

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

AUDIT REPORT
June 30, 2013

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

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June 30, 2013

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Beverly Hills Unified School District (District) as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

The District was not in compliance with the Governmental Accounting Standards Board (GASB) Statement No. 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* due to the last study was prepared in fiscal year 2010-2011. The liability of other postemployment benefits within its governmental activities and expenses related to this liability may be misstated.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the District as of June 30, 2013, and the changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities other than liability for the Employers for Postemployment Benefits Other Than Pensions, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2013, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1 to the basic financial statements effective July 1, 2012, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, Statement No. 61, *The Financial Reporting Entity: Omnibus*, an amendment of GASB Statements No. 14 and No. 34, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis (MD&A) on page 4 through 8, the Budgetary Comparison Schedules on page 44, and the Schedule of Funding Progress for Post-Employment Benefits Other Than Pensions on page 45, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual fund financial statements and schedules, financial, and statistical information listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements of the District. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The accompanying combining and individual fund financial statements and schedules, financial, statistical information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 14, 2013

Beverly Hills Unified School District Management's Discussion and Analysis June 30, 2013

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, 2013 utilizing comparative information from 2012. The MD&A should be read in conjunction with the District's financial statements contained in the independent audit prepared by Moss, Levy & Hartzheim, and LLP.

FINANCIAL HIGHLIGHTS

The District is a Basic Aid district, which means it receives local tax revenue and no revenue limit state aid. Basic Aid districts are subject to the same deficit that California districts have but it is referred to as a fair share reduction which results in the loss of other state revenue previously received by the district. This year, the fair share reduction amounted to almost three million dollars. Although Basic Aid districts continue to pay their "fair share" of budget reductions, the District's financial picture is strong. The District's audited financial reports show general revenue of \$67,609,046 and expenditures of \$63,480,578 leaving a net change surplus (revenue less expense) of \$4,128,468. Net position for the District total \$33,523,062.

FINANCIAL STATEMENT OVERVIEW

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

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

FUND FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS (Continued)

The District has two types of funds:

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position

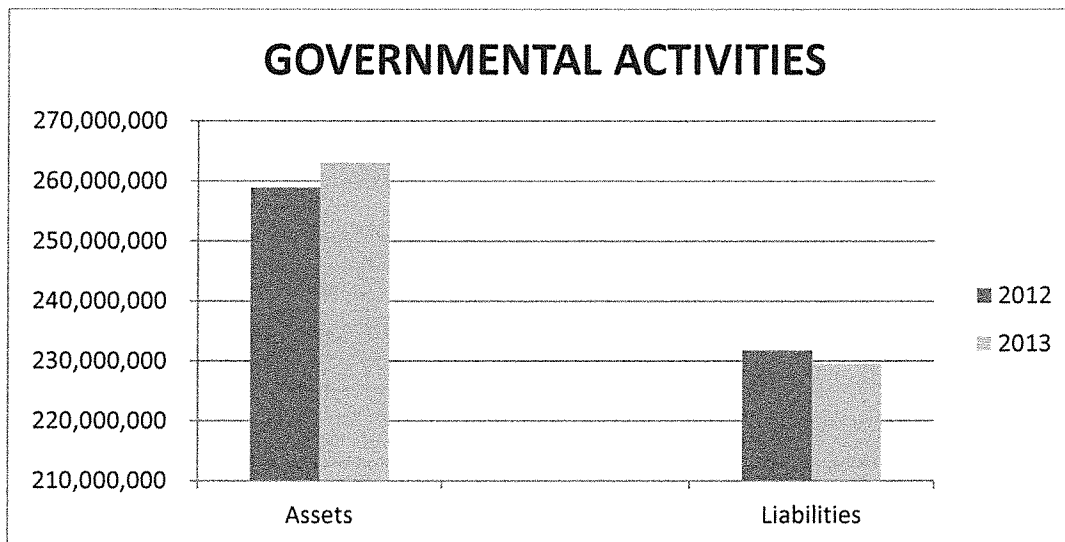
The statement of net position presents the financial position of the District at the end of the fiscal year, which ended June 30, 2013 and includes all assets and liabilities of the District. The difference between the total assets and total liabilities (net position) is one indicator of the current financial condition of the District, while the change in the net position is an indicator of whether the overall financial condition has improved or deteriorated during the year. It should be noted that a negative change that has been expected and anticipated reflects the district in a better position than not. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. For the purpose of distinguishing between current and non-current assets and liabilities, current assets and liabilities are those that can be reasonably expected to either generate or use cash, as part of normal business operations, within one year of the financial statements date. The analysis below focuses on the net position and the change in net position from 2012 to 2013 for the District's governmental activities.

Governmental Activities – Table 1

		2012	2013
<u>Assets</u>			
	Current and other assets	\$ 82,440,402	\$ 78,619,735
	Capital assets	178,731,916	184,441,197
	Total Assets	\$ 261,172,318	\$ 263,060,932
<u>Liabilities</u>			
	Current Liabilities	\$ 22,310,049	\$ 14,916,392
	Long-term liabilities	209,467,675	214,621,478
	Total Liabilities	\$ 231,777,724	\$ 229,537,870
<u>Net Position</u>			
	Invested in Capital Assets, Net Of related debt	\$ 53,070,217	\$ 54,180,673
	Restricted	1,444,605	3,758,877
	Unrestricted	(25,120,228)	(24,416,488)
		\$ 29,394,594	\$ 33,523,062

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Statement of Net Position (Continued)



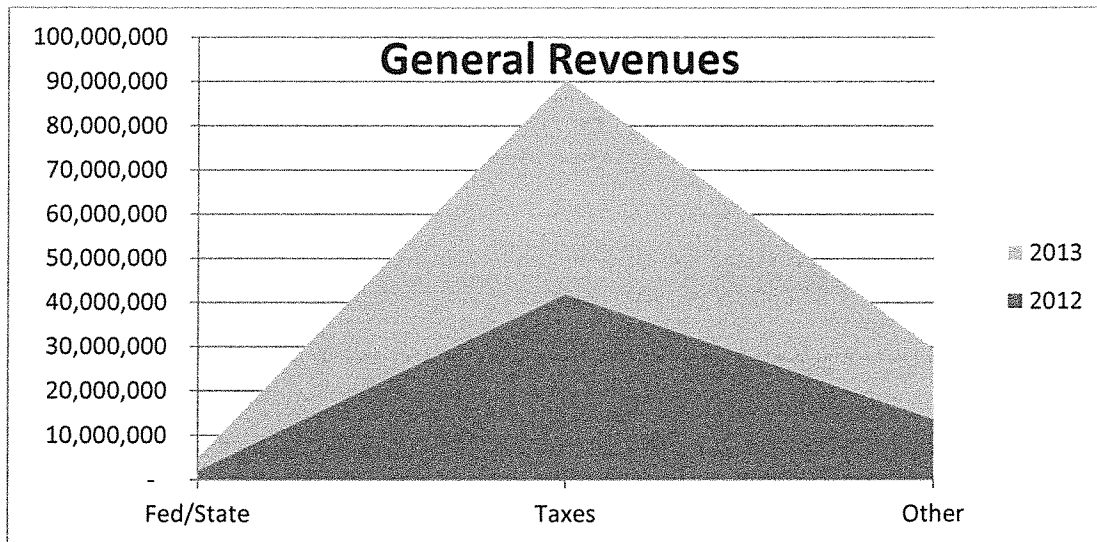
Statement of Activities

Changes in Net Position – Table 2

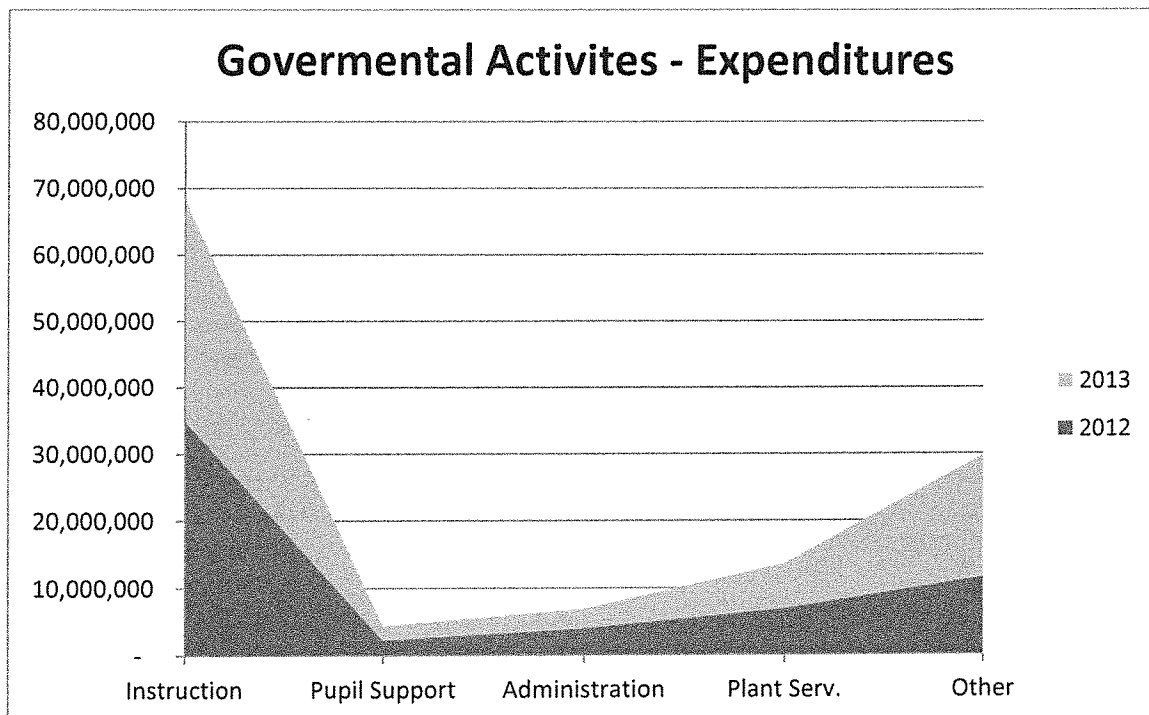
	2012	2013
<u>Revenues</u>		
General revenues		
Federal and State Aid (not restricted)	\$ 1,986,595	\$ 2,961,861
Property taxes	41,867,695	48,602,128
Other general revenues	13,470,551	16,609,046
Total Revenues	<u>\$ 57,324,841</u>	<u>\$ 67,609,046</u>
<u>Expenses (less program revenue)</u>		
Instruction related	\$ 34,935,373	\$ 33,404,754
Pupil services	2,244,448	2,121,964
Administration	3,950,653	2,955,665
Plant services	6,860,185	6,792,255
Other	11,552,693	18,205,940
Total Expenses	<u>\$ 59,543,352</u>	<u>\$ 63,480,578</u>
Changes in Net Position	<u>(\$ 2,218,511)</u>	<u>\$ 4,128,468</u>

