

**MEASURES E & BH BOND BUILDING FUND
OF
BEVERLY HILLS UNIFIED SCHOOL DISTRICT**

FINANCIAL AUDIT REPORT

FOR THE FISCAL YEAR ENDED
June 30, 2021

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MEASURES E & BH BOND BUILDING FUND
FINANCIAL AUDIT REPORT
 For the Fiscal Year Ended June 30, 2021

TABLE OF CONTENTS	
	<u>Page</u>
Introduction and Citizens’ Oversight Committee Member Listing	1
Independent Auditor’s Report	4
FINANCIAL SECTION	
Balance Sheet	5
Statement of Revenues, Expenditures, and Changes in Fund Balance	6
Notes to the Financial Statements	7
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL	
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 <i>Government Auditing Standards</i>	15
AUDIT FINDINGS AND MANAGEMENT’S RESPONSE SECTION	
Schedule of Audit Findings and Management’s Responses	17
Summary Schedule of Prior Audit Findings	18

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MEASURES E & BH BOND BUILDING FUND
Introduction and Citizens' Oversight Committee Member Listing
June 30, 2021

The Beverly Hills Unified School District was unified in 1935 under the laws of the State of California and consists of an area comprising approximately 5.7 square miles. The District operates three K-5 elementary schools, one 6-8 middle school, one comprehensive high school, and one continuation school.

MEASURE E BONDS

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

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

The Proposition 39 bonds were issued by the District, through the County of Los Angeles. On January 6, 2009, Election of 2008, Series of the Measure E bond authorization was issued, which consisted of current interest bonds and capital appreciation bonds with an initial par amount of \$72,044,664 with stated interest rates of 2.50% to 8.1% and maturing through August 1, 2033. As of June 30, 2021, the principal balance outstanding on the Election of 2008, Series 2009 bond was \$59,584,664.

On November 20, 2013, Election of 2008, Series 2013 of the Measure E bond authorization was issued, which consisted of current interest bonds and capital appreciation bonds with an initial par amount of \$44,999,303 with stated interest rates of 4.00% to 5.15% and maturing through August 1, 2038. On November 2, 2016, the District issued 2016 General Obligation Refunding Bonds to advance refund the bonds. The advance refunding resulted in a legal defeasance of the bonds.

The Election of 2008, Series 2015 of the Measure E bond authorization was issued on September 9, 2015 and consisted of current interest bonds with an initial par amount of \$76,000,000 with stated interest rates of 2.00% to 5.00% and maturing through August 1, 2033. As of June 30, 2021, the principal balance outstanding on the Election of 2008, Series 2015 Bond was \$53,415,000.

On November 2, 2016, the District issued 2016 General Obligation Refunding Bonds in the amount of \$55,738,598. The bonds were issued for the purpose of refunding portions of the 2008 General Obligation Bond Series 2009 and refunding the entire portions of the 2008 General Obligation Bond Series 2013. The bonds included \$6,135,000 in Current Interest bonds and \$49,603,598 in Capital Appreciation bonds. The Capital Appreciation bonds accrete to a \$98,485,000 maturity value. The bond's interest rates range from 3.00 % to 5.00 %. The outstanding principal, at June 30, 2021, was \$49,603,598.

On February 9, 2018, the District issued 2008 General Obligation Bonds Series 2018 in the amount of \$140,952,290. The bonds included \$99,565,000 in Current Interest bonds and \$41,387,290 in Capital Appreciation bonds. The Capital Appreciation bonds accrete to a \$95,705,000 maturity value. The bond's interest rates range from 2.00 % to 5.00 %. The outstanding principal, at June 30, 2021, was \$106,587,290.

