt. The bond's interest rates range from 2.00 percent to 5.00 percent. The outstanding principal at June 30, 2019, was \$122,432,290. The accreted interest on the capital appreciation bonds balance as of June 30, 2019 was \$4,663,690.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 8 - GENERAL OBLIGATION BONDS (Continued)

2008 General Obligation Bond Series 2017 (Continued)

The bonds mature through fiscal year 2039 as follows:

| Fiscal Year Ended | Principal | Accreted Interest | Interest | Total |
|----------------------|-----------------------|----------------------|----------------------|-----------------------|
| 2020 | \$ 8,685,000 | \$ - | \$ 2,889,225 | \$ 11,574,225 |
| 2021 | 7,160,000 | - | 2,651,550 | 9,811,550 |
| 2022 | 7,350,000 | - | 2,433,900 | 9,783,900 |
| 2023 | 7,680,000 | - | 2,246,850 | 9,926,850 |
| 2024 | 7,985,000 | - | 1,970,425 | 9,955,425 |
| 2025-2029 | 13,040,000 | - | 6,786,600 | 19,826,600 |
| 2030-2034 | 690,000 | - | 5,765,000 | 6,455,000 |
| 2035-2039 | 32,747,312 | 40,512,688 | 5,691,000 | 78,951,000 |
| 2040-2041 | 37,094,978 | 13,805,022 | 1,056,100 | 51,956,100 |
| | <u>\$ 122,432,290</u> | <u>\$ 54,317,710</u> | <u>\$ 31,490,650</u> | <u>\$ 208,240,650</u> |

2018 General Obligation Bond Series A

On June 13, 2019, the District issued 2018 General Obligation Bond Series A in the amount of \$160,000,000. The Bonds are being issued to finance the acquisition, construction, repairing, upgrading and equipping of District sites and facilities, and to pay the costs of issuance of the Bonds. The unamortized premium totaled \$6,976,028 as of June 30, 2019. The premium is being amortized utilizing the straight-line method over the life of the debt. The bond's interest rates range from 3.00 percent to 5.00 percent. The outstanding principal at June 30, 2019, was \$160,000,000.

The bonds mature through fiscal year 2045 as follows:

| Fiscal Year Ended | Principal | Interest | Total |
|----------------------|-----------------------|----------------------|-----------------------|
| 2020 | \$ - | \$ 3,391,335 | \$ 3,391,335 |
| 2021 | 13,455,000 | 5,368,675 | 18,823,675 |
| 2022 | 10,140,000 | 4,778,800 | 14,918,800 |
| 2023 | - | 4,525,300 | 4,525,300 |
| 2024 | - | 4,525,300 | 4,525,300 |
| 2025-2029 | 3,220,000 | 22,546,000 | 25,766,000 |
| 2030-2034 | 23,475,000 | 19,681,800 | 43,156,800 |
| 2035-2039 | 38,535,000 | 13,904,925 | 52,439,925 |
| 2040-2044 | 57,090,000 | 6,645,300 | 63,735,300 |
| 2045 | 14,085,000 | 211,275 | 14,296,275 |
| | <u>\$ 160,000,000</u> | <u>\$ 85,578,710</u> | <u>\$ 245,578,710</u> |

NOTE 9 - COMPENSATED ABSENCES

The accumulated unpaid employee vacation for the District at June 30, 2019, amounted to \$686,154.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

At June 30, 2019, net OPEB liability and related deferred inflows of resources are as follows:

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Net OPEB liabilities: | \$ 12,288,565 |
| Total net OPEB liabilities | <u>\$ 12,288,565</u> |
| | |
| Deferred inflows of Resources: | |
| Changes of assumptions | \$ 5,688,572 |
| Net difference between projected and actual earnings on OPEB plan investments | <u>55,065</u> |
| Total deferred inflows of resources | <u>\$ 5,743,637</u> |

Plan Description

OPEB provided: The District provides lifetime retiree medical, dental & vision coverage.

Access to coverage: The District offers integrated medical/prescription drug coverage through CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA). Employees can choose from a variety of HMO and PPO options providing comprehensive medical and prescription drug coverage. The District offers the same medical plans to its retirees and surviving spouses as to its active employees, with the exception that once a retiree becomes eligible for Medicare he or she must join a Medicare HMO or a Medicare Supplement plan, with Medicare becoming the primary payer. Dental and vision benefits are also provided to employees and retirees.

Employees become eligible to retire and receive District-paid healthcare benefits upon attainment of age 50 (age 52 for PEPRA employees) and 5 years of service (CalPERS), or age 55 and 10 years of service (CalSTRS). The District contribution towards retiree health benefits is determined under the "equal contribution method" under PEMHCA, whereby the contribution is 100% of the District's statutory minimum contribution for active employees (\$136/month for 2019 and \$139/month for 2020, and scheduled to be indexed by medical inflation for years after 2020).

In addition to the statutory minimum contribution, employees who have attained age 55 and completed at least 10 years of service may receive District-paid supplemental health benefits for a period of up to 8 years, or 10 years if the employee had 20 or more years of service. Supplemental benefits end at age 65 and the retiree may continue to receive the PEMHCA minimum contribution for his or her remaining lifetime by continued participation in PEMHCA.

The supplemental benefit includes the PEMHCA minimum, and varies slightly as follows:

Certificated and unrepresented retirees are capped at \$9,750 for 2019 and \$10,250 for 2020 CSEA members receive the full amount for medical and dental premiums for retiree only.

Other BHEA members (OTBS and Instructional Assistants) are capped at \$7,000/year.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Employees Covered

As of June 30, 2019, actuarial valuation, the following current and former employees were covered by the benefit terms under the District's Plan:

| | |
|--|-------------------|
| Active plan members | 472 |
| Inactive employees or beneficiaries currently receiving benefit payments | 164 |
| Inactive employees entitled to but not yet receiving benefit payments | <u>-</u> |
| Total | <u><u>636</u></u> |

Contribution Information

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 2019, the District contributed \$562,346 to the plan including implicit rate subsidy of \$152,281.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 based on the following actuarial methods and assumptions.

| | |
|-----------------------------|---|
| Valuation Date | June 30, 2019 |
| Measurement Date | June 30, 2019 |
| Inflation | 2.25% |
| Salary increases | 3.0%, average, including inflation |
| Discount rate | 5.90%, net of investment expense, including inflation |
| Healthcare cost trend rates | 8.0% for 2019-20, decreasing to 5.0% for 2022-23 and after |
| Retirees' share of cost | Based on retirees' cost-sharing provisions, with dollar caps and statutory minimum benefits projected to increase at an average of 3.0% per year. |

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

Discount Rate

The long-term expected rate of return on OPEB plan investments of 5.90% for the PARS Trust was provided by PARS and US Bank, using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the OPEB Liability

| | Increase (Decrease) | | |
|--|--------------------------------|---------------------------------------|--|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability/(Asset) (c) = (a) - (b) |
| Balance at fiscal year ending June 30, 2018 | \$ 18,947,267 | \$ 1,091,325 | \$ 17,855,942 |
| Changes Recognized for the Measurement Period: | | | |
| Service Cost | 1,510,791 | - | 1,510,791 |
| Interest on the total OPEB liability | 730,403 | - | 730,403 |
| Changes of benefit terms | - | - | - |
| Difference between expected and actual investment income | - | 55,344 | (55,344) |
| Changes of assumptions | (6,387,061) | - | (6,387,061) |
| Contributions from the employer | - | 1,316,747 | (1,316,747) |
| Net investment income | - | 53,095 | (53,095) |
| Administrative expenses | - | (3,676) | 3,676 |
| Benefit payments | (562,346) | (562,346) | - |
| Net Changes during July 1,2018 to June 30, 2019 | <u>(4,708,213)</u> | <u>859,164</u> | <u>(5,567,377)</u> |
| Balance at fiscal year ending June 30, 2019 (Measurement Date) | <u>\$ 14,239,054</u> | <u>\$ 1,950,489</u> | <u>\$ 12,288,565</u> |