The statement of activities presents the District's results of operations. The District's combined net position totaled \$33,523,062 for 2013. The capital assets report shows a total value of \$178,731,916, net of \$49,211,695 for accumulated depreciation.

The District's 2012/2013 general revenues were \$67,609,046. Taxes levied for general purpose accounted for seventy-two percent (72%) of the District's revenue and increased by \$6,734,433 over prior year. Federal and State Aid made up eighteen (4%) of the revenue, which is an increase over prior year due to receipt of Education Protection Act Funds and the carryover in federal funds by the amount of \$2,961,861. Local revenue/other made up the balance of the revenues at twenty-four (24%), 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 2012/2013 fiscal year expenses increased by \$3,937,226 from the 2011/2012 fiscal year. The district's expenses include instruction and pupil related services, which amount to fifty-three (56%) of the total expenses reported. The administrative activities of the District were five (5%) of expenses and decreased by \$994,988 over the prior year. Plant services (maintenance and operations) were eleven percent (11%) of expenses and a reduction of \$67,930 from prior year. The other expenses included ancillary and community services, interest on debt, other outgo and depreciation, which was twenty-eight (29%) of the total expenses. The chart below provides a graphic explanation of expenditure breakdown:



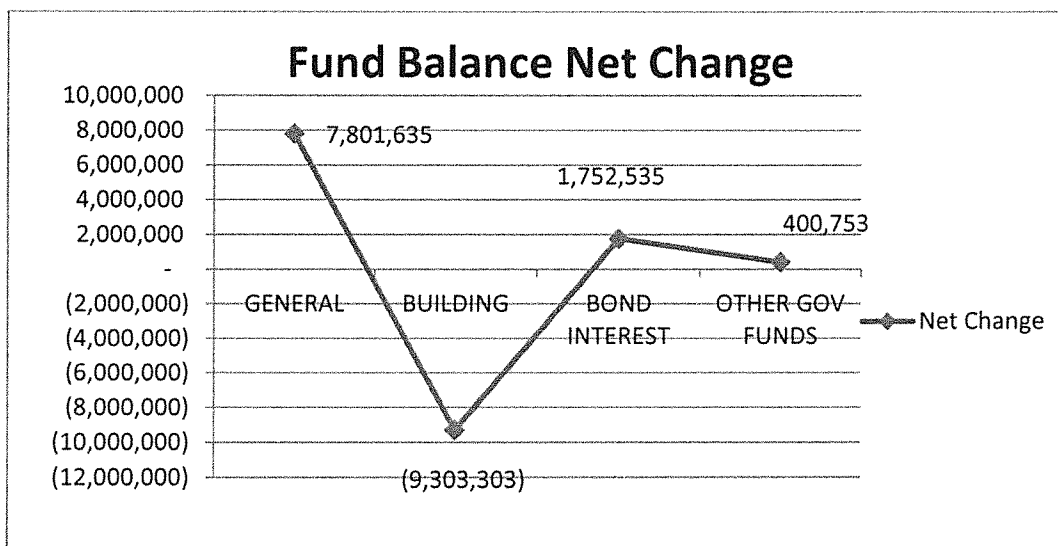
BALANCE SHEET

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, 2012</u>	<u>June 30, 2013</u>
General Fund	\$ 5,942,523	\$ 13,744,158
Building Fund	\$ 55,903,594	46,600,291
Bond Interest and Redemption Fund	\$ 4,284,742	6,037,277
Other Governmental Funds	\$ 1,292,399	1,693,152



FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The state funding of education is changing effective in the 2013/2014 year to the Local Control Funding Formula. The funding of the LCFF will reach its fully funded status in approximately 2020/20121. Basic Aid districts will still match property taxes to the state funding formula and receive the greater of the two.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our community, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. If you have any questions or need additional financial information, please contact the Business Office located at 255 S. Lasky Drive, Beverly Hills, CA 90212. The district phone number is 310-551-5100. The Chief Administrative Officer is Dr. Dawnalyn Murakawa-Leopard and the Executive Director of Budget is Ms. Mary Anne McCabe.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT**STATEMENT OF NET POSITION**June 30, 2013

Assets	Governmental Activities
Cash in County Treasury	\$ 69,273,769
Cash on hand and in banks	34,710
Revolving cash fund	50,000
Accounts receivable	4,853,409
Prepaid expenses	187,803
Deferred charges	1,176,047
Deferred losses on refunding	2,856,715
Other assets	187,282
Land	2,933,062
Construction in progress	20,914,203
Buildings and improvements	198,599,484
Site improvements	8,776,267
Furniture and equipment	7,365,733
Less accumulated depreciation	<u>(54,147,552)</u>
Total assets	<u>263,060,932</u>
Liabilities	
Accounts payable	6,124,130
Interest payable	1,342,022
Unearned revenue	387,965
Long-term liabilities:	
Due within one year	7,062,275
Due in more than a year	<u>214,621,478</u>
Total liabilities	<u>229,537,870</u>
Net Position	
Net investment in capital assets	54,180,673
Restricted for:	
Capital projects	1,618,398
Education programs	2,097,979
Nutrition	42,500
Unrestricted	<u>(24,416,488)</u>
Total net position	<u><u>\$ 33,523,062</u></u>

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2013

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 33,659,585	\$ 401,282	\$ 5,562,549	\$ 4,431
Instruction-related services:				
Instructional supervision and administration	1,529,288	7,991	460,565	
Instructional library, media, and technology	1,068,994	829	3,430	
School site administration	3,777,354	32,065	157,325	
Pupil services:				
Home-to-school transportation	65,235		65,235	
Food services	674,268	425,222	94,997	
All other pupil services	2,608,039	42,396	597,728	
General administration:				
Centralized data processing	309,363			
All other general administration	2,727,515	11,995	69,218	
Plant services	6,801,458	1,792	7,411	
Ancillary services	794,248	84,458	349,317	
Community services	97,003			
Interest on long-term debt	12,649,133			
Other outgo	240,415	12,093	64,848	
Depreciation (unallocated)	4,935,857			
Total governmental activities	<u>\$ 71,937,755</u>	<u>\$ 1,020,123</u>	<u>\$ 7,432,623</u>	<u>\$ 4,431</u>

General revenues:

Taxes and subventions:

 Taxes levied for general purposes

 Taxes levied for debt service

 Tax levied for other specific purposes

 Federal and state aid not restricted to specific
 purposes

 Interest and investment earnings

 Miscellaneous

Total general revenues

Change in net position

Net position beginning of fiscal year

Net position end of fiscal year

See notes to basic financial statements

Net (Expense)
Revenue and
Changes in
Net Position
<u> </u>
\$ (27,691,323)
(1,060,732)
(1,064,735)
(3,587,964)
(154,049)
(1,967,915)
(309,363)
(2,646,302)
(6,792,255)
(360,473)
(97,003)
(12,649,133)
(163,474)
<u>(4,935,857)</u>
<u>(63,480,578)</u>
35,520,555
13,041,129
40,444
2,961,861
588,676
<u>15,456,381</u>
<u>67,609,046</u>
4,128,468
<u>29,394,594</u>
<u><u>\$ 33,523,062</u></u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Building Fund	Bond Interest and Redemption Fund
Assets			
Cash in County Treasury	\$ 14,588,375	\$ 46,971,689	\$ 6,037,277
Cash on hand and in banks			
Revolving cash fund	50,000		
Accounts receivable	4,729,689	112,546	
Prepaid expenditures	187,803		
Other assets	187,282		
Total assets	<u>\$ 19,743,149</u>	<u>\$ 47,084,235</u>	<u>\$ 6,037,277</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 5,611,026	\$ 483,944	\$ -
Unearned revenue	387,965		
Total liabilities	<u>5,998,991</u>	<u>483,944</u>	
Fund balances:			
Nonspendable			
Revolving cash	50,000		
Prepaid expenditures	187,803		
Restricted			
Legally restricted balances	2,097,979		
Construction		46,600,291	
Debt service			6,037,277
Committed			
Stabilization arrangements	9,024,658		
Assigned			
Cafeteria program			
Other assignment	428,573		
Unassigned	1,955,145		
Total fund balances	<u>13,744,158</u>	<u>46,600,291</u>	<u>6,037,277</u>
Total liabilities and fund balances	<u>\$ 19,743,149</u>	<u>\$ 47,084,235</u>	<u>\$ 6,037,277</u>