In June 2018, the District's voters approved by more than the required 55% favorable vote, Measure BH, authorizing the issuance and sale of general obligation bonds, not to exceed \$385,000,000. The passage of Proposition 39 on November 7, 2000 amended the California Constitution to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds are in compliance with the bond as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects to ensure funds have been expended only on the specific projects listed.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MEASURES E & BH BOND BUILDING FUND
Introduction and Citizens' Oversight Committee Member Listing
June 30, 2021

MEASURE BH BONDS

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

The Proposition 39 bonds were issued by the District, through the County of Los Angeles. On June 27, 2019, Election of 2018, Series A of the Measure BH bond authorization was issued, which consisted of current interest bonds and capital appreciation bonds with an initial par amount of \$160,000,000 with stated interest rates of 3.00% to 5.00% and maturing through August 1, 2044. As of June 30, 2021, the principal balance outstanding on the Election of 2018, Series A bond was \$146,545,000.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MEASURES E & BH BOND BUILDING FUND
 Introduction and Citizens' Oversight Committee Member Listing
 June 30, 2021

The Citizens' Oversight Committee had the following members as of June 30, 2021, all of whom were appointed by the District's Board of Education with one to two year terms of office:

Citizens' Oversight Committee

Name	Title	Representation	Education Code Section
Richard Baron	Chair	Parent of Child Enrolled in District/PTSA/Taxpayers' Assoc.	15282(a)(4) & (5)
Les Bronte	Vice-chair	Senior Citizen Organization/Business Organization	15282(a)(2)
Jason Rund	Member	Parent of Child Enrolled in District/PTSA	15282(a)(4) & (5)
Richard Schreiber	Member	Finance Background/ Senior Citizen Organization	15282(a)(1) & (2)
Lee Eggerman	Member	Parent of Child Enrolled in District/PTSA	15282(a)(4) & (5)
Yoav Tamir	Member	Community-at-Large	15282(a)
Parastou Eliasadeh-Benjamin (Paris Benjamin-Elias)	Member	Construction Background/Parent of Child Enrolled in District/PTSA	15282(a)(1), (4), & (5)
William Bymel	Member	Finance Background/Parent of Child Enrolled in District	15282(a)(1) & (4)
Nathan Kruger	Member	Construction Background/Parent of Child Enrolled in District/PTSA	15282(a)(1), (4), & (5)
Don Wyse	Member	Finance Background	15282(a)(1)



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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

COMMERCIAL ACCOUNTING & TAX SERVICES

9465 WILSHIRE BOULEVARD, 3RD FL.
BEVERLY HILLS, CA 90212
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES

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

INDEPENDENT AUDITOR'S REPORT

The Board of Education
The Citizens' Oversight Committee
Beverly Hills Unified School District
Beverly Hills, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Measure E and Measure BH Bond Building Fund of the Beverly Hills Unified School District (District), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure E and Measure BH Bond Building Fund of the Beverly Hills Unified School District, as of and for the fiscal year ended June 30, 2021, 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, the financial statements present only the Measure E and Measure BH Bond Building Fund and do not present fairly the financial position of the Beverly Hills Unified School District, as of June 30, 2021, and the change in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2022, 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, LLP
Culver City, California
March 15, 2022

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MEASURES E & BH BOND BUILDING FUND
BALANCE SHEET
June 30, 2021

	<u>MEASURE E</u>	<u>MEASURE BH</u>	<u>TOTAL</u>
Assets			
Cash in County Treasury	\$ 50,924,365	\$ 76,493,612	\$ 127,417,977
Interest receivable	<u>131,265</u>	<u>3,163,637</u>	<u>3,294,902</u>
Total current assets	<u>\$ 51,055,630</u>	<u>\$ 79,657,249</u>	<u>\$ 130,712,879</u>
 Liabilities and Fund Balance			
Liabilities:			
Accounts payable	<u>\$ 3,907,294</u>	<u>\$ 4,601,262</u>	<u>\$ 8,508,556</u>
Total liabilities	<u>3,907,294</u>	<u>4,601,262</u>	<u>8,508,556</u>
 Fund Balance:			
Restricted for construction	<u>47,148,336</u>	<u>75,055,987</u>	<u>122,204,323</u>
Total fund balance	<u>47,148,336</u>	<u>75,055,987</u>	<u>122,204,323</u>
Total liabilities and fund balance	<u>\$ 51,055,630</u>	<u>\$ 79,657,249</u>	<u>\$ 130,712,879</u>

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MEASURES E & BH BOND BUILDING FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2021