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following present the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher that the current rate, for measurement period ended June 30, 2019:

| Plan's Net OPEB Liability (Asset) | | |
|-----------------------------------|----------------------------------|-------------------------------|
| Current Discount Rate - 1% | Current Discount Rate (5.90%) | Current Discount Rate + 1% |
| \$ 13,995,597 | \$ 12,288,565 | \$ 10,848,177 |

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trends Rates

The following present the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher that the current rate, for measure period ended June 30, 2019:

| Plan's Net OPEB Liability (Asset) | | |
|--|---|--|
| Current | | |
| Current Trend Rate - 1% (7.0% decreasing to 4.0%) | Healthcare Cost Trend Rate (8.0% decreasing to 5.0%) | Current Trend Rate + 1% (9.0% decreasing to 6.0%) |
| \$ 11,883,758 | \$ 12,288,565 | \$ 12,748,646 |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss. Changes in assumptions on OPEB plan investments are recognized over 7.6719 years. All other amounts are recognized over the expected average remaining lifetime (EARS�).

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$1,326,783. As of fiscal year ended June 30, 2019, the District reported deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|----------------------------------|
| Changes of assumptions | \$ - | \$ 5,688,572 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 55,065 |
| Total | <u>\$ -</u> | <u>\$ 5,743,637</u> |

Amounts reported as deferred inflows and outflows of resources will be recognized in the OPEB expense as follows:

| Measurement Period Ended June 30, | Recognized Net Deferred Outflows (Inflows) of Resources |
|---|--|
| 2020 | \$ (864,992) |
| 2021 | (864,992) |
| 2022 | (864,992) |
| 2023 | (861,396) |
| 2024 | (850,327) |
| Thereafter | <u>(1,436,938)</u> |
| Total | <u>\$ (5,743,637)</u> |

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS MEDICARE PREMIUMS PAYMENT PROGRAM (OPEB)

Plan Description

CalSTRS administers a cost sharing multiple-employer other postemployment benefit plan (OPEB), the Medicare Premiums Payment Program (MPP) for all eligible members of the State Teachers’ Retirement plan that were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. CalSTRS administers the MPP Program through the Teachers’ Health Benefits Fund. CalSTRS issues a publicly available financial report that can be obtained at <https://www.calstrs.com/comprehensive-annual-financial-report>.

Benefits Provided

The Medicare Premiums Payment Program (MPP) provides all employees’ Medicare Part A premiums and Medicare Part A and B late enrollment surcharges for eligible members of the State Teachers’ Retirement plan that were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A.

Contributions

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the District reported a liability of \$340,810 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District’s proportion of the net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school, actuarially determined. The District's proportionate share for the measurement period June 30, 2018 and June 30, 2017, respectively, was 0.0890 percent, and 0.0886 percent, resulting in a net decrease in the proportionate share of 0.0004 percent.

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$(6,644).

Actuarial Assumptions

The District’s net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

| | |
|---|------------------------------------|
| Measurement Date | June 30, 2018 |
| Valuation Date | June 30, 2017 |
| Experience Study | July 1, 2010 through June 30, 2015 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 3.87% |
| Medicare Part A Premium Costs Trend Rate ¹ | 3.70% |
| Medicare Part B Premium Costs Trend Rate ¹ | 4.10% |

¹The assumed increases in the Medicare Part A and Part B Cost Trend Rates vary by year; however, the increases are approximately equivalent to a 3.7 percent and 4.1 percent increase each year for Medicare Part A and Part B, respectively.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS MEDICARE PREMIUMS PAYMENT PROGRAM (OPEB)
(Continued)

Actuarial Assumptions (Continued)

In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as a member’s age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459 or an average of 0.27 percent of the potentially eligible population (171,593).

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2018, is 3.87 percent. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan’s fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is The Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

| | 1% Decrease 2.87% | Discount Rate 3.87% | 1% Increase 4.87% |
|--------------------|----------------------|------------------------|-------------------|
| Net OPEB Liability | \$ 376,952 | \$ 340,810 | \$ 308,175 |

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measure period ended June 30, 2018:

| | 1% Decrease (2.7% Part A and 3.1 Part B) | Current Healthcare Cost Trend Rates (3.7% Part A and 4.1% Part B) | 1% Increase (4.7% Part A and 5.1% Part B) |
|--------------------|--|--|---|
| Net OPEB Liability | \$ 310,784 | \$ 340,810 | \$ 373,101 |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS MEDICARE PREMIUMS PAYMENT PROGRAM (OPEB)
(Continued)

Payables to the OPEB Plan

At June 30, 2019, the District had no amount outstanding for contributions to the OPEB plan required for the fiscal year ended June 30, 2019.

NOTE 12 - SUPPLEMENTAL RETIREMENT PLAN (SRP)

The District has offered a Supplemental Retirement Plan. The SEP 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 Ended | Total Payment |
|----------------------|---------------|
| 2020 | \$ 745,249 |
| 2021 | 443,335 |
| 2022 | 341,980 |
| | \$ 1,530,564 |

NOTE 13 - LOANS PAYABLE – DIRECT BORROWING

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 District is in contact with the City to follow up the remaining payment amount which supposed to be due in fiscal year 2013-2014. The future payments are as follows:

| Fiscal Year Ended | Total |
|----------------------|-----------|
| 2020 | \$ 60,000 |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 14 - JOINT VENTURES (Joint Powers Agreements)

The District is a member of the Southern California Relief (SCR), Schools Linked for Insurance Management (SLIM), and Protected Insurance Schools and Community College Districts (PIPS), 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 15 – PENSION PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certified employees are members of California State Teachers’ Retirement System (CalSTRS), and classified employees are member of California Public Employees’ Retirement System (CalPERS).

As of June 30, 2019, the District’s proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans are as follows:

| Pension Plan | Proportionate Share of Net Pension Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | Proportionate Share of Pension Expense |
|--------------|---|--------------------------------------|-------------------------------------|--|
| CalSTRS | \$ 52,038,867 | \$ 20,372,521 | \$ 6,668,081 | \$ 7,505,035 |
| CalPERS | 17,818,794 | 5,254,493 | 86,558 | 3,650,542 |
| Total | \$ 69,857,661 | \$ 25,627,014 | \$ 6,754,639 | \$ 11,155,577 |

State Teachers’ Retirement System (CalSTRS)

A. General Information about the Pension Plan

Plan Descriptions – The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers’ Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers’ Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/memberpublications>.

Benefits Provided – The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members’ final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 15 – PENSION PLANS (Continued)

State Teachers’ Retirement System (CalSTRS) (Continued)

A. General Information about the Pension Plan (Continued)

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

| | <u>CalSTRS</u> | |
|---|-----------------------------------|--|
| | <u>Before January 1, 2013</u> | <u>On or After January 1, 2013</u> |
| Hire Date | | |
| Benefit Formula | 2% at 60 | 2% at 62 |
| Benefit Vesting Schedule | 5 Years | 5 Years |
| Benefit Payments | Monthly for Life | Monthly for Life |
| Retirement Age | 50-63 | 55-65 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.4% | 2.00% |
| Required employee contribution rates (Average) | 10.250% | 10.205% |
| Required employer contribution rates | 16.280% | 16.280% |
| Required state contribution rates | 9.828% | 9.828% |

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

For the fiscal year ended June 30, 2019, the contributions were as follows:

| | <u>CalSTRS</u> |
|-------------------------|----------------|
| Contribution - employer | \$ 5,178,225 |
| Contribution - state | \$ 4,750,040 |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 15 – PENSION PLANS (Continued)

State Teachers’ Retirement System (CalSTRS) (Continued)

