

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT
ANNUAL REPORT OF THE CITIZENS' BOND OVERSIGHT COMMITTEE
MEASURE BH BOND BUILDING FUND
YEAR ENDED JUNE 30, 2019**

The Citizens' Bond Oversight Committee (CBOC) is pleased to provide its second annual report on the \$385 million general obligation Measure BH bond initiative passed on June 5, 2018 ("Measure BH Bond"). This report covers the 2018-2019 fiscal year, i.e., the period from July 1, 2018 through June 30, 2019.

Principal duties of the CBOC are to ensure that proceeds have been expended for the purposes set forth in Measure BH ballot language, report on the progress annually to the public and provide a compliance statement. Education Code Section 15278 (b) sets forth the responsibilities for the oversight committee:

- *The purpose of the Citizens' Bond Oversight Committee shall be to inform the public concerning the expenditure of bond revenues.*
- *The Citizens' Bond Oversight Committee shall actively review and report on the proper expenditure of taxpayers' money for school construction.*

The District's Board of Education is responsible for monitoring, prioritization of projects commenced and spending levels of individual projects. The CBOC has no authority over how money is spent. However, by reporting on the proper expenditure of funds and holding the District accountable for their decisions, the CBOC may have an impact on future spending decisions.

This report highlights the policy and programmatic issues addressed by the CBOC. During the 2018-2019 fiscal year, the CBOC met six times. The CBOC's Audit Committee reviewed the District's program bond fund expenditure reports and reported its findings at the meetings. The District completed the following required efforts:

- Financial Audit – Annual, performed by Moss, Levy & Hartzheim LLP
- Performance Audit – Annual, completed by Moss Adams LLP

All audits were performed under the guidelines of Proposition 39, as well as generally accepted auditing standards.

Performance Audit Results and Comments

Moss Adams LLP issued its Measure BH construction bond fund performance audit report for the fiscal year ended June 30, 2019 on December 13, 2019. Moss Adams LLP identified the following finding based on its performance audit report for the year ended June 30, 2019:

Compliance with Ballot Language: "We reviewed the 2018 Measure BH Construction Bond expenditures reported for FY 2019 to verify that funds were used as set forth in the Bond Program ballot language. The District provided sufficient supporting documentation and explanations for all selected samples. No exceptions taken."

The CBOC was pleased with the overall work of Moss, Adams.

Financial Audit Results and Comments

Moss, Levy & Hartzheim LLP issued its financial audit report on December 13, 2019. The Financial Audit focused on the accuracy and fairness of the Financial Statements prepared by the District on the Measure BH building fund. The following is the firm's opinion on the financial statements:

"In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure BH Bond Building Fund of the Beverly Hills Unified School District, as of and for the fiscal year ended June 30, 2019, 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."

During the 2018-2019 fiscal year the Measure BH Building Fund expenditures were \$1,350,000. The fund balance at June 30, 2019 was \$158,255,000.

The Financial Auditors also considered the District's internal control over financial reporting. During the test of disbursements, it was noted that 4 out of 18 invoices were not paid timely in FY 2019.

The District responded that these expenditures (oil well expenditures) were incurred prior to the funding of the Measure BH Bond and moved over by journal entry from the General Fund under District legal advisement and that the expenses were compliant with the bond language.

The Financial Auditors also reported that the CBOC membership is required to include a member representing the Beverly Hills Taxpayers Association as required by the California Education Code Section 15282(a). The District is actively seeking a member of this organization to join the CBOC. This was also reported in the Measure E Bond Financial Audit.

The CBOC was pleased with the overall work of Moss, Levy & Hartzheim.

CBOC Comments

The FY 2019 Financial Audit of Measure BH Bond is the first audit of Measure BH with bond proceeds and expenditures and the Financial Auditors reported invoices were not paid timely. Also, FY 2018 and 2019 Financial Audits for Measure E Bond reported invoices were not paid timely. For Measure E, during the test of disbursements, it was noted that 31 out of 95 invoices and 5 out of 53 invoices were not paid timely in 2018 and 2019, respectively.

The CBOC encourages the District to implement the Financial Auditor's recommendations set forth in connection with the Measure E audit as overall best practices.

The CBOC is concerned that the oil well remediation project at Beverly Hills High School does not have a budget. The CBOC has been told that the cost is estimated "just north of the \$29,000,000" and "the city, by contract, will contribute \$11,000,000." Without a comprehensive budget, it will be difficult for the District to perform the critical job of controlling the costs as the project is completed. In addition, without the defined parameters of a budget, unplanned expenses, like the MTA expenses in the Measure E bond, can result in diverting funds from budgets to complete the primary purpose of the Bond issue. The uncertain costs and scope are similar to the problems encountered by Measure E which utilized a "blank check" approach to funding litigation with the MTA that diverted funds from improvement of educational facilities. The CBOC recognizes that ultimately this is a decision for the electorate whether this blind spending should be continued without insisting on greater financial participation from the City of Beverly Hills.

The spending of Measure BH funds is just commencing and they need to be spent cautiously so they can be maximized for the intended purpose of improving the District's campuses. The ever evolving and constantly changing masterplan is not a sound strategy. The master plan must be focused, budgets must be realistic, and priorities identified.

The District provides information regarding the status of various projects at https://www.bhusd.org/apps/pages/index.jsp?uREC_ID=41863&type=d&pREC_ID=1402698. However, the CBOC recommends that the District be proactive in providing members of the Beverly Hills community with the status of major projects and recommends the website be better organized so the most recent updates are readily accessible. Currently the construction updates are contained with the "master plan" section but should be separately identified. In addition, the CBOC recommends that more detailed information is provided for major bond program projects. For example, there is a separate link for the modernization of buildings B1 and B2 at Beverly Hills High School. This page should be periodically expanded and additional links provided for the major renovations of buildings B3 and B4 at the high school and El Rodeo.

The CBOC advises that the District must successfully address the findings identified in the FY 2018-2019 Performance Audit of Measure E as it pertains to the future compliance with the Bond Program requirements and operational performance of Measure BH.

Citizens' Bond Oversight Committee
Beverly Hills Unified School District
June 25, 2020