	<u>MEASURE E</u>	<u>MEASURE BH</u>	<u>TOTAL</u>
Revenues:			
Interest	\$ 414,490	\$ 533,986	\$ 948,476
Total revenues	<u>414,490</u>	<u>533,986</u>	<u>948,476</u>
Expenditures:			
Bonds issuance expenditures			
Contracted services and other operating expenditures	836,741	394,804	1,231,545
Facilities acquisition and construction	<u>46,758,638</u>	<u>41,507,394</u>	<u>88,266,032</u>
Total expenditures	<u>47,595,379</u>	<u>41,902,198</u>	<u>89,497,577</u>
Excess (deficiency) of revenues over expenditures	(47,180,889)	(41,368,212)	(88,549,101)
Fund balance, beginning of fiscal year	<u>94,329,225</u>	<u>116,424,199</u>	<u>210,753,424</u>
Fund balance, end of fiscal year	<u>\$ 47,148,336</u>	<u>\$ 75,055,987</u>	<u>\$ 122,204,323</u>

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MEASURES E & BH BOND BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Beverly Hills Unified School District ("District") was established in 1935. The District serves approximately 3,504 students in three K-5 elementary schools, one 6-8 middle school, one comprehensive high school and one continuation school.

On November 4, 2008, the District voters authorized \$334 million in general obligation bonds (Measure E) and on June 5, 2018, the District voters authorized \$385 million in general obligation bonds (Measure BH) to provide safe and modernized school facilities, make necessary structural seismic safety repairs, upgrade, repair, and reconstruct aging classrooms, infrastructure, multiuse, gyms, libraries, science, technology & labs; roofing, plumbing, heating, ventilation and electrical systems to better protect students and staff from unauthorized entry, security risks, and natural disasters.

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

The statements presented are for the Measure E and Measure BH Bond Building Fund of the District, consisting of the net construction proceeds of Election of 2008, Series 2009, Series 2013, Series 2015, and Series 2018 general obligation bonds as issued by the District, through the County of Los Angeles, and are not intended to be a complete presentation of the District's financial position or results of operations. There are no related parties or component units included in this financial statement presentation.

B. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants (AICPA).

C. Basis of Accounting

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

The financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MEASURES E & BH BOND BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Encumbrances

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

E. Deposits and Investments

In accordance with Education Code Sections 15357 and 41001, the District maintains a portion of its cash in the Los Angeles County Treasury. The County pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

F. Use of Estimates

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

G. 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 government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the fiscal year to give consideration to unanticipated income and expenditures. 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.

H. Fund Balance

Under GASB Statement No. 54, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The fund balance of the Measure E Bond is considered restricted. The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MEASURES E & BH BOND BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as cash in county treasury in the amount of \$50,924,365 for Measure E and \$76,493,612 for Measure BH for a total of \$127,417,977.

Policies and Practices

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

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

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$75 Million
Joint Powers Authority Pools	N/A	None	None

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MEASURES E & BH BOND BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Los Angeles County Investment Pool in the amount of \$50,924,365 for Measure E and \$76,493,612 for Measure BH for a total of \$127,417,977.

Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Los Angeles County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

Credit risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments within the Los Angeles County Investment Pool were not rated.

Concentration of Credit Risk

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MEASURES E & BH BOND BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 3 – INTEREST RECEIVABLE

Interest receivable in the amounts of \$131,266 and \$3,163,637, respectively for Measure E and Measure BH, as of June 30, 2021, consists of interest earned on the District's investment in the County Treasury.