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

As of June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for state pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|---|----------------------|
| District's proportionate share of the net pension liability | \$ 52,038,867 |
| State's proportionate share of the net pension liability associated with the District | <u>29,620,576</u> |
| Total | <u>\$ 81,659,443</u> |

The District’s net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District’s proportion was 0.05662%, which decreased by 0.00098%, its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$7,505,035. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 161,367 | \$ (755,151) |
| Changes of assumptions | 8,083,733 | - |
| Changes in proportions | 2,083,592 | - |
| Net difference between projected and actual earning on pension plan investments | - | (2,003,192) |
| Differences between District contributions and proportionate share of contributions | 4,865,604 | (3,909,738) |
| District contributions subsequent to the measurement date | <u>5,178,225</u> | <u>-</u> |
| Total | <u>\$ 20,372,521</u> | <u>\$ (6,668,081)</u> |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 15 – PENSION PLANS (Continued)

State Teachers’ Retirement System (CalSTRS) (Continued)

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

\$5,178,225 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other than differences between projected and actual investment earnings, deferred inflows and outflows of resources are recognized in pension expense beginning in the current period using a straight line method over a closed seven year period equal to the average of the expected remaining service lives of all plan members who are provided with pensions through CalSTRS (active and inactive), as of July 1, 2017. Similarly, deferred inflows and outflows relating to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

As of June 30, 2019, the deferred outflows of resources and deferred inflows of resources related to STRP from the aforementioned sources are as follows:

| Fiscal Year Ended June 30 | Amount |
|------------------------------|---------------------|
| 2020 | \$ 2,246,800 |
| 2021 | 1,495,875 |
| 2022 | 130,312 |
| 2023 | 2,315,856 |
| 2024 | 2,222,846 |
| Thereafter | <u>114,526</u> |
| Total | <u>\$ 8,526,215</u> |

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

| | <u>CalSTRS</u> |
|--|---|
| Valuation Date | June 30, 2017 |
| Measurement Date | June 30, 2018 |
| Experience Study | July 1, 2010 through June 30, 2015 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return ¹ | 7.10% |
| Consumer Price Inflation | 2.75% |
| Wage Growth | 3.50% |
| Post-retirement Benefit Increases | 2% simple for DB (Annually) Maintain 85% purchasing power level for DB Not applicable for DBS/CBB |

¹ Net of investment expenses but gross of administrative expenses.

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table issued by the Society of Actuaries.

NOTE 15 – PENSION PLANS (Continued)

State Teachers’ Retirement System (CalSTRS) (Continued)

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

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS’ general investment consultant (Pension Consulting Alliance–PCA) as inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2018, are summarized in the following table:

| <u>Asset Class</u> | <u>Assumed Asset Allocation</u> | <u>Long Term Expected Real Rate of Return*</u> |
|----------------------|---------------------------------|--|
| Global Equity | 47% | 6.30% |
| Fixed Income | 12% | 0.30% |
| Real Estate | 13% | 5.20% |
| Private Equity | 13% | 9.30% |
| Absolute Return | 9% | 2.90% |
| Inflations Sensitive | 4% | 3.80% |
| Cash/Liquidity | 2% | -1.00% |
| | <u>100%</u> | |

*20 year geometric average

Discount Rate – The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 15 – PENSION PLANS (Continued)

State Teachers’ Retirement System (CalSTRS) (Continued)

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

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

| | | |
|-----------------------|----|------------|
| 1% Decrease | | 6.10% |
| Net Pension Liability | \$ | 76,230,852 |
| Current Discount Rate | | 7.10% |
| Net Pension Liability | \$ | 52,038,867 |
| 1% Increase | | 8.10% |
| Net Pension Liability | \$ | 31,981,366 |

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

C. Payable to the Pension Plan

At June 30, 2019, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2019.

D. On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$4,750,040. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

California Public Employees’ Retirement System (CalPERS)

A. General Information About the Pension Plan

Plan Description - Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan(s) regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report(s) and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 15 – PENSION PLANS (Continued)

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

A. General Information About the Pension Plan (Continued)

Benefits Provided– CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

| | CalPERS | |
|---|-----------------------------------|--|
| | <u>Before January 1, 2013</u> | <u>On or After January 1, 2013</u> |
| Hire Date | | |
| Benefit Formula | 2% at 55 | 2% at 62 |
| Benefit Vesting Schedule | 5 Years | 5 Years |
| Benefit Payments | Monthly for Life | Monthly For Life |
| Retirement Age | 50-63 | 52-67 |
| Monthly benefits, as a % of eligible compensation | 1.17 - 2.5% | 1.0 - 2.5% |
| Required employee contribution rates (Average) | 7.000% | 7.000% |
| Required employer contribution rates | 18.062% | 18.062% |

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

Contributions – Section 20814 (c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employees be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Local Government is required to contribute the difference between the actuarially determined rate of employees.

For the fiscal year ended June 30, 2019, the contributions were as follows:

| | <u>CalPERS</u> |
|-------------------------|----------------|
| Contribution - employer | \$ 1,617,360 |
| Contribution – state | \$ 604,137 |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 15 – PENSION PLANS (Continued)

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

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

As of June 30, 2019, the District reported net pension liability for its proportionate shares of the net pension liability in the amount of \$17,818,794.

The District’s net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District’s proportion was 0.06683%, which increased by 0.00350% from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$3,650,542. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 1,168,134 | \$ - |
| Changes of assumptions | 1,779,128 | - |
| Changes in proportions | 543,718 | (74,527) |
| Net difference between projected and actual earning on pension plan investments | 146,153 | - |
| Differences between District contributions and proportionate share of contributions | - | (12,031) |
| District contributions subsequent to the measurement date | <u>1,617,360</u> | <u>-</u> |
| | <u>\$ 5,254,493</u> | <u>\$ (86,558)</u> |

\$1,617,360 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. The net difference between projected and actual earnings on plan investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period and the remaining amount is deferred and will be amortized over the remaining four-year period. The remaining net differences between projected and actual earnings on plan investments shown above represents the unamortized balance relating to the current measurement period and the prior measurement period on a net basis.

All other deferred inflows of resources and deferred outflows of resources are amortized over the expected average remaining service life (EARSL) of the plan participants. The EARSL for the CalPERS Plan for the June 30, 2018 measurement date is 4.0 years. The first year of amortization is recognized in pension expense for the year the gain or loss occurs. The remaining amounts are deferred and will be amortized over the remaining periods not to exceed 3.0 years.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 15 – PENSION PLANS (Continued)

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

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Fiscal Year Ended June 30 | Amount |
|------------------------------|---------------------|
| 2020 | \$ 1,953,046 |
| 2021 | 1,562,043 |
| 2022 | 140,661 |
| 2023 | <u>(105,175)</u> |
| Total | <u>\$ 3,550,575</u> |

Actuarial Method and Assumptions – The collective total pension liability for the June 30, 2018 measurement period was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018.

| | <u>CalPERS</u> |
|-----------------------------------|--|
| Valuation Date | June 30, 2017 |
| Measurement Date | June 30, 2018 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 7.15% |
| Inflation | 2.50% |
| Salary increases | Varies by Entry Age and Service |
| Mortality rate table ¹ | Derived using CalPERS' Membership Data for all Funds |
| Post-retirement Benefit Increases | 2% until PPPA Allowance Floor on Purchasing Power Applies, 2.50% thereafter |

¹The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Change of Assumption – In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the Public Employees’ Retirement Fund (PERF). The mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90 percent of scale MP2016 published by the Society of Actuaries. The inflation assumption was reduced from 2.75 percent to 2.50 percent. The assumptions for individual salary increases and overall payroll growth were reduced from 3.00 percent to 2.75 percent.