See notes to basic financial statements

Other Governmental Funds	Total Governmental Funds
\$ 1,676,428	\$ 69,273,769
34,710	34,710
	50,000
11,174	4,853,409
	187,803
	187,282
<u>\$ 1,722,312</u>	<u>\$ 74,586,973</u>
\$ 29,160	\$ 6,124,130
	387,965
<u>29,160</u>	<u>6,512,095</u>
	50,000
	187,803
42,500	2,140,479
1,618,398	48,218,689
	6,037,277
	9,024,658
32,254	32,254
	428,573
	1,955,145
<u>1,693,152</u>	<u>68,074,878</u>
<u>\$ 1,722,312</u>	<u>\$ 74,586,973</u>

See notes to basic financial statements

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013

Total fund balances - governmental funds \$ 68,074,878

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 \$ 238,588,749

Accumulated depreciation (54,147,552)

Net 184,441,197

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. 1,176,047

The District refunded portions of its 1998 and 2002 General Obligation Bonds. The difference between the amount that was sent to the trustee of the escrow account and the amount of the principal outstanding on the refunded obligations is amortized as an adjustment to interest expense over the remaining life of the refunded bonds. This balance represents the unamortized deferred losses on refunding remaining balance. 2,856,715

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In government-wide statement of activities, it is recognized in the period that it is incurred. (1,342,022)

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	\$ (170,640,660)
Unamortized premium	(7,585,078)
Accreted interest payable	(38,912,579)
Compensated absences	(551,768)
Capital leases	(1,080,848)
OPEB	(762,420)
SERP	(563,409)
Loans payable	<u>(1,586,991)</u>

Total (221,683,753)

Total net position, governmental activities \$ 33,523,062

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, 2013

	General Fund	Building Fund	Bond Interest and Redemption Fund
Revenues:			
Revenue limit sources:			
Local sources	\$ 36,466,928	\$ -	\$ -
Federal	1,955,697		
Other state	2,582,080		17,455
Other local	20,745,313	339,662	13,086,584
Total revenues	61,750,018	339,662	13,104,039
Expenditures:			
Certificated salaries	27,328,281		
Classified salaries	7,334,819	298,917	
Employee benefits	9,028,671	71,548	
Books and supplies	1,191,274	6,487	
Contracted services and other operating expenditures	8,405,779	1,753,204	
Capital outlay	1,554,279	7,512,809	
Other outgo	55,635		
Debt service:			
Principal	341,779		6,930,567
Interest and fiscal charges	94,171		4,420,937
Total expenditures	55,334,688	9,642,965	11,351,504
Excess of revenues over (under) expenditures	6,415,330	(9,303,303)	1,752,535
Other Financing Sources (Uses):			
Proceeds from issuance of loan	1,586,305		
Transfers in			
Transfers out	(200,000)		
Total other financing sources (uses)	1,386,305		
Net change in fund balances	7,801,635	(9,303,303)	1,752,535
Fund balance, July 1, 2012	5,942,523	55,903,594	4,284,742
Fund balance, June 30, 2013	\$ 13,744,158	\$ 46,600,291	\$ 6,037,277

See notes to basic financial statements

Other Governmental Funds	Totals Governmental Funds
\$ -	\$ 36,466,928
	1,955,697
	2,599,535
<u>872,503</u>	<u>35,044,062</u>
<u>872,503</u>	<u>76,066,222</u>
	27,328,281
292,472	7,926,208
102,620	9,202,839
93,296	1,291,057
183,362	10,342,345
	9,067,088
	55,635
	7,272,346
	<u>4,515,108</u>
<u>671,750</u>	<u>77,000,907</u>
<u>200,753</u>	<u>(934,685)</u>
	1,586,305
200,000	200,000
	<u>(200,000)</u>
<u>200,000</u>	<u>1,586,305</u>
400,753	651,620
<u>1,292,399</u>	<u>67,423,258</u>
<u>\$ 1,693,152</u>	<u>\$ 68,074,878</u>

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

Total net change in fund balances - governmental funds	\$	651,620
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 \$10,645,138 and depreciation expense \$4,935,857 for the period is:		
		5,709,281
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal and issuance cost of long-term debt consumes the current financial resources of the governmental funds. However, in the statement of net position, the issuance increases long-term liabilities and the repayment reduces long-term liabilities and the repayment reduces long-term liabilities. This is the net change of the issuance of long-term debt and the principal repayment.		
		5,686,041
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:		
		(7,246,634)
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:		
		92,920
In the statement of activities, postemployment benefits are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). The difference between amounts earned and benefits used was:		
		216,803
Governmental funds report the effect of premiums, discounts, deferred charges, 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, net of amortization for the period	\$	423,761
Deferred losses on refunding amortized for the period		(1,344,336)
Issue costs, net of amortization for the period		(60,988)
		<u>(981,563)</u>
Changes in net position of governmental activities	\$	<u>4,128,468</u>

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Retiree Benefit Fund	Agency Funds		Totals
		Warrant Pass-through Fund	Student Body Fund	
Assets				
Cash in County Treasury	\$ 20,000	\$ (134,944)	\$ -	\$ (134,944)
Cash on hand and in banks			792,609	792,609
Prepaid expenses		134,944		134,944
Total assets	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 792,609</u>	<u>\$ 792,609</u>
Liabilities				
Due to student groups	\$ -	\$ -	\$ 792,609	\$ 792,609
Total liabilities		<u>\$ -</u>	<u>\$ 792,609</u>	<u>\$ 792,609</u>
Net Position				
Unrestricted	<u>20,000</u>			
Total net position	<u>\$ 20,000</u>			

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
RETIREE BENEFIT FUND
June 30, 2013

	Retiree Benefit Fund
Additions:	
Contribution	<u>\$ 20,000</u>
Change in net position	20,000
Net position - July 1, 2012	<u> </u>
Net position - July 1, 2013	<u><u>\$ 20,000</u></u>

See notes to basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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

B. Reporting Entity

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

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

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

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

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

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

The Beverly Hills Education Foundation The Beverly Hills Education Foundation Inc. (the Foundation) is a legally separate, tax-exempt entity. The Foundation's sole purpose is to provide financial support for District. Although the District does not control the timing or the amount of receipts of the Foundation, the majority of the resources held by the Foundation can only be used by, or for the benefit of the District. During the fiscal year ended June 30, 2013, the Foundation contributed approximately \$1,000,159 to the District.

Financial Statement Presentation Current audited financial information was not available at the time of the District's audit. As of June 30, 2012, Beverly Hills Education Foundation, Inc. reported total net assets of \$3,271,105 (unaudited) as provided by the Foundation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

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

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

D. Basis of Accounting

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

Revenues/exchange and non-exchange transactions:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/expenditures:

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

E. Fund Accounting

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

Major Governmental Funds:

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

Nonmajor Governmental Funds:

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

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

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

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

Fiduciary Funds:

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

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

F. Budgets and Budgetary Accounting

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Encumbrances

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

H. Assets, 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.

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, Debt Expenses, and Discounts

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Assets, Liabilities, and Equity (Continued)

5. Capital Assets

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

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

6. 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.

7. 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.

8. Long-Term Obligations

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

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

9. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Assets, Liabilities, and Equity (Continued)

10. Fund Balance – Governmental Funds

As of June 30, 2013, fund balances of the governmental funds are classified as follows:

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

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

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board is the highest level of decision-making authority for the district. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board. During the fiscal year 2012-2013, the governing board committed \$9,024,658 as stabilization arrangements.

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

Unassigned – all other spendable amounts.

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

11. 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. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Revenue Limit/Property Tax (Continued)

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

J. Estimates

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

K. New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 60

For the fiscal year ended June 30, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to Service Concession Arrangements. This Statement improves consistency in reporting and enhances the comparability of the accounting and financial reporting of Service Concession Arrangements among state and local governments. Implementation of the GASB Statement No. 60, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 61

For the fiscal year ended June 30, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 61 "The Financial Reporting Entity: Omnibus", an amendment of GASB Statements No. 14 and No. 34. This statement is effective for periods beginning after June 15, 2012. The objective of this Statement is to improve financial reporting for component units. The Statement modifies certain requirements for inclusion of component units in the financial reporting entity and clarifies the reporting of equity interests in legally separate organizations. Implementation of the GASB Statement No. 61 did not have an impact on the District's financial statements for the fiscal year ended June 30, 2013.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 62

For the fiscal year ended June 30, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in *Pre-November 30, 1989 FASB and AICPA Pronouncements*." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This Statement specifically identifies and consolidates the accounting and financial reporting provisions that apply to state and local governments. Implementation of the GASB Statement No. 62, did not have an impact on the District's financial statements for the fiscal year ended June 30, 2013.

Governmental Accounting Standards Board Statement No. 63

For the fiscal year ended June 30, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This Statement is effective for periods beginning after December 15, 2011. The objective of this Statement is to establish guidance for reporting deferred outflows or resources, deferred inflows of resources, and net position in a statement of financial position. This Statement sets forth framework that specifies where deferred outflows of resources and deferred inflows of resources, as well as assets and liabilities should be displayed. This Statement also specifies how net position, no longer referred to as net assets, should be displayed. Implementation of the Statement and the impact of the District's financial statements are explained in Note 19 – Net Position.