NOTE 4 – CONSTRUCTION COMMITMENTS

The following tables present the construction commitments by project for the fiscal year ended June 30, 2021:

By Site	MEASURE E Amount	MEASURE E Percent	MEASURE BH Amount	MEASURE BH Percent
El Rodeo Elementary School	\$ 81,234,922	88.79%	\$ -	0.00%
Hawthorne Elementary School	-	0.00%	-	0.00%
Horace Mann Elementary School	991	0.00%	-	0.00%
Beverly Vista Middle School	4,704	0.01%	-	0.00%
Beverly Hills High School	9,857,236	10.77%	74,320,968	97.24%
Facilities	389,374	0.43%	2,111,003	2.76%
	<u>\$ 91,487,227</u>	<u>100.00%</u>	<u>\$ 76,431,971</u>	<u>100.00%</u>

NOTE 5 – CONSTRUCTION CONTINGENCY

The cost for abandonment, plugging, and capping of the oil wells is estimated at between \$26 million and \$31 million. The District entered into an agreement with the City of Beverly Hills for the City to pay the entire cost of the project up front and to be the project lead. The District has agreed to reimburse the City all directly related costs in excess of \$11 million. In June 2018, the District successfully passed Measure BH for \$385 million. Within the language of Measure BH is a provision to reimburse the City any additional costs related to the oil wells.

NOTE 6 – GENERAL OBLIGATION BONDS

As of June 30, 2021, the principal balance outstanding on the District's Measure E general obligation bonds is indicated as follows:

	Date of Issue	Interest Rate	Maturity Year	Amount of Original Issue	Outstanding July 1, 2020	Redeemed Current Year	Outstanding June 30, 2021
Series 2009	1/6/2009	2.50-8.10%	8/1/2033	\$ 72,044,664	\$ 59,584,664	\$ -	\$ 59,584,664
Series 2015	9/9/2015	2.00-5.00%	8/1/2032	76,000,000	56,805,000	3,390,000	53,415,000
2016 Refunding Bonds	11/2/2016	3.00-5.00%	8/1/2038	55,738,598	52,988,598	3,385,000	49,603,598
Series 2017	2/9/2017	2.00-5.00%	8/1/2040	140,952,290	113,747,290	7,160,000	106,587,290
				<u>\$ 344,735,552</u>	<u>\$ 283,125,552</u>	<u>\$ 13,935,000</u>	<u>\$ 269,190,552</u>

Election of 2008, Series 2009, Series 2013, Series 2015, 2016 Refunding, and Series 2018

On January 6, 2009, Series 2009 bonds of the Measure E bond Authorization were issued, which consisted of \$12,460,000 of current interest bonds and \$59,584,664 of capital appreciation bonds with an initial total par amount of \$72,044,664, with stated interest rates of 2.5% to 5.0%, a combined yield of 2.0% to 6.36% and maturing through August 1, 2033.

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MEASURES E & BH BOND BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 6 –GENERAL OBLIGATION BONDS (Continued)

On November 2, 2016, the District issued 2016 General Obligation Refunding Bonds to advance refund the bonds. The advance refunding resulted in a legal defeasance of the bonds.

On September 9, 2015, Series 2015 bonds of the Measure E bond authorization were issued, with an initial par of \$76,000,000 of current interest bonds, with stated interest rates of 2.00% to 5.00%, and maturing through August 1, 2032.

Election of 2008, Series 2009, Series 2013, Series 2015, 2016 Refunding, and Series 2018 (Continued)

On November 2, 2016, 2016 General Obligation Refunding bonds were issued, which consisted of \$6,135,000 of current interest bonds and \$49,603,598 of capital appreciation bonds with an initial total par amount of \$55,738,598. The bonds were issued for the purpose of refund portions of the 2008 General Obligation Bond Series 2009 and refund the entire portions of the 2008 General Obligation Bond Series 2013. The bonds with stated interest rate of interest rates range from 3.00% to 5.00%, a combined yield of 3.42% to 3.57%, and maturing through August 1, 2038.

On February 9, 2018, Series 2018 bonds of the Measure E bond authorization were issued, which consisted of \$99,565,000 in current interest bonds and \$41,387,290 of capital appreciation bonds with an initial total par amount of \$140,952,290, with stated interest rates of 2.00% to 5.00%, a combined yield of 4.06% to 4.30% and maturing through August 1, 2040.