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

NOTE 15 – PENSION PLANS (Continued)

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

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

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

The expected real rates of return by asset class are as followed:

| <u>Asset Class¹</u> | <u>Assumed Asset Allocation</u> | <u>Real Return Years 1-10²</u> | <u>Real Return Years 11+³</u> |
|--------------------------------|---------------------------------|---|--|
| Global Equity | 50% | 4.80% | 5.98% |
| Global Fixed Income | 28% | 1.00% | 2.26% |
| Inflation Sensitive | 0% | 0.77% | 1.81% |
| Private Equity | 8% | 6.30% | 7.23% |
| Real Estate | 13% | 3.75% | 4.93% |
| Cash/Liquidity | 1% | 0.00% | -0.92% |
| | <u>100%</u> | | |

(1) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

Discount Rate - The discount rate used to measure the total pension liability for PERF B was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 15 – PENSION PLANS (Continued)

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

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

| | | |
|-----------------------|----|------------|
| 1% Decrease | | 6.15% |
| Net Pension Liability | \$ | 25,943,312 |
| Current Discount Rate | | 7.15% |
| Net Pension Liability | \$ | 17,818,794 |
| 1% Increase | | 8.15% |
| Net Pension Liability | \$ | 11,078,343 |

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

C. Payable to the Pension Plan

At June 30, 2019, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2019.

D. On Behalf Payments

The State of California makes contributions to CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalPERS in the amount of \$604,137. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

NOTE 16 - 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 also involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

Contingency

The cost for abandonment, plugging, and capping of the oil wells is estimated at between \$26 million and \$31 million. The District entered into an agreement with the City of Beverly Hills from the City to pay the entire cost of the project up front and to be the project lead. The District has agreed to reimburse the City all directly related costs in excess of \$11 million. In June 2018, the District successfully passed the Measure BH for \$385 million. Within the language of Measure BH is a provision to reimburse the City and any additional costs related to the oil wells. As such, the oil well abandonment project have no further effect on the District’s general fund.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE 17 - 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 18 - RESTATEMENTS

The District restated its Net Position and Fund Balances at July 1, 2018 as follows:

| | Governmental Activities | General Fund | Building Fund | Other Governmental Funds | Internal Service Fund |
|--|----------------------------|----------------------|-----------------------|--------------------------------|-----------------------------|
| Net Position/Fund Balance at July 1, 2018 | \$ (3,614,999) | \$ 18,223,486 | \$ 156,866,764 | \$ 14,346,062 | \$ 51,362 |
| (Overstatement) of Accounts Receivable | (41,539) | (41,539) | - | - | - |
| Overstatement/(Understatement) of Accounts Payable | (181,511) | 145,902 | (364,178) | - | 36,765 |
| Reclassify Expenditures Charges between Funds | - | 33,771 | 6,513,897 | (6,547,668) | - |
| Net Position/Fund Balances, restated July 1, 2018 | <u>\$ (3,838,049)</u> | <u>\$ 18,361,620</u> | <u>\$ 163,016,483</u> | <u>\$ 7,798,394</u> | <u>\$ 88,127</u> |

NOTE 19 – SUBSEQUENT EVENT

The District issued 2019 General Obligation Refunding Bonds on August 6, 2019 in an amount of \$33,230,000. The Bonds are being issued by the Beverly Hills Unified School District (the “District”) to (i) advance refund a portion of the District’s 2012 General Obligation Refunding Bonds and (ii) pay the costs associated with the issuance of the Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2019

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|---------------|---------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| LCFF Sources | \$ 51,733,313 | \$ 54,352,706 | \$ 54,237,161 | \$ (115,545) |
| Federal | 1,647,899 | 1,699,861 | 1,701,929 | 2,068 |
| Other state | 1,255,133 | 1,889,009 | 2,121,705 | 232,696 |
| Other local | 15,266,621 | 15,860,230 | 15,471,166 | (389,064) |
| Total revenues ¹ | 69,902,966 | 73,801,806 | 73,531,961 | (269,845) |
| Expenditures: | | | | |
| Certificated salaries | 33,144,302 | 33,701,495 | 32,093,144 | 1,608,351 |
| Classified salaries | 9,985,879 | 10,693,477 | 10,539,214 | 154,263 |
| Employee benefits | 16,747,855 | 16,504,966 | 16,435,807 | 69,159 |
| Books and supplies | 1,653,128 | 2,079,112 | 1,899,500 | 179,612 |
| Contracted services and other operating expenditures | 9,646,434 | 12,888,787 | 10,699,843 | 2,188,944 |
| Capital outlay | - | 13,910 | 13,910 | - |
| Other outgo | 50,000 | 92,174 | 20,524 | 71,650 |
| Debt service Principal | 48,454 | - | - | - |
| Total expenditures ¹ | 71,276,052 | 75,973,921 | 71,701,942 | 4,271,979 |
| Excess of revenues over (under) expenditures | (1,373,086) | (2,172,115) | 1,830,019 | 4,002,134 |
| Other Financing Sources (Uses): | | | | |
| Transfers out | (285,693) | (211,167) | (282,816) | (71,649) |
| Total other financing sources (uses) | (285,693) | (211,167) | (282,816) | (71,649) |
| Net change in fund balance | (1,658,779) | (2,383,282) | 1,547,203 | 3,930,485 |
| Fund balance, July 1, 2018 | 18,223,486 | 18,223,486 | 18,223,486 | - |
| Restatements | | | 138,134 | 138,134 |
| Fund balance, July 1, 2018, restated | 18,223,486 | 18,223,486 | 18,361,620 | 138,134 |
| Fund balance, June 30, 2019 | \$ 16,564,707 | \$ 15,840,204 | \$ 19,908,823 | \$ 4,068,619 |

¹ STRS On behalf payments of \$4,750,040 and PERS On behalf payments of \$604,138 are not included in this schedule.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
As of June 30, 2019

Last 10 Fiscal Years*

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

| Fiscal Year Ended June 30, Measurement date | <u>2019</u> June 30, 2018 | <u>2018</u> June 30, 2017 | <u>2017</u> June 30, 2016 |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| District's proportion of the net pension liability | 0.05662% | 0.05564% | 0.05805% |
| District's proportionate share of the net pension liability | \$ 52,038,867 | \$ 51,457,049 | \$ 46,953,160 |
| State's proportionate share of the net pension liability associated with the District | \$ 29,620,576 | \$ 32,332,321 | \$ 28,673,140 |
| District's covered payroll | \$ 30,628,600 | \$ 29,651,653 | \$ 29,302,768 |
| District's proportionate share of the net pension liability as percentage of covered payroll | 169.90% | 173.54% | 160.23% |
| Plan fiduciary net position as a percentage of the total pension liability | 70.99% | 69.46% | 70.04% |

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

| Fiscal Year Ended June 30, Measurement date | <u>2019</u> June 30, 2018 | <u>2018</u> June 30, 2017 | <u>2017</u> June 30, 2016 |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| District's proportion of the net pension liability | 0.06683% | 0.06333% | 0.06280% |
| District's proportionate share of the net pension liability | 17,818,794 | 15,117,377 | 12,399,158 |
| District's covered payroll | 8,832,606 | 8,100,324 | 7,578,948 |
| District's proportionate share of the net pension liability as percentage of covered payroll | 201.74% | 186.63% | 163.60% |
| Plan fiduciary net position as a percentage of the total pension liability | 70.85% | 71.87% | 73.90% |

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule:

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

CalSTRS - The assumptions used in determining the Total Pension Liability of the STRP changed as a result of the actuarial experience study for the period starting July 1, 2020 and ending June 30, 2015. The assumption changes were to price inflation, wage growth, discount rate and the mortality tables.