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments at June 30, 2013 consisted of the following:

Cash and investments with County Treasury	\$ 69,158,825
Cash on hand and in banks	<u>877,319</u>
Total cash and investments	<u>\$ 70,036,144</u>

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

Cash in County Treasury, statement of net position	\$ 69,273,769
Cash on hand and in banks, statement of net position	34,710
Cash in revolving fund, statement of net position	50,000
Cash in County Treasury, statement of fiduciary net position	(114,944)
Cash on hand and in banks, statement of fiduciary net position	<u>792,609</u>
Total cash and investments	<u>\$ 70,036,144</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT**NOTES TO BASIC FINANCIAL STATEMENTS**June 30, 2013

NOTE 2 - CASH AND INVESTMENTS (Continued)Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool (\$69,158,825 as of June 30, 2013). The fair value of this pool as of that date, as provided by the plan sponsor, was \$69,158,825. 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 (\$827,319 as of June 30, 2013) and in the revolving fund (\$50,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

Investments Authorized by the District's Investment Policy

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

Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Carrying Amount	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
Los Angeles County Investment Pool	\$ 69,158,825	\$ 69,158,825	\$ -	\$ -	\$ -
Total	\$ 69,158,825	\$ 69,158,825	\$ -	\$ -	\$ -

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

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

Investment Type	Amount	Minimum Legal Rating	Exempt from Rating	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
Los Angeles County							
Investment Pool	\$ 69,158,825	N/A	\$ -	\$ -	\$ -	\$ -	\$ 69,158,825
Total	<u>\$ 69,158,825</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,158,825</u>

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, 2013, \$290,588 of the District's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

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

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District's expenditures did not exceeded appropriations in any individual funds.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 – RECEIVABLES

Receivables at June 30, 2013, consist of the following:

	General Fund	Building Fund	Other Governmental Funds
Federal Government			
Categorical Aid	\$ 1,540,928	\$ -	\$ -
State Government			
Categorical Aid	2,135,235		
Lottery	465,930		
Local Government			
Interest	25,627	112,546	3,581
Other Local Sources	561,969		7,593
	<u>\$ 4,729,689</u>	<u>\$ 112,546</u>	<u>\$ 11,174</u>

NOTE 5 - INTERFUND TRANSACTIONS

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

Interfund Transfers

Interfund transfers consist of transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2012-2013 fiscal year are as follows:

Fund	Transfers In	Transfers Out
Major Fund:		
General Fund	\$ -	\$ 200,000
Nonmajor Fund:		
Cafeteria Fund	200,000	
Totals	<u>\$ 200,000</u>	<u>\$ 200,000</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 2,933,062	\$ -	\$ -	\$ 2,933,062
Construction in progress	16,337,233	4,576,970		20,914,203
Total capital assets, not being depreciated	19,270,295	4,576,970		23,847,265
Capital assets being depreciated:				
Buildings and improvements	192,553,739	6,045,745		198,599,484
Site improvements	8,776,267			8,776,267
Furniture and equipment	7,343,310	22,423		7,365,733
Total capital assets being depreciated	208,673,316	6,068,168		214,741,484
Less accumulated depreciation for:				
Buildings and improvements	40,183,773	3,945,627		44,129,400
Site improvements	4,173,128	359,811		4,532,939
Furniture and equipment	4,854,794	630,419		5,485,213
Total accumulated depreciation	49,211,695	4,935,857		54,147,552
Total capital assets, being depreciated, net	159,461,621	1,132,311		160,593,932
Total capital assets	\$ 178,731,916	\$ 5,709,281	\$ -	\$ 184,441,197

Depreciation expense of \$4,935,857 was charged to governmental activities as unallocated.

NOTE 7 – LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the fiscal year ended June 30, 2013, is shown below:

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

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due within One Year
General obligation bonds:					
Principal balance	\$ 177,571,227	\$ -	\$ 6,930,567	\$ 170,640,660	\$ 6,013,915
Unamortized premium	8,008,839		423,761	7,585,078	423,761
Accreted interest payable	32,108,576	6,804,003		38,912,579	
Compensated absences	644,688		92,920	551,768	
Energy program equipment lease payable	1,363,313		282,465	1,080,848	293,791
Other postemployment benefits (OPEB)	546,445	494,080	278,105	762,420	
Supplement executive retirement plan (SERP)	996,187		432,778	563,409	187,803
Loans payable	60,000	1,586,305	59,314	1,586,991	143,005
Totals	\$ 221,299,275	\$ 8,884,388	\$ 8,499,910	\$ 221,683,753	\$ 7,062,275

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 8 – GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding June 30, 2012	Issued	Redeemed	Bonds Outstanding June 30, 2013
6/2001	5/2020	4.00-5.50%	\$ 13,600,000	\$ 7,320,000	\$ -	\$ 740,000	\$ 6,580,000
5/2002	8/2016	3.00-5.90%	44,999,260	2,139,260		1,260,000	879,260
8/2005	8/2030	3.40-5.00%	45,000,000	1,055,000		100,000	955,000
7/2005	6/2023	2.70-5.25%	47,354,973	27,182,940		3,093,843	24,089,097
7/2005	8/2026	2.70-5.25%	36,384,991	25,599,363		1,251,724	24,347,639
1/2009	8/2033	2.50-8.10%	72,044,664	72,044,664			72,044,664
4/2012	8/2030	2.00-5.00%	42,230,000	42,230,000		485,000	41,745,000
				<u>\$ 177,571,227</u>	<u>\$ -</u>	<u>\$ 6,930,567</u>	<u>\$ 170,640,660</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 previously issued. Interest rates on the bonds range from 4.00 percent to 5.50 percent. As of June 30, 2013, the principal balance outstanding was \$6,580,000.

The bonds mature through 2020 as follows:

Fiscal Year Ended	Principal	Interest	Total
2014	\$ 785,000	\$ 361,900	\$ 1,146,900
2015	830,000	318,725	1,148,725
2016	880,000	273,075	1,153,075
2017	930,000	224,675	1,154,675
2018	990,000	173,525	1,163,525
2019-2020	<u>2,165,000</u>	<u>180,400</u>	<u>2,345,400</u>
	<u>\$ 6,580,000</u>	<u>\$ 1,532,300</u>	<u>\$ 8,112,300</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 8 – GENERAL OBLIGATION BONDS (Continued)

General Obligation Bonds, 2002 Series A

On May 30, 2002, the District issued \$44,999,260 of General Obligation Bonds. The bonds included \$44,120,000 in current interest bonds and \$879,260 in Capital Appreciation bonds totaling to the \$44,999,260. The Capital Appreciation bonds of \$879,260 accrete to a \$2,000,000 maturity value. The bonds were issued to finance the addition and modernization of school facilities. Interest rates range from 3.00 percent to 5.90 percent. In July 2005, the callable portion of the bonds was refinanced with the 2005 Refunding Bond Series B. As such, the callable portion of this issue has been considered an in-substance defeased debt. As of June 30, 2013, the principal balance of the un-callable bonds outstanding was \$879,260. The accreted interest on the capital appreciation bonds balance as of June 30, 2013 was \$792,573.

The bonds mature through 2017 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Interest	Total
2014	\$ -	\$ -	\$ -	\$ -
2015				
2016				
2017	879,260	1,120,740		2,000,000
	<u>\$ 879,260</u>	<u>\$ 1,120,740</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>

General Obligation Bonds, 2002 Series B

In August 2005, the District issued General Obligation Bonds, Election of 2002 Series B in the amount of \$45,000,000. The bonds were issued to finance certain addition and modernization of school facilities. The bonds had an unamortized cost of issuance totaling \$444,180, and an unamortized premium of \$2,078,910 as of June. The cost of issuance and premium on the bonds were amortized utilizing the straight-line method over the life of the debt. The bonds interest rates ranged from 3.40 percent to 5.00 percent.

In April 2012, the District issued 2012 General Obligation Refunding Bonds to refinance portion of the District's outstanding General Obligation Bonds, Election of 2002, Series B in amount of \$42,230,000. As of June 30, 2013, the principal balance of the remaining outstanding was \$955,000.

The bonds mature through 2016 as follows:

Fiscal Year Ended	Principal	Interest	Total
2014	\$ 175,000	\$ 34,481	\$ 209,481
2015	345,000	24,300	369,300
2016	435,000	8,700	443,700
	<u>\$ 955,000</u>	<u>\$ 67,481</u>	<u>\$ 1,022,481</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 8 – GENERAL OBLIGATION BONDS (Continued)

2005 Refunding Bonds Series A and B

In July 2005, the District issued General Obligation Refunding Bonds Series A and B in the amount of \$47,354,973 and \$36,384,991, respectively. The bonds were issued for the purpose of providing funds to refinance two previously outstanding bonds issues including the 1998 Series B and the 2002 Series A bonds. The 2005 Refunding Bonds Series A and B had combined cost of issuance, deferred losses on refunding, and premium that was fully amortized during the fiscal year ending June 30, 2012. The cost of issuance, deferred charge, and premium were all amortized utilizing the straight-line method through 2012. The bonds' interest rates range from 2.70 percent to 5.25 percent. The outstanding principal at June 30, 2013 was \$24,089,097 and \$24,347,639, respectively. The accreted interest on the capital appreciation bonds balance as of June 30, 2013 was \$11,059,686 and \$11,595,624, respectively.