The annual requirements to amortize all Measure E general obligation bonds payable outstanding as of June 30, 2021, are as follows:

Fiscal Year Ending June 30,	Principal	Accreted Interest	Interest	Total
2022	\$ 12,379,424	\$ 2,765,576	\$ 4,389,676	\$ 19,534,676
2023	12,935,550	3,284,450.00	4,133,276	20,353,276
2024	14,286,860	2,978,140	3,745,851	21,010,851
2025	12,874,500	5,790,500	3,297,326	21,962,326
2026	13,181,640	6,718,360	2,924,426	22,824,426
2027-2031	60,650,640	58,974,360	9,338,015	128,963,015
2032-2036	56,597,148	95,177,852	5,875,000	157,650,000
2037-2041	86,284,790	71,825,210	4,470,700	162,580,700
	<u>\$ 269,190,552</u>	<u>\$ 247,514,448</u>	<u>\$ 38,174,270</u>	<u>\$ 554,879,270</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MEASURES E & BH BOND BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 6 –GENERAL OBLIGATION BONDS (Continued)

As of June 30, 2021, the principal balance outstanding on the District’s Measure BH general obligation bonds is indicated as follows:

	Date of Issue	Interest Rate	Maturity Year	Amount of Original Issue	Outstanding July 1, 2020	Redeemed Current Year	Outstanding June 30, 2021
2018 Series A	6/27/2019	3.00-5.00%	8/1/1944	\$ 160,000,000	\$ 160,000,000	\$ 13,455,000	\$ 146,545,000

Election of 2018, Series A

On June 27, 2019, Series A bonds of the Measure BH bond authorization were issued, which consisted of \$160,000,000 of current interest bonds at stated interest rates of 3.0% to 5.0%, and maturing through August 1, 2044.

The annual requirements to amortize Measure BH general obligation bonds payable outstanding as of June 30, 2021, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2022	\$ 10,140,000	\$ 4,778,800	\$ 14,918,800
2023	-	4,525,300	4,525,300
2024	-	4,525,300	4,525,300
2025	-	4,525,300	4,525,300
2026	-	4,525,300	4,525,300
2027-2031	11,070,000	21,919,400	32,989,400
2032-2036	29,025,000	17,585,400	46,610,400
2037-2041	45,485,000	11,248,875	56,733,875
2042-2045	50,825,000	3,185,025	54,010,025
	-	-	
	<u>\$ 146,545,000</u>	<u>\$ 76,818,700</u>	<u>\$ 223,363,700</u>

NOTE 7 – EXPENDITURES BY MAJOR OBJECT

The following table presents the expenditure amounts by major object for the fiscal year ended June 30, 2021:

Expenditures by Object	MEASURE E Amount	MEASURE E Percent	MEASURE BH Amount	MEASURE BH Percent
Classified salaries	\$ 127,149	0.27%	\$ -	0.00%
Employee benefits	42,254	0.09%	-	0.00%
Books and supplies	21,347	0.04%	-	0.00%
Services and other operating expenditures	645,991	1.36%	394,804	0.94%
Capital outlay	46,758,638	98.24%	41,507,394	99.06%
	<u>\$ 47,595,379</u>	<u>100.00%</u>	<u>\$ 41,902,198</u>	<u>100.00%</u>

For the current fiscal year, no legal expenses reported under services and other operating expenditures were applied to MTA litigation cost. Total amount spent from the inception of the bond measures related to MTA litigation was \$20,034,099 (7% of the total bond expenditures \$410,002,511).

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MEASURES E & BH BOND BUILDING FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 –EXPENDITURES BY PROJECT

The following table presents the expenditure amounts by project for the fiscal year ended June 30, 2021:

School Site	MEASURE E	MEASURE E	MEASURE BH	MEASURE BH
	Amount	Percent	Amount	Percent
El Rodeo Elementary School	\$ 29,787,859	62.59%	\$ -	0.00%
Hawthorne Elementary School	-	0.00%	-	0.00%
Horace Mann Elementary School	33,303	0.07%	-	0.00%
Beverly Vista Middle School	6,344	0.01%	-	0.00%
Beverly Hills High School	16,888,273	35.48%	28,137,956	67.15%
Technology	-	0.00%	644,696	1.54%
Facilities and planning	879,600	1.85%	13,119,546	31.31%
	<u>\$ 47,595,379</u>	<u>100.00%</u>	<u>\$ 41,902,198</u>	<u>100.00%</u>

NOTE 9 – MEASURE E SALARIES AND RELATED BENEFITS EXPENDITURES

During the fiscal year, the District charged \$169,403 in salaries and benefits of its employee to the Measure E fund. These expenditures are for program administration purposes.