CalPERS - In Fiscal Year 2017-18, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial assumptions December 2017. There were no changes in the discount rate.

| <u>2016</u> | <u>2015</u> |
|---------------|---------------|
| June 30, 2015 | June 30, 2014 |
| 0.05469% | 0.0630% |
| \$ 36,819,496 | \$ 36,815,310 |
| \$ 19,472,294 | N/A |
| \$ 27,173,187 | \$ 26,603,685 |
| 135.50% | 138.38% |
| 74.02% | 76.52% |

| <u>2016</u> | <u>2015</u> |
|---------------|---------------|
| June 30, 2015 | June 30, 2014 |
| 0.06489% | 0.0612% |
| 9,564,851 | \$ 6,947,690 |
| 7,154,634 | \$ 6,419,830 |
| 133.69% | 108.22% |
| 79.43% | 83.38% |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS (CALSTRS)
As of June 30, 2019

Last 10 Fiscal Years*

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

| Fiscal Year Ended June 30, | 2019 | 2018 | 2017 |
|--|--------------------|--------------------|--------------------|
| Contractually required contribution (actuarially determined) | \$ 5,178,225 | \$ 4,419,707 | \$ 3,730,178 |
| Contribution in relation to the actuarially determined contributions | <u>(5,178,225)</u> | <u>(4,419,707)</u> | <u>(3,730,178)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 31,807,279 | \$ 30,628,600 | \$ 29,651,653 |
| Contributions as a percentage of covered payroll | 16.28% | 14.43% | 12.58% |

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

| Fiscal Year Ended June 30, | 2019 | 2018 | 2017 |
|--|--------------------|--------------------|--------------------|
| Contractually required contribution (actuarially determined) | \$ 1,617,360 | \$ 1,371,792 | \$ 1,124,973 |
| Contribution in relation to the actuarially determined contributions | <u>(1,617,360)</u> | <u>(1,371,792)</u> | <u>(1,124,973)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 8,954,490 | \$ 8,832,606 | \$ 8,100,324 |
| Contributions as a percentage of covered payroll | 18.062% | 15.531% | 13.888% |

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

| <u>2016</u> | <u>2015</u> |
|--------------------|--------------------|
| \$ 3,144,187 | \$ 2,412,979 |
| <u>(3,144,187)</u> | <u>(2,412,979)</u> |
| <u>\$ -</u> | <u>\$ -</u> |
| \$ 29,302,768 | \$ 27,173,187 |
| 10.73% | 8.88% |

| <u>2016</u> | <u>2015</u> |
|--------------------|------------------|
| \$ 1,617,360 | \$ 842,172 |
| <u>(1,617,360)</u> | <u>(842,172)</u> |
| <u>\$ -</u> | <u>\$ -</u> |
| \$ 7,578,948 | \$ 7,154,634 |
| 21.340% | 11.771% |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
As of June 30, 2019

Last 10 Fiscal Years*

| Employer Fiscal Year End Measurement Period | 2018-19 2018-19 | 2017-18 2017-18 |
|---|--------------------|--------------------|
| Total OPEB Liability | | |
| Service Cost | \$ 1,510,791 | \$ 1,466,787 |
| Interest on the Total OPEB Liability | 730,403 | 665,576 |
| Changes of Benefit Terms | - | - |
| Difference between Expected and Actual Experience | - | - |
| Changes of Assumptions | (6,387,061) | (169,638) |
| Benefit Payments | (562,346) | (489,280) |
| Net Change in Total OPEB Liability | (4,708,213) | 1,473,445 |
| Total OPEB Liability - Beginning | 18,947,267 | 17,473,822 |
| Total OPEB Liability - Ending | \$ 14,239,054 | \$ 18,947,267 |
| OPEB Fiduciary Net Position | | |
| Difference between expected and actual experience | \$ 55,344 | \$ 17,982 |
| Contributions from the Employer | 1,316,747 | 489,280 |
| Net Investment Income | 53,095 | 68,896 |
| Administrative Expenses | (3,676) | (2,679) |
| Benefit Payments | (562,346) | (489,280) |
| Net Change in Plan Fiduciary Net Position | 859,164 | 84,199 |
| Plan Fiduciary Net Position - Beginning | 1,091,325 | 1,007,126 |
| Plan Fiduciary Net Position - Ending | \$ 1,950,489 | \$ 1,091,325 |
| Plan Net OPEB Liability - Ending | \$ 12,288,565 | \$ 17,855,942 |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 13.70% | 5.76% |
| Covered-Employee Payroll | \$ 38,846,772 | \$ 39,651,934 |
| Net OPEB Liability as a Percentage of Covered-Employee Payroll | 31.63% | 45.03% |

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively.

Notes to Schedule:

Change of Assumptions: Discount rate increase from 3.62% to 5.90%. Medical inflation assumption change from 4.5% to 3.0%.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION OPEB LIABILITY AND RELATED R
MEDICARE PREMIUM PAYMENT PROGRAM**

As of June 30, 2019

Last 10 Fiscal Years*

| Employer Fiscal Year End June 30, | 2019 | 2018 |
|---|------------|------------|
| Measurement Period Fiscal Year End June 30, | 2018 | 2017 |
| District's proportion of the net OPEB liability | 0.0890% | 0.0886% |
| District's proportionate share of the net OPEB liability | \$ 340,810 | \$ 372,570 |
| District's covered payroll ¹ | N/A | N/A |
| District's proportionate share of the net OPEB liability as a percentage of covered payroll | N/A | N/A |
| Plan fiduciary net position as a percentage of the total OPEB liability | -0.404% | 0.010% |

* This is a 10 year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP program, therefore, the

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S P[EB CONTRIBUTIONS
As of June 30, 2019

| Last 10 Fiscal Years* | 2018-19 | 2017-18 |
|--|---------------|----------------|
| Actuarially Determine Contribution | \$ 465,250 | \$ 489,280 |
| Contributions in Relation to the Actuarially Determined Contribution | 1,316,747 | 1,710,986 |
| Contribution Deficiency (Excess) | \$ (851,497) | \$ (1,221,706) |
| Cover Employee Payroll During Fiscal Year | \$ 38,846,772 | \$ 39,651,934 |
| Contributions as a Percentage of Covered Employee Payroll | 3.39% | 4.32% |

* GASB 75 requires this information for plans funding with OPEB trusts be reported in the employer's Required Supplementary Information for 10 years or as many years as are available upon implementation. Fiscal year 2018 was the 1st year of implementation, therefore only two fiscal years are shown.

SUPPLEMENTARY INFORMATION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
COMBINING NONMAJOR FUNDS
BALANCE SHEET
June 30, 2019

| | Cafeteria Fund | Capital Facilities Fund | County School Facilities Fund | Total Nonmajor Funds |
|--|-------------------|-------------------------------|-------------------------------------|----------------------------|
| Assets | | | | |
| Cash in County Treasury | \$ 183,350 | \$ 6,531,111 | \$ (41,063) | \$ 6,673,398 |
| Accounts receivable | 59,257 | 408,272 | 41,063 | 508,592 |
| Inventory, at cost | 28,568 | - | - | 28,568 |
| Total assets | \$ 271,175 | \$ 6,939,383 | \$ - | \$ 7,210,558 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 33,355 | \$ 1,046,447 | \$ - | \$ 1,079,802 |
| Total liabilities | 33,355 | 1,046,447 | - | 1,079,802 |
| Fund balances: | | | | |
| Nonspendable | | | | |
| Store inventories | 28,568 | - | - | 28,568 |
| Restricted | | | | |
| Cafeteria program | 209,252 | - | - | 209,252 |
| Capital projects | - | 5,892,936 | - | 5,892,936 |
| Total fund balances | 237,820 | 5,892,936 | - | 6,130,756 |
| Total liabilities and fund balances | \$ 271,175 | \$ 6,939,383 | \$ - | \$ 7,210,558 |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
COMBINING NONMAJOR FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2019