The Series A bonds mature through 2023 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Total
2014	\$ 2,953,501	\$ 1,530,809	\$ 4,484,310
2015	2,820,165	1,671,665	4,491,830
2016	2,690,448	1,805,007	4,495,455
2017	2,565,057	1,931,193	4,496,250
2018	2,445,124	2,051,375	4,496,499
2019-2023	10,614,802	11,876,446	22,491,248
	<u>\$ 24,089,097</u>	<u>\$ 20,866,495</u>	<u>\$ 44,955,592</u>

The Series B bonds mature through 2027 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Total
2014	\$ 2,100,414	\$ 1,080,130	\$ 3,180,544
2015	2,020,306	1,196,863	3,217,169
2016	1,997,870	1,347,049	3,344,919
2017	905,051	699,493	1,604,544
2018	1,917,845	1,632,948	3,550,793
2019-2023	8,778,522	10,111,401	18,889,923
2024-2027	6,627,631	11,277,618	17,905,249
	<u>\$ 24,347,639</u>	<u>\$ 27,345,502</u>	<u>\$ 51,693,141</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 8 – GENERAL OBLIGATION BONDS (Continued)

2008 General Obligation Bond Series 2009

In January 2009 the District issued General Obligation Bonds Series 2009 in the amount of \$72,044,664. The bonds included \$12,460,000 in Current Interest bonds and \$59,584,664 in Capital Appreciation bonds totaling to the \$72,044,664. The Capital Appreciation bonds of \$59,584,664 accrete to a \$203,900,000 maturity value. The bonds were issued for the purpose of providing funds to refinance new construction, additions to and modernization of school facilities for the District. The unamortized cost of issuance totaled \$872,745 and an unamortized premium of \$2,175,862 as of June 30, 2013. The cost of issuance and premium are all amortized utilizing the straight-line method through 2034. The bonds' interest rates range from 2.50 percent to 8.10 percent. The outstanding principal at June 30, 2013, was \$72,044,664. The accreted interest on the capital appreciation bonds balance as of June 30, 2013 was \$15,464,696.

The bonds mature through 2034 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Interest	Total
2014	\$ -	\$ -	\$ 504,463	\$ 504,463
2015	350,000		530,087	880,087
2016	760,000		515,261	1,275,261
2017	1,175,000		487,188	1,662,188
2018	1,625,000		443,156	2,068,156
2019-2023	11,899,974	6,139,401	617,750	18,657,125
2024-2028	20,697,110	33,802,890		54,500,000
2029-2033	29,056,980	80,943,020		110,000,000
2034	6,480,600	23,519,400		30,000,000
	<u>\$ 72,044,664</u>	<u>\$144,404,711</u>	<u>\$ 3,097,905</u>	<u>\$ 219,547,280</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 cost of issuance totaled \$303,301 and an unamortized premium of \$5,409,216 as of June 30, 2013. The cost of issuance and premium are all amortized utilizing the straight-line method through 2031. The bonds interest rates range from 2.00 percent to 5.00 percent. The outstanding principal at June 30, 2013, was \$41,745,000.

The bonds mature through 2031 as follows:

Fiscal Year Ended	Principal	Interest	Total
2014	\$ -	\$ 1,868,488	\$ 1,868,488
2015		1,868,488	1,868,488
2016		1,868,488	1,868,488
2017	520,000	1,858,088	2,378,088
2018	775,000	1,839,938	2,614,938
2019-2023	9,280,000	8,396,515	17,676,515
2024-2028	17,770,000	4,952,940	22,722,940
2029-2033	13,400,000	894,643	14,294,643
	<u>\$ 41,745,000</u>	<u>\$ 23,547,588</u>	<u>\$ 65,292,588</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 – COMPENSATED ABSENCES

The accumulated unpaid employee vacation for the District at June 30, 2013, amounted to \$551,768.

NOTE 10 – ENERGY PROGRAM EQUIPMENT LEASE

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

The annual interest rate is 3.95 percent. Principal and interest payments began February 15, 2006, and are due quarterly for a term of 11 years. The principal balance outstanding at June 30, 2013, was \$1,080,848.

The repayment schedule for the lease is as follows:

Fiscal Year Ended	Principal	Interest	Total
2014	\$ 293,791	\$ 38,387	\$ 332,178
2015	305,572	26,606	332,178
2016	317,825	14,353	332,178
2017	163,660	2,429	166,089
	<u>\$ 1,080,848</u>	<u>\$ 81,775</u>	<u>\$ 1,162,623</u>

NOTE 11- OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

Funding Policy

The contribution requirement of plan members and the District are established under a funding policy approved by the District's Board, and may be amended by the District from time to time. The District's funding policy is to contribute an amount sufficient to pay the current fiscal year premiums. For fiscal year 2013, the District contributed \$278,105 to the plan, all of which was used for current premiums and no prefunding of benefits has been made.

Annual OPEB and Net OPEB Obligation

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

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

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

Annual required contribution	\$ 500,615
Interest on net OPEB Obligation	27,322
Adjustment to annual required contribution	(33,857)
Annual OPEB cost (expense)	<u>494,080</u>
Contributions made	<u>(278,105)</u>
Increase in net OPEB obligation	215,975
Net OPEB obligation - beginning of fiscal year	<u>546,445</u>
Net OPEB obligation - end of fiscal year	<u>\$ 762,420</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years 2013, 2012, and 2011 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 477,658	76.19%	\$ 389,597
6/30/2012	\$ 496,119	68.39%	\$ 546,445
6/30/2013	\$ 494,080	56.29%	\$ 762,420

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$4,140,873, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,140,873. The schedule of funding progress for retiree health plan is referenced on page 44.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

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

In the July 1, 2009, actuarial valuation, the unit credit cost method was used. The actuarial assumptions included a 5% investment rate of return, which is the expected long-term investment returns on plan assets expected to be held by the plan, and an annual healthcare cost trend rate of 8% for future years trending down to an ultimate 5% increase for 2013 and later years. The actuarial value of assets is not applicable (no assets as of the initial valuation date). The UAAL is being amortized as a level dollar method over 30 years. The remaining amortization period at July 1, 2009 was thirty years.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 12 - SUPPLEMENTAL EMPLOYEE RETIREE PROGRAM (SERP)

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

The future SERP payments are as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Total Payment</u>
2014	\$ 187,803
2015	187,803
2016	187,803
	<u>\$ 563,409</u>

NOTE 13 – LOANS PAYABLE

City of Beverly Hills Loan

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

The future payments are as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Total</u>
2014	\$ 60,000

Residential Investment Loan

In July 2012, the District purchased a property to lease to the Superintendent of the District located in the City of Beverly Hills for an amount of \$1,586,305. The loan is to be paid quarterly in an amount of \$34,590. The effective interest rate of the loan is 3.70% and it is expected to mature in August of 2027. The outstanding principal at June 30, 2013, was \$1,526,991.

<u>Fiscal Year</u> <u>Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 83,005	\$ 55,356	\$ 138,361
2015	86,119	52,242	138,361
2016	89,350	49,011	138,361
2017	92,703	45,659	138,362
2018	96,180	42,181	138,361
2019-2023	537,812	153,994	691,806
2024-2027	541,822	46,214	588,036
	<u>\$ 1,526,991</u>	<u>\$ 444,657</u>	<u>\$ 1,971,648</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

NOTE 14 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2013, the District contracted with Alliance of Schools for Cooperative Insurance Programs (ASCIP) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2013, the District participated in the Schools Linked for Insurance Management (SLIM), an insurance purchasing pool. The intent of SLIM is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SLIM. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in SLIM. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of SLIM. Participation in SLIM is limited to Districts that can meet SLIM selection criteria.

Employee Medical Benefits

The District has contracted with the ASCIP to provide employee vision and dental benefits. ASCIP is a shared risk pool comprised of school districts in California. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating Districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a District subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 15 - JOINT VENTURES (Joint Powers Agreements)

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

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

NOTE 16 - EMPLOYEE RETIREMENT SYSTEMS

State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$2,229,203, \$2,176,222, and \$2,152,957, respectively, and equal 100% of the required contributions for each fiscal year.

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary (7% of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2012-2013 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$753,079, \$730,941, and \$740,585, respectively, and equal 100% of the required contributions for each fiscal year.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2013.

NOTE 18 – RELATED PARTY TRANSACTION

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

NOTE 19 – 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 20 – SUBSEQUENT EVENTS

On July 31, 2013, the District issued 2013-14 Pooled Tax and Revenue Anticipation Notes, Series A-1 (Note) for an amount of \$8,132,480. Final maturity date of the Note is June 30, 2014.

On December 10, 2013, the District issued the 2008 General Obligation Bonds, Series 2013, in the amount of \$44,999,303. The bonds were authorized at an election of the registered voters of the District held on November 4, 2008, which authorized the issuance of \$334,000,000 principal amount of general obligation bonds for the purpose of financing the construction, renovation, modernization, and equipping of school facilities.

Management of the District has evaluated subsequent events through December 14, 2013, the date of these financial statements were available to be issued, and has determined there were no material events requiring disclosure.