NOTE 10 – REIMBURSEMENT

The District has entered into an agreement with Metropolitan Transportation Authority, where the Metropolitan Transportation Authority reimburses the District for costs related to the abandonment of two oil wells in order for the subway to be constructed.



MOSS, LEVY & HARTZHEIM LLP

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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

COMMERCIAL ACCOUNTING & TAX SERVICES

9465 WILSHIRE BOULEVARD, 3RD FL.
BEVERLY HILLS, CA 90212
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES

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

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

The Board of Education
The Citizens' Oversight Committee
Beverly Hills Unified School District
Beverly Hills, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Measure E and Measure BH Bond Building Fund of the Beverly Hills Unified School District (District) as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated March 15, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified one deficiency in internal control, described in the accompanying schedule of findings as item 2021-01.

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 financial statement. 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 District's Response to the Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. The District's response was not subjected to the auditing procedures applied in the audit 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, LLP
Culver City, California
March 15, 2022

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MEASURES E & BH BOND BUILDING FUND
SCHEDULE OF AUDIT FINDINGS AND MANAGEMENT’S RESPONSES
For the Fiscal Year Ended June 30, 2021

2021-01 Finding – Invoices were not paid timely:
During the test of disbursements, it was noted that 7 out of 75 disbursements were not paid timely.

Measure	Vendor Name	Invoice Date	Invoice Amount	Received Stamp Date	Check Date	Payment issuance duration	Payment Terms Require-ment
BH	DIVISION OF STATE ARCHITECT	12/22/20	\$ 515,950.00	11/25/2020	1/4/2021	37	30
BH	DLR GROUP, INC.	12/14/20	\$ 132,169.40	12/16/2020	1/19/2021	31	30
BH	DLR GROUP, INC.	11/16/20	\$ 163,584.00	12/16/2020	1/19/2021	31	30
BH	TAO ROSSINI APC	09/01/20	\$ 95,392.48	9/25/2020	10/28/2020	33	30
BH	TAO ROSSINI APC	12/3/2020	\$ 229,754.65	12/11/2020	3/9/2021	88	30
BH/E	TEAM CONCEPT DEVELOPMENT SERVICES INC.	10/27/20	\$ 636,015.68	10/26/2020	12/1/2020	36	30
BH	PROCORE TECHNOLOGIES	12/31/20	\$ 110,000.00	1/4/2021	2/8/2021	35	30

Effect:

The District is not in compliance with its procedures for invoice processing per the California Prompt Payment Act (Public Contract Code §20104.50) and the District’s Construction & Facilities Department Policies & Procedures Manual.

Recommendation:

The District has taken steps to address this finding from prior years by implementing procedures to date-stamp invoices upon receipt and paying invoices in a timely manner. We recommend that the District continue its procedures to ensure that invoices are date-stamped on receipt and paid in accordance with State law, the District’s policies, and contracts regarding payment time frames.

Management Response:

The late payments around the holidays is a result of LACOE being closed during that period. The District concurs that the legal invoices need to be reviewed and paid in a timely manner.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
MEASURES E & BH BOND BUILDING FUND
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2021

2020-01 Finding – Invoices were not paid timely:

During the test of disbursements, it was noted that 4 out of 42 disbursements were not paid timely.

Effect:

The District is not in compliance with its procedures for invoice processing per the California Prompt Payment Act (Public Contract Code §20104.50) and the District's Construction & Facilities Department Policies & Procedures Manual.

Recommendation:

The District has taken steps to address this finding from the prior year by implementing procedures to date-stamp invoices upon receipt and paying invoices in a timely manner. We recommend that the District continue its procedures to ensure that invoices are date-stamped on receipt and paid in accordance with State law, the District's policies, and contracts regarding payment time frames.

Current Status:

Not Implemented. See Finding 2021-01