| | Cafeteria Fund | Capital Facilities Fund | County School Facilities Fund | Total Nonmajor Funds |
|---|-------------------|-------------------------------|-------------------------------------|----------------------------|
| Revenues: | | | | |
| Federal | \$ 193,506 | \$ - | \$ - | \$ 193,506 |
| Other state | 9,064 | - | - | 9,064 |
| Other local | 546,030 | 847,876 | 150,144 | 1,544,050 |
| Total revenues | <u>748,600</u> | <u>847,876</u> | <u>150,144</u> | <u>1,746,620</u> |
| Expenditures: | | | | |
| Classified salaries | 436,658 | - | - | 436,658 |
| Employee benefits | 174,209 | - | - | 174,209 |
| Books and supplies | 344,477 | 550,122 | - | 894,599 |
| Contracted services and other operating expenditures | 45,927 | 354,129 | - | 400,056 |
| Capital outlay | - | 1,022,365 | 769,187 | 1,791,552 |
| Total expenditures | <u>1,001,271</u> | <u>1,926,616</u> | <u>769,187</u> | <u>3,697,074</u> |
| Excess of revenues over (under) expenditures | <u>(252,671)</u> | <u>(1,078,740)</u> | <u>(619,043)</u> | <u>(1,950,454)</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 282,816 | - | - | 282,816 |
| Total other financing sources (uses) | <u>282,816</u> | <u>-</u> | <u>-</u> | <u>282,816</u> |
| Net change in fund balance | 30,145 | (1,078,740) | (619,043) | (1,667,638) |
| Fund balances, July 1, 2018 | 207,675 | 6,971,676 | 7,166,711 | 14,346,062 |
| Prior period adjustments | - | - | (6,547,668) | (6,547,668) |
| Fund balances, July 1, 2018, restated | <u>207,675</u> | <u>6,971,676</u> | <u>619,043</u> | <u>7,798,394</u> |
| Fund balances, June 30, 2019 | <u>\$ 237,820</u> | <u>\$ 5,892,936</u> | <u>\$ -</u> | <u>\$ 6,130,756</u> |

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2019

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, 2019 were as follows:

GOVERNING BOARD

| <u>Name</u> | <u>Office</u> | <u>Term Expires</u> |
|---------------------------|----------------|---------------------|
| Mr. Noah Margo | President | December, 2020 |
| Ms. Isabel Hacker | Vice President | December, 2020 |
| Mr. Mel Spitz | Member | December, 2020 |
| Ms. Rachele Marcus | Member | December, 2022 |
| Ms. Tristen Walker-Shuman | Member | December, 2022 |

ADMINISTRATION

Dr. Michael Bregy
Superintendent

Mr. Wade Roach
Assistant Superintendent – Business Services

Mr. Dustin Seemann
Assistant Superintendent – Education Services

Mr. Luke Pavone
Executive Director for Human Resources

Ms. Laura Chism
Assistant Superintendent – Student Services

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Fiscal Year Ended June 30, 2019

| | Second Period Report | Revised Second Period Report | Annual Report |
|---|-------------------------------------|---|--------------------------|
| SCHOOL DISTRICT | | | |
| TK/K through Third | | | |
| Regular ADA | 839.89 | 839.90 | 840.47 |
| Extended Year Special Education | 0.82 | 0.82 | 0.82 |
| Special Education - Nonpublic Schools | 0.95 | 0.95 | 0.57 |
| Extended Year Special Education - Nonpublic Schools | 0.11 | 0.11 | 0.11 |
| Total TK/K through Third | <u>841.77</u> | <u>841.78</u> | <u>841.97</u> |
| Fourth through Sixth | | | |
| Regular ADA | 831.08 | 830.97 | 832.54 |
| Extended Year Special Education | 0.26 | 0.26 | 0.26 |
| Special Education - Nonpublic Schools | 0.95 | 0.95 | 0.88 |
| Extended Year Special Education - Nonpublic Schools | 0.11 | 0.11 | 0.11 |
| Total Fourth through Sixth | <u>832.40</u> | <u>832.29</u> | <u>833.79</u> |
| Seventh and Eighth | | | |
| Regular ADA | 584.44 | 584.34 | 581.68 |
| Extended Year Special Education | 0.08 | 0.08 | 0.08 |
| Special Education - Nonpublic Schools | 2.84 | 2.84 | 2.87 |
| Extended Year Special Education - Nonpublic Schools | 0.31 | 0.31 | 0.31 |
| Total Seventh and Eighth | <u>587.67</u> | <u>587.57</u> | <u>584.94</u> |
| Ninth through Twelfth | | | |
| Regular ADA | 1,329.67 | 1,328.58 | 1,327.16 |
| Extended Year Special Education | - | - | - |
| Special Education - Nonpublic Schools | 10.94 | 10.94 | 10.38 |
| Extended Year Special Education - Nonpublic Schools | 1.11 | 1.11 | 1.11 |
| Total Ninth through Twelfth | <u>1,341.72</u> | <u>1,340.63</u> | <u>1,338.65</u> |
| TOTAL SCHOOL DISTRICT | <u>3,603.56</u> | <u>3,602.27</u> | <u>3,599.35</u> |

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2019

| <u>Grades</u> | <u>Ed Code Section 46207 Minutes Requirement</u> | <u>2018-19 Actual Minutes</u> | <u>Number of Days Traditional Calendar</u> | <u>Status</u> |
|---------------|--|---------------------------------------|--|---------------|
| Kindergarten | 36,000 | 36,370 | 180 | In compliance |
| Grade 1 | 50,400 | 51,882 | 180 | In compliance |
| Grade 2 | 50,400 | 51,882 | 180 | In compliance |
| Grade 3 | 50,400 | 51,882 | 180 | In compliance |
| Grade 4 | 54,000 | 55,602 | 180 | In compliance |
| Grade 5 | 54,000 | 55,602 | 180 | In compliance |
| Grade 6 | 54,000 | 65,158 | 180 | In compliance |
| Grade 7 | 54,000 | 65,158 | 180 | In compliance |
| Grade 8 | 54,000 | 65,158 | 180 | In compliance |
| Grade 9 | 64,800 | 65,097 | 180 | In compliance |
| Grade 10 | 64,800 | 65,097 | 180 | In compliance |
| Grade 11 | 64,800 | 65,097 | 180 | In compliance |
| Grade 12 | 64,800 | 65,097 | 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. Th District has met or exceeded its Local Control Funding Formula target funding.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30, 2019

| General Fund* | (Budget) 2020 ¹ | 2019 | 2018 | 2017 |
|--|-------------------------------|----------------|----------------|----------------|
| Revenues and other financial sources | \$ 73,905,651 | \$ 73,531,961 | \$ 69,381,455 | \$ 68,112,647 |
| Expenditures | 75,682,334 | 71,701,942 | 68,320,517 | 67,596,635 |
| Other uses and transfers out | 376,069 | 282,816 | 149,295 | 423,027 |
| Total outgo | 76,058,403 | 71,984,758 | 68,469,812 | 68,019,662 |
| Changes in fund balance (deficit) | (2,152,752) | 1,547,203 | 911,643 | 92,985 |
| Restatements | - | 138,134 | (94,941) | - |
| Ending fund balance (restated) | \$ 17,756,071 | \$ 19,908,823 | \$ 18,223,486 | \$ 17,406,784 |
| Available reserve ² | \$ 5,333,962 | \$ 8,233,308 | \$ 6,134,601 | \$ 5,453,729 |
| Available reserves as a percentage of total outgo ³ | 7.0% | 11.4% | 9.0% | 8.0% |
| Total long-term debt liability | \$ 684,255,361 | \$ 711,727,023 | \$ 561,495,217 | \$ 558,039,565 |
| Average daily attendance at P-2 | 3,586 | 3,602 | 3,764 | 3,878 |

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 fund balance has increased by \$2,502,039 over the past two fiscal years. The fiscal year 2019-2020 budget projects a decrease of \$2,152,752. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures and other uses (total outgo).

The District has incurred an operating surplus in each of the past three fiscal years, and anticipates an operating deficit during the 2019-20 fiscal year. Total long-term debt has increased by \$153,687,458 over the past two fiscal years.