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Description	Procedures in Panel's Audit Guide	Procedures Performed
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or Charters Schools with only One School Serving K-3	4	Not Applicable
After School Education and Safety Program		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Contemporaneous Records of Attendance, for Charter Schools	1	Not Applicable
Mode of Instruction, for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study, for Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction, for Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based, for Charter Schools	4	Not Applicable

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

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the fiscal year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the Education Audit Appeal Panel's, *Standards and Procedures for Audits of California K-12 Local Educational Agencies* and which are described in the accompanying Schedule of Findings and Questioned costs as items 2013-4 and 2013-5. We did not audit Beverly Hills Unified School District's responses and accordingly, we express no opinion on them.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 14, 2013

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2013

Section IV – State Award Findings

FINDING 2013-4
ATTENDANCE
10000

Criteria:

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

Condition:

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

Effect:

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

Questioned cost:

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

Cause:

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

Recommendation:

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

LEA's Corrective Action Plan:

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

REQUIRED SUPPLEMENTARY INFORMATION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue limit sources:				
Local sources	\$ 32,215,032	\$ 31,911,083	\$ 36,466,928	\$ 4,555,845
Federal	1,819,984	2,243,927	1,955,697	(288,230)
Other state	1,300,000	2,103,356	2,582,080	478,724
Other local	15,815,432	19,169,389	20,745,313	1,575,924
Total revenues	51,150,448	55,427,755	61,750,018	6,322,263
Expenditures:				
Certificated salaries	26,919,851	27,328,281	27,328,281	
Classified salaries	7,372,391	7,404,651	7,334,819	69,832
Employee benefits	9,862,033	10,133,876	9,028,671	1,105,205
Books and supplies	1,187,681	1,398,706	1,191,274	207,432
Contracted services and other operating expenditures	7,823,772	8,867,036	8,405,779	461,257
Capital outlay		1,604,264	1,554,279	49,985
Other outgo	100,000	75,634	55,635	19,999
Debt service				
Principal	472,178	341,780	341,779	1
Interest		94,171	94,171	
Total expenditures	53,737,906	57,248,399	55,334,688	1,913,711
Excess of revenues over (under) expenditures	(2,587,458)	(1,820,644)	6,415,330	8,235,974
Other Financing Sources (Uses):				
Proceeds from issuance of loan			1,586,305	1,586,305
Transfers out		(200,000)	(200,000)	
Total other financing sources (uses)		(200,000)	1,386,305	1,586,305
Net change in fund balance	(2,587,458)	(2,020,644)	7,801,635	9,822,279
Fund balance, July 1, 2012	5,942,523	5,942,523	5,942,523	
Fund balance, June 30, 2013	\$ 3,355,065	\$ 3,921,879	\$ 13,744,158	\$ 9,822,279

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
POST-EMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS TREND INFORMATION
June 30, 2013

Schedule of Funding Progress for Retiree Health Plan						
Actuarial Valuation Date	Unit Credit Cost Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
7/1/07	\$ 3,771,449	\$ -	\$ 3,771,449	0%	\$26,649,916	14.15%
7/1/09	\$ 4,140,873	\$ -	\$ 4,140,873	0%	\$25,206,465	16.43%

SUPPLEMENTARY INFORMATION SECTION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUND
BALANCE SHEET
 June 30, 2013

	Cafeteria Fund
Assets	
Cash in County Treasury	\$ 61,611
Cash on hand and in banks	34,710
Accounts receivable	<u>7,593</u>
Total assets	<u><u>\$ 103,914</u></u>
 Liabilities and Fund Balance	
Liabilities:	
Accounts payable	<u>\$ 29,160</u>
Total liabilities	<u>29,160</u>
Fund balance:	
Restricted	
Legally restricted balance	42,500
Assigned	
Cafeteria Program	<u>32,254</u>
Total fund balance	<u>74,754</u>
Total liabilities and fund balance	<u><u>\$ 103,914</u></u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2013

	Cafeteria Fund
Revenues:	
Other local	\$ 541,786
Total revenues	<u>541,786</u>
Expenditures:	
Classified salaries	292,472
Employee benefits	102,620
Books and supplies	93,296
Contracted services and other operating expenditures	<u>183,362</u>
Total expenditures	<u>671,750</u>
Excess of revenues over (under) expenditures	<u>(129,964)</u>
Other Financing Sources (Uses):	
Transfers in	<u>200,000</u>
Total other financing sources (uses)	<u>200,000</u>
Net change in fund balance	70,036
Fund balance , July 1, 2012	<u>4,718</u>
Fund balance, June 30, 2013	<u><u>\$ 74,754</u></u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2013

	Cafeteria Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other local	\$ 556,601	\$ 541,786	\$ (14,815)
Total revenues	556,601	541,786	(14,815)
Expenditures:			
Classified salaries	299,780	292,472	7,308
Employee benefits	123,240	102,620	20,620
Books and supplies	150,163	93,296	56,867
Contracted services and other operating expenditures	183,362	183,362	
Total expenditures	756,545	671,750	84,795
Excess of revenues over (under) expenditures	(199,944)	(129,964)	69,980
Other Financing Sources (Uses):			
Transfers in	200,000	200,000	
Total other financing sources (uses)	200,000	200,000	
Net change in fund balance	56	70,036	69,980
Fund balance , July 1, 2012	4,718	4,718	
Fund balance, June 30, 2013	\$ 4,774	\$ 74,754	\$ 69,980

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
 June 30, 2013

	Capital Facilities Fund	County School Facilities Fund	Totals
Assets			
Cash in County Treasury	\$ 1,083,820	\$ 530,997	\$ 1,614,817
Accounts receivable	2,367	1,214	3,581
Total assets	<u>\$ 1,086,187</u>	<u>\$ 532,211</u>	<u>\$ 1,618,398</u>
 Liabilities and Fund Balances			
Fund balances:			
Restricted			
Construction	\$ 1,086,187	\$ 532,211	\$ 1,618,398
Total liabilities and fund balances	<u>\$ 1,086,187</u>	<u>\$ 532,211</u>	<u>\$ 1,618,398</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT**NONMAJOR CAPITAL PROJECTS FUNDS****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**For the Fiscal Year Ended June 30, 2013

	Capital Facilities Fund	County School Facilities Fund	Totals
Revenues:			
Other local	\$ 326,286	\$ 4,431	\$ 330,717
Total revenues	326,286	4,431	330,717
Fund balances , July 1, 2012	759,901	527,780	1,287,681
Fund balances, June 30, 2013	<u>\$ 1,086,187</u>	<u>\$ 532,211</u>	<u>\$ 1,618,398</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT**NONMAJOR CAPITAL PROJECTS FUNDS****COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****BUDGET AND ACTUAL**For the Fiscal Year Ended June 30, 2013

	Capital Facilities Fund		
	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Other local	\$ 131,000	\$ 326,286	\$ 195,286
Total revenues	131,000	326,286	195,286
Expenditures:			
Contracted services and other operating expenditures	15,000		15,000
Capital outlay	400,000		400,000
Total expenditures	415,000		415,000
Excess of revenues over (under) expenditures	(284,000)	326,286	610,286
Fund balances , July 1, 2012	759,901	759,901	
Fund balances, June 30, 2013	<u>\$ 475,901</u>	<u>\$ 1,086,187</u>	<u>\$ 610,286</u>

County School Facilities Fund			Totals		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$ 2,000	\$ 4,431	\$ 2,431	\$ 133,000	\$ 330,717	\$ 197,717
2,000	4,431	2,431	133,000	330,717	197,717
500,000		500,000	15,000 900,000		15,000 900,000
500,000		500,000	915,000		915,000
(498,000)	4,431	502,431	(782,000)	330,717	1,112,717
527,780	527,780		1,287,681	1,287,681	
\$ 29,780	\$ 532,211	\$ 502,431	\$ 505,681	\$ 1,618,398	\$ 1,112,717

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2013

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, 2013 were as follows:

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mr. Jacob (Jake) Manaster	President	December, 2013
Mr. Noah Margo	Vice President	December, 2014
Dr. Brian David Goldberg, Ph.D.	Member	December, 2014
Ms. Lisa Korbato	Member	December, 2013
Mr. Lewis Hall	Member	December, 2014

ADMINISTRATION

Dr. Gary W. Woods
Superintendent

Dr. Dawnalyn Murakawa-Leopard, Ed.D.
Chief Administrative Officer

Dr. Jennifer Tedford
Chief Academic Officer

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Fiscal Year Ended June 30, 2013

	Original Second Period Report	Revised Second Period Report	Original Annual Report	Revised Annual Report
Elementary				
Kindergarten	232	235	234	234
First through Third	660	660	660	660
Fourth through Sixth	896	895	892	892
Seventh and Eighth	673	678	677	677
Home and Hospital	1	1	2	2
Special Education	50	43	42	42
Subtotals	2,512	2,512	2,507	2,507
High School				
Ninth through Twelfth	1,731	1,727	1,712	1,726
Continuation Education	39	13	13	13
Home and Hospital	6	6	8	8
Special Education	58	60	63	63
Subtotals	1,834	1,806	1,796	1,810
Totals	4,346	4,318	4,303	4,317

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, 2013

Grades	1982-83 Actual Minutes	Revised 1982-83 Actual Minutes	1986-87 Minutes Requirement	Revised 1986-87 Minutes Requirement	2012-13 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	30,216	29,377	36,000	35,000	40,500	180	In compliance
Grade 1	53,204	51,726	50,400	49,000	52,210	180	In compliance
Grade 2	53,204	51,726	50,400	49,000	52,210	180	In compliance
Grade 3	53,204	51,726	50,400	49,000	52,210	180	In compliance
Grade 4	53,204	51,726	54,000	52,500	53,800	180	In compliance
Grade 5	53,204	51,726	54,000	52,500	53,800	180	In compliance
Grade 6	53,204	51,726	54,000	52,500	65,162	180	In compliance
Grade 7	53,204	51,726	54,000	52,500	65,162	180	In compliance
Grade 8	53,204	51,726	54,000	52,500	65,162	180	In compliance
Grade 9	62,920	61,172	64,800	63,000	66,265	180	In compliance
Grade 10	62,920	61,172	64,800	63,000	66,265	180	In compliance
Grade 11	62,920	61,172	64,800	63,000	66,265	180	In compliance
Grade 12	62,920	61,172	64,800	63,000	66,265	180	In compliance

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 minutes requirement, whichever is greater under the provision of Education Code Section 46201.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30, 2013