Average daily attendance has decreased by 276 over the past two fiscal years. A decrease of 16 ADA is anticipated during the fiscal year 2019-2020.

NOTES:

* In conformity with GASB Statement No. 54 – General Fund presented in the fund statement included Special Reserve Fund for Other Than Capital Outlay Projects Fund.

¹ Budget 2020 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balance within the General fund.

³ STRS On behalf payments of \$4,750,040 and PERS On behalf payments of \$604,138 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2019

| Federal Grantor/Pass Through Grantor/Program or Cluster Title | Federal Catalog (CFDA) Number | Pass-through Entity Identifying Number | Federal Expenditures |
|--|--|---|-------------------------|
| Federal Programs: | | | |
| U.S. Department of Education: | | | |
| Passed through the California Department of Education (CDE): | | | |
| ESSA: Title I, Part A, Basic Grants Low-Income and Neglected | 84.010 | 14329 | \$ 566,388 |
| ESSA: Title II, Part A, Supporting Effective Instruction | 84.367 | 14341 | 144,951 |
| ESSA: Title III, English Learner Student Program | 84.365 | 14346 | 45,069 |
| ESSA: Title III, Immigrant Student Program | 84.365 | 15146 | 2,751 |
| Special Education (IDEA) State Grants Cluster: | | | |
| Special Ed: IDEA - Basic Local Assistance Entitlement, Part B | 84.027 | 13379 | 876,033 |
| Special Ed: IDEA - Preschool Grant, Part B | 84.173 | 13430 | 21,239 |
| Total Special Education Cluster** | | | 897,272 |
| Advance Placement | 84.330 | 14831 | |
| Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 | 84.048 | 14893 | 27,183 |
| Passed through the Department of Rehabilitation (DOR) | | | |
| State Vocational Rehabilitation Services Program | 84.126 | 30396 | 18,315 |
| Total U.S. Department of Education | | | 1,701,929 |
| U.S. Department of Agriculture: | | | |
| Passed through California Department of Education (CDE): | | | |
| National School Lunch Program | 10.555 | 13396 | 153,010 |
| Child Nutrition - Commodities* | 10.555 | 13396 | 40,496 |
| Total Child Nutrition Cluster | | | 193,506 |
| Total U.S. Department of Agriculture | | | 193,506 |
| Total Expenditures of Federal Awards | | | \$ 1,895,435 |

* Indicated a noncash expenditure

** Denotes major program

The accompanying note is an integral part of this schedule.

THIS PAGE INTENTIONALLY LEFT BLANK

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2019

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 *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the District's basic financial statements.

The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
June 30, 2019

| | <u>General Fund*</u> | <u>Cafeteria Fund</u> | <u>Special Reserve Fund for Other Than Capital Outlay Projects</u> |
|--|--------------------------|---------------------------|--|
| June 30, 2019 Annual Financial and Budget Report Fund Balances/Net Position | \$ 9,201,246 | \$ 237,820 | \$ 10,657,701 |
| Understatement of accounts receivable | <u>49,876</u> | <u>-</u> | <u>-</u> |
| June 30, 2019 Audited Financial Statements Fund Balances/Net Position | <u>\$ 9,251,122</u> | <u>\$ 237,820</u> | <u>\$ 10,657,701</u> |

* In conformity with GASB Statement No. 54 - general fund fund balance presented in the fund statement included Special Reserve Fund for Other Than Capital Outlay Projects Fund Fund Balance

| | <u>Bond Interest and Redemption Fund</u> | <u>Internal Service Fund</u> | <u>Retiree Benefit Fund</u> |
|--|--|--------------------------------------|-------------------------------------|
| June 30, 2019 Annual Financial and Budget Report Fund Balances/Net Position | <u>\$ 30,559,663</u> | <u>\$ 96,272</u> | <u>\$ 1,971,981</u> |
| June 30, 2019 Audited Financial Statements Fund Balances/Net Position | <u>\$ 30,559,663</u> | <u>\$ 96,272</u> | <u>\$ 1,971,981</u> |

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

| <u>Building Fund</u> | <u>Capital Facilities Fund</u> | <u>County School Facilities Fund</u> |
|------------------------------|--|--|
| \$ 283,478,412 | \$ 5,518,400 | \$ - |
| <u>-</u> | <u>374,536</u> | <u>-</u> |
| <u><u>\$ 283,478,412</u></u> | <u><u>\$ 5,892,936</u></u> | <u><u>\$ -</u></u> |



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A. LEVY, CPA
CRAIG A. HARTZHEIM, CPA
HADLEY Y. HUI, CPA
ALEXANDER C. HOM, CPA
ADAM V. GUISE, CPA
TRAVIS J. HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES

433 N. CAMDEN DRIVE, SUITE 730
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES

5800 HANNUM AVENUE, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

**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, 2019, 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 13, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 through 2019-003 that we consider to be significant deficiencies.

Compliance and Other Matters

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

The District's Responses to Findings

The District's response to the findings 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 District'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 13, 2019



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES

433 N. CAMDEN DRIVE, SUITE 730
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES

5800 HANNUM AVENUE, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

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's (the "District") compliance with the types of compliance requirements described in 2018-2019 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting, published by the Education Audit Appeals Panel for the fiscal year ended June 30, 2019. The District's state compliance requirements are identified in the table provided.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of state laws and regulations as identified below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the types of compliance requirements referred to below. 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 2018-2019 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the specific areas listed below has 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 state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

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 2 columns: Compliance Requirements Tested and Procedures Performed. Rows include Attendance, Teacher certification and Misassignments, Kindergarten Continuance, Independent Study, and Continuation Education.

| | <u>Procedures Performed</u> |
|--|---------------------------------|
| Instructional Time | Yes |
| Instructional Materials | Yes |
| Ratios of Administrative Employees to Teachers | Yes |
| Classroom Teacher Salaries | Yes |
| Early Retirement Incentive | Not Applicable |
| Gann Limit Calculation | Yes |
| School Accountability Report Card | Yes |
| Juvenile Court Schools | Not Applicable |
| Middle or Early College High Schools | Not Applicable |
| K-3 Grade Span Adjustment | Yes |
| Transportation Maintenance of Effort | Yes |
| Apprenticeship: Related and Supplemental Instruction | Not Applicable |
| Comprehensive School Safety Plan | Yes |
| District of choice | Not Applicable |
| SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS: | |
| California Clean Energy Jobs Act | Yes |
| After/Before School Education and Safety Program | Not Applicable |
| Proper Expenditures of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |
| Independent Study-Course Based | Not Applicable |
| CHARTER SCHOOLS | |
| Attendance | No, see below |
| Mode of Instruction | No, see below |
| Non Classroom-Based Instruction/Independent Study for Charter Schools | No, see below |
| Determination of Funding for Non Classroom-Based Instruction | No, see below |
| Annual Instruction Minutes Classroom-Based | No, see below |
| Charter School Facility Grant Program | No, see below |

We did not perform testing of independent study and continuation education because the ADA was below the State requirement for testing. The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Unmodified Opinion on Compliance with State Programs

In our opinion, the District complied with the state law and regulations of the state programs referred to above in all material respects for the fiscal year ended June 30, 2019.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 13, 2019

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



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

COMMERCIAL ACCOUNTING & TAX SERVICES

433 N. CAMDEN DR, STE 730
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES

5800 HANNUM AVENUE, SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Beverly Hills Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 13, 2019

THIS PAGE INTENTIONALLY LEFT BLANK

FINDINGS AND RECOMMENDATIONS SECTION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 June 30, 2019

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

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

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, 2CFR 200.516 (a)

_____ Yes X No

Identification of major programs

CFDA Number (s)

Name of Federal Program or Cluster

84.027, 87.173 _____

Special Education Cluster _____

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

\$ 750,000

Auditee qualified as low-risk auditee:

 X 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?