General Fund	(Budget) 2014	2013	2012	2011
Revenues and other financial sources	<u>\$ 56,347,556</u>	<u>\$ 63,336,323</u>	<u>\$ 56,737,230</u>	<u>\$ 56,325,443</u>
Expenditures	55,891,427	55,334,688	54,830,439	52,532,522
Other uses and transfers out	<u>207,000</u>	<u>200,000</u>	<u>2,500,000</u>	<u>511,771</u>
Total outgo	<u>56,098,427</u>	<u>55,534,688</u>	<u>57,330,439</u>	<u>53,044,293</u>
Changes in fund balance (deficit)	<u>249,129</u>	<u>7,801,635</u>	<u>(593,209)</u>	<u>3,281,150</u>
Prior period adjustments				6,087
Ending fund balance	<u>\$ 13,993,287</u>	<u>\$ 13,744,158</u>	<u>\$ 5,942,523</u>	<u>\$ 6,535,732</u>
Available reserves	<u>\$ 12,648,577</u>	<u>\$ 1,955,145</u>	<u>\$ 4,642,773</u>	<u>\$ 4,895,476</u>
Available reserves as a percentage of total outgo	<u>22.5%</u>	<u>3.5%</u>	<u>8.1%</u>	<u>9.2%</u>
Total long-term debt	<u>\$ 214,621,478</u>	<u>\$ 221,683,753</u>	<u>\$ 221,299,275</u>	<u>\$ 218,326,094</u>
Average daily attendance at P-2	<u>4,346</u>	<u>4,318</u>	<u>4,414</u>	<u>4,488</u>

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

The General Fund balance has increased by \$7,208,426 over the past two fiscal years. The fiscal year 2013-2014 budget projects a increase of \$249,129. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, and other uses (total outgo).

The District has incurred an operating surplus in the two of the past three fiscal years, and anticipates an operating surplus during the 2013-14 fiscal year. Total long-term debt has increased by \$3,357,659 over the past two fiscal years.

Average daily attendance has decreased by 170 over the past two fiscal years. An increase of 28 ADA is anticipated during the fiscal year 2013-2014.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Catalog (CFDA) Number	Pass-through Entity Identifying Number	Federal Expenditures
Federal Programs:			
U.S. Department of Education:			
Passed through the California Department of Education (CDE):			
NCLB Title I , Part A, Basic Grants Low Income and Neglected	84.010	14329	\$ 487,303
NCLB - Title II, Part A, Improving Teacher Quality	84.367	14341	128,487
NCLB - Title III Limited English Proficiency (LEP) Student Program	84.365	14346	29,565
NCLB: Title III, Immigrant Education Program	84.365	15146	14,390
NCLB: Title IV Part A: Safe & Drug Free Schools	84.186	14347	17,373
Special Ed: IDEA - Basic Local Assistance Entitlement, Part B	84.027	13379	933,234
Special Ed: IDEA - Preschool Grant, Part B	84.173	13430	22,511
Special Ed: IDEA - Preschool Local Entitlement	84.027A	13682	40,159
Vocational & Applied Technology Secondary II C	84.048	14894	22,360
Adult Basic Education & ESL	84.002A	14508	55,064
Special Ed: Mental Health	84.027	15197	172,023
Special Ed: IDEA Early Intervent	84.181	23761	8,603
IASA:T2D Enhancing Edu Th Tech	84.318X	14334	6,320
IASA:T2D Enhancing Edu Th Tech	84.386	15019	9,160
Advance Placement	84.330	14831	1,903
			<u>1,948,455</u>
U.S. Department of labor			
Passed through the Southwest Los Angeles County Private Industry Council:			
WIA - Workforce Investment Act	17.252	N/A	<u>7,242</u>
Total Expenditures of Federal Awards			<u>\$ 1,955,697</u>

The accompanying notes are an integral part of this schedule.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

NOTE 1 – BASIS OF PRESENTATION

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
June 30, 2013

	<u>General Fund*</u>	<u>Cafeteria Fund</u>	<u>Building Fund</u>
June 30, 2013 Annual Financial and Budget Report Fund Balances	\$ 13,466,192	\$ 53,187	\$ 46,600,291
Understatement of cash in bank		21,567	
Understatement of accounts receivable	420,052		
(Understatement) of accounts payable	(142,086)		
June 30, 2013 Audited Financial Statements Fund Balances	<u>\$ 13,744,158</u>	<u>\$ 74,754</u>	<u>\$ 46,600,291</u>

* Included Special Reserve Fund for Other Than Capital Outlay Projects Fund Fund Balance in an amount of \$3,291,594 and Adult Education Fund of \$435.

	<u>Bond Interest and Redemption Fund</u>
June 30, 2013 Annual Financial and Budget Report Fund Balances	<u>\$ 6,037,277</u>
June 30, 2013 Audited Financial Statements Fund Balances	<u>\$ 6,037,277</u>

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

Capital Facilities Fund	County School Facilities Fund
<hr/>	<hr/>
\$ 1,086,187	\$ 532,211
<hr/>	<hr/>
<u>\$ 1,086,187</u>	<u>\$ 532,211</u>

	Long-Term Debt
	<hr/>
At June 30, 2013 Annual Financial and Budget Report	
Total Liabilities	\$ 215,943,871
Understatement of general obligation bonds payable	5,120,242
Understatement of capital leases payable	686
Overstatement of compensated absences	(143,466)
Understatement of net OPEB obligation	<u>762,420</u>
June 30, 2013 Audited Financial Statements Long-Term Debt	<u>\$ 221,683,753</u>
Total Liabilities	



MOSS, LEVY & HARTZHEIM LLP

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Beverly Hills Unified School District (District), as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon December 14, 2013. The report on governmental activities was qualified because the District was not in compliance with the Governmental Accounting Standards Board (GASB) Statement No. 45 - *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* due to the last study was prepared in fiscal year 2010-2011. The liability of other postemployment benefits within its governmental activities and expenses related to this liability may be misstated.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2013-1, to be material weaknesses.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs, as item 2013-2 and 2013-3, 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-1, 2013-4, and 2013-5.

The District's Responses to Findings

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

Purpose of this Report

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

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
December 14, 2013



MOSS, LEVY & HARTZHEIM LLP

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on State Compliance

We have audited the Beverly Hills Unified School District (District)'s compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13*, published by the Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2013.

Management's Responsibility for State Compliance

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-13*, published by the Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Description	Procedures in Panel's Audit Guide	Procedures Performed
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (See next page)
Continuation Education	10	No (See next page)
Instructional Time for		
School Districts	6	Yes
County Offices of Education	3	Not Applicable

Description	Procedures in Panel's Audit Guide	Procedures Performed
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	Not Applicable
Districts or Charters Schools with only One School Serving K-3	4	Not Applicable
After School Education and Safety Program		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Contemporaneous Records of Attendance, for		
Charter Schools	1	Not Applicable
Mode of Instruction, for Charter Schools	1	Not Applicable
Nonclassroom-Based Instruction/Independent Study, for Charter Schools	15	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction, for Charter Schools	3	Not Applicable
Annual Instructional Minutes - Classroom Based, for Charter Schools	4	Not Applicable

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

Opinion on State Compliance

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the fiscal year ended June 30, 2013. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the Education Audit Appeal Panel's, *Standards and Procedures for Audits of California K-12 Local Educational Agencies* and which are described in the accompanying Schedule of Findings and Questioned costs as items 2013-4 and 2013-5.

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

This report is intended solely for the information and use of the Board of Education, management, State Controller's Office, Department of Finance, and Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 14, 2013



MOSS, LEVY & HARTZHEIM LLP

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

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

Report on compliance for Each Major Federal Program

We have audited the Beverly Hills Unified School District (District)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of audit findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal programs for the fiscal year ended June 30, 2013.

Report on Internal Control

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

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

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

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

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 14, 2013

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FINDINGS AND RECOMMENDATIONS SECTION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2013

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued

Qualified-Governmental Activities
Unmodified-Major Governmental Funds and
Combining Nonmajor Governmental Funds

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes No

Significant deficiency(ies) identified not considered
to be material weaknesses?

 X Yes None reported

Noncompliance material to financial statements noted?

 X Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified not considered
to be material weaknesses?

 Yes X None reported

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

Unmodified

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

 Yes X No

Identification of major programs

CFDA Number (s)

Name of Federal Program or Cluster

84.027, 84.027A, 84.173, 84.181

Special Education Cluster

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

\$ 300,000

Auditee qualified as low-risk auditee:

 X Yes No

State Awards

Internal control over state programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified not considered
to be material weaknesses?

 X Yes None reported

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

Qualified

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2013

Section II – Financial Statement Findings

FINDING 2013-1
INTERNAL CONTROLS
30000

Condition:

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

Effect:

Departure from GASB Statement No. 45.

Cause:

Lack of control and oversight of the District.

Recommendation:

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

LEA's Corrective Action Plan:

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2013

Section II – Financial Statement Findings (Continued)

FINDING 2013-2
INTERNAL CONTROLS – ASSOCIATED STUDENT BODY
30000

Condition:

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

Effect:

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

Cause:

Lack of oversight of the ASB office.

Recommendation:

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

- A member of management should review the voided transaction reports and document his or her approvals by signing the reports.
- Monthly or quarterly financial statements, along with the bank reconciliation, bank statements, and voided transaction report should be sent to the District accounting department for review.

LEA's Corrective Action Plan:

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

Section II – Financial Statement Findings (Continued)

FINDING 2013-3
INTERNAL CONTROLS – ASSOCIATED STUDENT BODY
30000

Condition:

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

Effect:

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

Cause:

Lack of control and oversight of the ASB school site.