_____ Yes X No

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

Unmodified

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 June 30, 2019

Section II – Financial Statement Findings

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

| <u>Five Digit Code</u> | <u>AB 3627 Finding Types</u> |
|------------------------|------------------------------------|
| 10000 | Attendance |
| 20000 | Inventory of Equipment |
| 30000 | Internal Control |
| 40000 | State Compliance |
| 42000 | Charter School Facilities Programs |
| 50000 | Federal Compliance |
| 60000 | Miscellaneous |
| 61000 | Classroom Teacher Salaries |
| 62000 | Local Control Accountability Plan |
| 70000 | Instructional Materials |
| 71000 | Teacher Misassignments |
| 72000 | School Accountability Report Card |

FINDING 2019-001
INTERNAL CONTROLS
30000

Condition:

The person responsible for payroll has the ability to change payrates in the system.

Effect:

Lack of segregation of duties over payroll may lead to misappropriation of funds.

Cause:

District has not delegated the duty to HR.

Recommendation:

We recommend the District implement policies and procedures to ensure proper segregation of duties over accounting and payroll.

LEA’s Corrective Action Plan:

The District upgraded the Sr. Payroll and Benefits Specialist to the Payroll and Benefits Manager to include the duty of updating the salary tables. The District is reviewing the structure of the department and has budgeted funds for an Accounting Technician position. Either through the filling of this position or change in procedures, segregation of duties will be increased

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2019

Section II – Financial Statement Findings (Continued)

FINDING 2019-002
INTERNAL CONTROLS
30000

Condition:

During the test of cash disbursements, we noted the following:

- Minimum of 8 disbursements reviewed were not paid within 30 days of receipt or department approval of the invoice.
- Few disbursements reviewed were issued purchase orders after the contracts were signed and services were performed.
- 1 out of 6 credit card statements paid were missing original receipts.

Effect:

The District is not paying invoices in a timely manner and not following its policies regarding purchases, which require receipts prior to credit card payments and authorized purchase orders prior to obtaining goods and services.

Cause:

Lack of oversight by the District.

Recommendation:

We recommend the District implement and enforce policies and procedures to ensure invoices are approved and processed in a timely manner, purchase orders are issued prior to obtaining goods and services, and sufficient documentation is retained to determine the status of a transaction.

LEA’s Corrective Action Plan:

The District has created and staffed a Director of Purchasing position. Additionally, the District has created a Buyer position that is scheduled to start in January 2020.

FINDING 2019-003
INTERNAL CONTROLS
30000

Condition:

During the audit, we noted the payroll liability payments were not properly applied to the correct account. As a result, account balances at fiscal year end are either overstated or understated. However, overall net results are immaterial. We also noted the worker’s compensation liability account is increasing. Worker’s compensation is collected at a percentage rate charged to payroll and appears to be higher than the actual worker’s compensation expense paid.

Effect:

Payroll liabilities that are not reconciled to the District’s payroll and general ledger in a timely manner could lead to a material misstatement of accounts.

Cause:

There is a lack of oversight by the District.

Recommendation:

We recommend the District implement policies and procedures to reconcile and have management review the payroll liability accounts prior to finalizing payroll each pay period. We also recommend the District reduce the percentage rate of worker’s compensation collected and reconcile the amounts collected to the amounts paid to worker’s compensation.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2019

Section II – Financial Statement Findings (Continued)

LEA’s Corrective Action Plan:

The Accounting Technician position will assist the Payroll Manager in Payroll as well as payment of Health Benefits. This assistance will allow the Payroll Manager to reconcile payroll liability accounts regularly.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2019

Section III – Federal Award Findings

There were no federal award findings in the current fiscal year.

Section IV – State Award Findings

There were no state award findings in the current fiscal year.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2019

Section II – Financial Statement Findings

FINDING 2018-001
INTERNAL CONTROLS
30000

Condition:

The person responsible for payroll has the ability to change payrates in the system.

Effect:

Lack of segregation of duties over payroll may lead to misappropriation of funds.

Cause:

District has not delegated the duty to HR.

Recommendation:

We recommend the District implement policies and procedures to ensure proper segregation of duties over accounting and payroll.

Current Status:

Not implemented – See Finding 2019-001

FINDING 2018-002
INTERNAL CONTROLS
30000

Condition:

During the test of cash disbursements, we noted the following:

- Minimum of 7 disbursements reviewed were not paid within 30 days of receipt or department approval of the invoice.
- Few disbursements reviewed were issued purchase orders after the contracts were signed and services were performed.
- 2 out of 3 credit card statements paid were missing 2 and 4 original receipts, respectively.

Effect:

The District is not paying invoices in a timely manner and not following its policies regarding purchases, which require receipts prior to credit card payments and authorized purchase orders prior to obtaining goods and services.

Cause:

Lack of oversight by the District.

Recommendation:

We recommend the District implement and enforce policies and procedures to ensure invoices are approved and processed in a timely manner, purchase orders are issued prior to obtaining goods and services, and sufficient documentation is retained to determine the status of a transaction.

Current Status:

Not implemented – See Finding 2019-002

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2019

Section II – Financial Statement Findings (Continued)

FINDING 2018-003
INTERNAL CONTROLS
30000

Condition:

During the audit, we noted a large number of change orders.

Effect:

The District is not following policies and procedures for the bid process and high dollar value projects.

Cause:

The District is not adequately evaluating the scope of work, which changes significantly. The District already has a contractor in place for the original project and does not rebid the project.

Recommendation:

We recommend the District evaluate projects on a comprehensive basis prior to issuing requests for proposals, qualifications, quotes, or services. The scope of work should not significantly change, otherwise a new request should be generated rather than issuing multiple change orders, which bypass the required detailed selection process.

Current Status:

Implemented.

FINDING 2018-004
INTERNAL CONTROLS
30000

Condition:

During the audit, we noted the payroll liability payments were not properly applied to the correct account. As a result, account balances at fiscal year end are either overstated or understated. However, overall net results are immaterial. We also noted the worker's compensation liability account is increasing. Worker's compensation is collected at a percentage rate charged to payroll and appears to be higher than the actual worker's compensation expense paid.

Effect:

Payroll liabilities that are not reconciled to the District's payroll and general ledger in a timely manner could lead to a material misstatement of accounts.

Cause:

There is a lack of oversight by the District.

Recommendation:

We recommend the District implement policies and procedures to reconcile and have management review the payroll liability accounts prior to finalizing payroll each pay period. We also recommend the District reduce the percentage rate of worker's compensation collected and reconcile the amounts collected to the amounts paid to worker's compensation.

Current Status:

Not implemented – See Finding 2019-004

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2019

Section II – Financial Statement Findings (Continued)

FINDING 2018-005
INTERNAL CONTROLS
30000

Condition:

During the test of Associated Student Body cash receipts, we noted 2 out of 15 cash receipts did not have sufficient supporting documents and 6 out of 15 deposits were delayed by more than 5 days.

Effect:

Misappropriation of funds could occur if deposits are not made in a timely manner or cash receipts are not adequately supported.

Cause:

There is a lack of oversight by the District.

Recommendation:

We recommend the District implement procedures to obtain and retain sufficient supporting documents for cash receipts and make deposits in a timely manner.

Current Status:

Implemented

FINDING 2018-006
INTERNAL CONTROLS
30000

Condition:

During the review of capital assets and the test of procurement, we noted documents supporting the procurement process were missing, such as proposals and quotes.

Effect:

Goods and services may not be obtained in accordance with procurement policies and procedures.

Cause:

There is a lack of oversight by the District.

Recommendation:

We recommend the District implement policies and procedures for procurement of goods and services and retention of records.

Current Status:

Implemented

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2019

Section II – Federal Award Findings

There were no federal award findings in the prior year.

Section III – State Award Findings

There were no state award findings in the prior year.