Recommendation:

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

LEA's Corrective Action Plan:

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2013

Section III – Federal Award Findings

There were no findings on the federal awards.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2013

Section IV – State Award Findings

FINDING 2013-4
ATTENDANCE
40000

Criteria:

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

Condition:

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

Effect:

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

Questioned cost:

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

Cause:

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

Recommendation:

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

LEA's Corrective Action Plan:

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2013

Section IV – State Award Findings (Continued)

FINDING 2013-5
INSTRUCTIONAL MATERIALS
40000

Criteria:

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

Condition:

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

Effect:

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

Questioned cost:

No question cost due to basic aid reduction.

Cause:

Lack of oversight of the District personnel.

Recommendation:

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

LEA's Corrective Action Plan:

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2013

Section I – Financial Statement Findings

FINDING 2012-1
INTERNAL CONTROLS – ASSOCIATED STUDENT BODY
30000

Condition:

The following were noted during our review of internal control at the High School ASB:

1. The Associated Student Body (ASB) Accountant prepares checks, mails checks, prepares deposits, prepares inventory purchases, maintains inventory records, records cash receipts and disbursements, maintains the general ledger, reconciles bank accounts, and investigates discrepancies or issues related to cash.
2. There is no oversight or control over voids, reversed transactions, or account transactions, including waivers and reductions. Transactions are not reviewed for excessiveness.
3. Signed minutes of the ASB Council were not available to review.

Effect:

The effect of the lack of segregation of duties and lack of safeguarding of assets can lead to misappropriations of funds that may go undetected. Moreover, bank statements and cash receipts that are not reconciled in a timely manner lead to errors and misappropriations of funds that can go undetected.

Cause:

The internal control deficiencies listed can be attributed to a lack of segregation of duties, neglect to perform accounting tasks in a timely manner, and also lack of oversight of the ASB office.

Recommendation:

We recommend that the District implement procedures to ensure that there is adequate segregation of duties at the ASB school sites. Also, procedures should be implemented to ensure proper safeguarding of ASB inventory and assets and timely reconciliation of all ASB accounts.

LEA's Corrective Action Plan:

The district hired additional clerical support to provide internal controls for the ASB office in 2011/12 and had to replace the original hire due to promotion after four months so additional training was required. This position provides more internal controls to address the findings. The ASB Technician has been a one person office based on size of school (1800 students) and the ASB/Textbook Technician support added allows for more segregation of duties and check and balance.

The support position closes out the daily registers and allows for a separate count of the aggregate for the daily deposits. District administration has requested and received access to the software to view financial statements and to monitor activity and provide spot audits as deemed necessary.

Staff attendance at the FCMAT ASB workshop has been encouraged and scheduled for December 2012. A School administrator responsible for ASB will also be attending to allow for a better understanding and continued dialog of controls necessary. A review has been tentatively set for January, 2013 to review protocols to address more controls.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2013

Section I – Financial Statement Findings (Continued)

FINDING 2012-1(Continued)
INTERNAL CONTROLS – ASSOCIATED STUDENT BODY
30000

LEA's Corrective Action Plan (Continued):

Inventory was counted by entire team to validate inventory in 2011/2012 and prices were validated. Packing slips are received and merchandise counted so that the proper entry can be entered and then later verified by the 2nd clerical person.

The night deposits from school activities are bagged and sealed so they cannot be tampered with without knowledge. Due to site security concerns at a late hour, funds are removed to the safe and counted in a controlled environment the following day and balanced to ticket sales using at least two counters together as a check and balance. Variances are noted and researched.

Training on the software for the additional clerical position is an ongoing process. Staff has concentrated on cash management and daily closeouts since that is where the bulk of revenue was. Support staff filed back-up for check requests and provided additional review on amount and proper sign off. We will continue this internal control practice. Part of the ASB class is the appropriate action on disbursements, which include review of invoices and what they are for. Students in addition review check requests after administrative authorization so multiple personnel are reviewing.

Bank reconciliation is done using the software and is the responsibility of the ASB/Textbook Technician for check and balance. Notice of timely reconciliation was also due to training but staff is maintaining proper timing but has been noted.

Students maintain meeting minutes as part of the normal class activity on a computer. Signed copies are maintained within the teaching environment and signed copies will be maintained in the ASB office prior to writing the checks. The minutes are required to issue warrants and at the time of the audit may not have been readily available for review.

Current Status:

Partially implemented, see current year finding 2013-2.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2013

Section I – Financial Statement Findings (Continued)

FINDING 2012-2
INTERNAL CONTROLS – ASSOCIATED STUDENT BODY
30000

Condition:

During our test of cash disbursements of the Associated Student Body account, we examined twenty canceled checks, invoices, and related documentation and noted the following:

1. Nineteen of the twenty disbursements examined did not have minutes approved section on the disbursement voucher forms filled out.
2. Two of the twenty disbursements examined did not have original invoices attached with the check/disbursement voucher request form.
3. All twenty disbursements were not being defaced in any manner.
4. One of the twenty disbursements examined has check address that does not match with invoice address. A handwritten note was on the invoice saying to mail the check to different address.
5. One out of twenty disbursements examined was for a total of \$17,886.86. However, the invoice amount due was in a total of \$21,384.86, which was a difference of \$3,498.

Effect:

1. Without the properly filling out disbursement voucher forms, it is not in compliance with the formal ASB's policies and procedures.
2. Without supporting documentation for cash disbursements, it is difficult to verify if payments made were appropriate for ASB funds.
3. Without cancelling invoices or supporting documentation when invoice was paid, the invoices are susceptible to unintentional duplicate payment.
4. Without mailing the payments to the same address on the invoices, it increases the risk of misappropriation of funds.
5. Without making the payments agreed with the amount on the invoices, it increases the risk of misappropriation of funds.

Cause:

Lack of control and oversight of the ASB school site.

Recommendation:

1. We recommend that minutes approval sections on the disbursement voucher forms are properly filled out.
2. We recommend that all supporting documentation are maintained in files to ensure the accuracy of the vendors and amounts paid, resulting a better audit trail.
3. We recommend that the paid invoices are marked with a "PAID" stamp while they are in the custody of the check preparer or singer. The stamp should provide for notation of check number, date, and the initials of the individual who reviewed the invoice detail and approved payment to reduce the risk of duplicate payments.
4. We recommend that check address for payments is agreed with invoices address. If vendor's mailing address disagrees with invoice address, the reason of mailing the payments to a different address should be noted and approved by an appropriate official.
5. We recommend that there should be a reason stated and an approval by an appropriate official when the payments are made in an amount different than the invoice amounts.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2013

Section I – Financial Statement Findings (Continued)

FINDING 2012-2 (Continued)
INTERNAL CONTROLS – ASSOCIATED STUDENT BODY
30000

LEA's Corrective Action Plan (Continued):

The minutes approval sections on the disbursement voucher forms have been the responsibility of the ASB treasurer to complete upon the action of the ASB. The disbursements can be tracked back to the requested approval form that is part of the minutes. Staff will be working with students to maintain proper completion.

Staff will establish protocols to stamp paid on all invoices to show they have been processed. Original receipts are requested but in the case of the findings, there may have been other items covered that were not ASB. The discrepancy for the amount as shown as an exception included a credit memo that was taken into account for the reduction in the amount paid. Staff will continue to match all invoices for the payments to make sure all credits and adjustments are taken timely so the funds are protected. Written procedures will be reviewed and reestablished with staff.

Use of remittance addresses are normally used but if there have been instances of mail not being received timely such as in athletic registration events, invoices have been forwarded to coaches to walk the necessary documents to the proper area not to circumvent. Staff will record explanations on the document to reflect changes in addresses and or amounts based on the billing of certain activities that do one billing invoice but allow for various payments.

Current Status:

Partially implemented, see current year finding 2013-3.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2013

Section I – Financial Statement Findings (Continued)

FINDING 2012-3
INTERNAL CONTROLS – ASSOCIATED STUDENT BODY
30000

Condition:

During our test of cash receipts for the Associated Study Body (ASB) accounts, we noted the following:

1. Five of the twenty items tested was for tickets sold and has actual cash counted that is over or under the recalculated dollar amount written on the ticket sale reports. In addition, these tickets sold are not being tracked with sequential tickets. It was also noted that the ABS accountant was selling the tickets at the game. Further, two of these five items have changes on the ticket count reports for numbers of tickets sold.
2. Seven of the twenty items tested did not have sufficient supporting documentation accompanying the receipt. Three of these seven items were for donations.

Effect:

Without supporting documentation for cash receipts, it is difficult to detect or prevent a misappropriation of funds.

Cause:

There is a lack of oversight on the part of the ASB office.

Recommendation:

We recommend that all cash receipts remitted to the ASB be accompanied by adequate supporting documentation.

LEA's Corrective Action Plan:

The change of tickets from regular sales, to VIP tickets, and including donations is constant in our programs. Staff will address this and identify ways to regulate the variances in the reconciliation by moving to a more automated system.

Current Status:

Implemented

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2013

Section III – Federal Award Findings

There were no findings on the federal awards.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2013

Section IV – State Award Findings

FINDING 2012-4
ATTENDANCE
40000

Criteria:

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

Condition:

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

Effect:

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

Questioned cost:

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

Cause:

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

Recommendation:

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

LEA's Corrective Action Plan:

The independent study ADA was not included due to concern it was counted twice (as in regular ed already). This practice has been the same for the last two years as well. Thus under reporting the ADA, which we are not funded at due to being a basic aid district.

We have verified that students are not counted in the regular count as well based on the coding used in Aeries. Staff will make sure to include this additional ADA on the report and also reflect it as independent study in the report section kept separate and will report data separately as required in the "other section" of the state attendance report. An appropriate adjustment will be filed.

Current Status:

Not implemented, see current year finding 2013-4.