

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

AUDIT REPORT
June 30, 2018

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
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June 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *2017-2018 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting* prescribed by Title 5, *California Code of Regulations*, Section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change of accounting principle

As discussed in Note 1 to the basic financial statement, effective July 1, 2017, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. 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 3 through 9, the Budgetary Comparison Schedule on page 63, the Schedule of District's Proportionate Share of Net Pension Liability on pages 64 and 65, the Schedule of Pension Contributions on pages 66 and 67, the Schedule of Changes in Net OPEB Liability and the Related Ratios on page 68, the Schedule of the District's Proportionate Share of the Net OPEB Liability on page 69, and the Schedule of OPEB Contributions on pages 70 and 71, 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the District. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, and is also not a required part of the basic financial statements of the District.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2018 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and do not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 15, 2018

**Beverly Hills Unified School District
Management's Discussion and Analysis
June 30, 2018**

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, 2018 utilizing comparative information from 2017. The MD&A should be read in conjunction with the District's financial statements contained in the independent audit prepared by Moss, Levy & Hartzheim, LLP.

FINANCIAL HIGHLIGHTS

The District continues to go deeper into Basic Aid Status, with Property Tax Revenue exceed the LCFF apportionment by \$14,721,901.

The Districts audited financial reports show general fund revenue and other financing sources of \$71,856,999 and expenditures and other financing uses of \$70,945,356 leaving a net change of \$911,643. Ending general fund balance at June 30, 2018 was \$18,223,486.

FINANCIAL STATEMENT OVERVIEW

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

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

FUND FINANCIAL STATEMENTS

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

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

The District has three types of funds:

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Government-wide statements

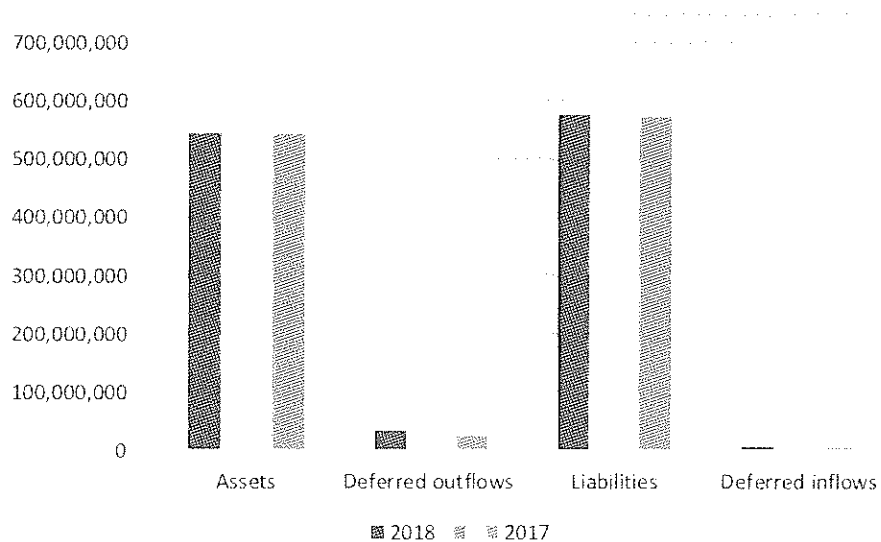
The statement of net position presents the financial position of the District at the end of the fiscal year, which ended June 30, 2018 and includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District. The difference between the (total assets and deferred outflows of resources) and (total liabilities and deferred inflows of resources) is one indicator of the financial condition of the District, while the change in the net position is an indicator of whether the overall financial condition has improved or deteriorated during the fiscal year. It should be noted that a negative change that has been expected and anticipated reflects the District in a better position than not. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. For the purpose of distinguishing between current and non-current assets and liabilities, current assets and liabilities are those that can be reasonably expected to either generate or use cash, as part of normal business operations, within one fiscal year of the financial statements date. The analysis below focuses on the net position and the change in net position from 2017 to 2018 for the District's governmental activities.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Statement of Net Position – Governmental Activities

Table 1

		2018	2017
<u>Assets</u>	Current and other assets	\$ 228,591,252	\$ 252,780,805
	Capital assets	316,949,538	291,829,831
	Total Assets	545,540,790	544,610,636
<u>Deferred Outflows</u>	Deferred outflows	35,986,689	25,160,428
<u>Liabilities</u>	Current Liabilities	15,834,029	15,811,968
	Long-term liabilities	561,495,217	558,039,565
	Total Liabilities	577,329,246	573,851,533
<u>Deferred Inflows</u>	Deferred inflows	7,813,232	6,086,683
<u>Net Position</u>	Net investment in capital assets	84,553,912	58,698,545
	Restricted	15,945,981	8,293,174
	Unrestricted	(104,114,892)	(77,158,871)
		\$ (3,614,999)	\$ (10,167,152)



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Statement of Activities – Governmental Activities

Table 2

	2018	2017
<u>Revenues</u>		
General revenues		
Federal and State Aid (not restricted)	\$ 3,482,990	\$ 3,716,382
Property taxes	75,053,946	72,131,536
Other general revenues	17,063,944	13,852,120
Total Revenues	95,600,880	89,700,038
<u>Expenses (less program revenue)</u>		
Instruction related	37,657,688	42,542,621
Pupil services	3,069,944	2,827,821
Administration	4,306,582	5,774,422
Plant services	8,179,571	9,626,563
Other	25,158,636	22,010,771
Total Expenses	78,372,421	82,782,198
Changes in Net Position	\$ 17,228,459	\$ 6,917,840

The statement of activities presents the District's results of operations. The District's changes in net position resulted a surplus of \$17,228,459 for fiscal year ended June 30, 2018.

The District's 2017/18 general revenues were \$95,600,880. Taxes levied for general purpose accounted for seventy-nine percent (79%) of the District's revenue. Federal and State Aid made up seven percent (4%) of the revenue. Local revenue/other made up the balance of the revenues at seventeen percent (17%), 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 2017/2018 fiscal year expenses decreased by \$4,409,777 from the 2016/2017 fiscal year. The District's expenses include instruction and pupil related services, which amount to fifty-three (53%) of the total expenses reported. The administrative activities of the District were five (5%) of expenses. Plant services (maintenance and operations) were ten percent (10%) of expenses. The other expenses included community services, interest on debt, other outgo and depreciation, which was thirty two (32%) of the total expenses.

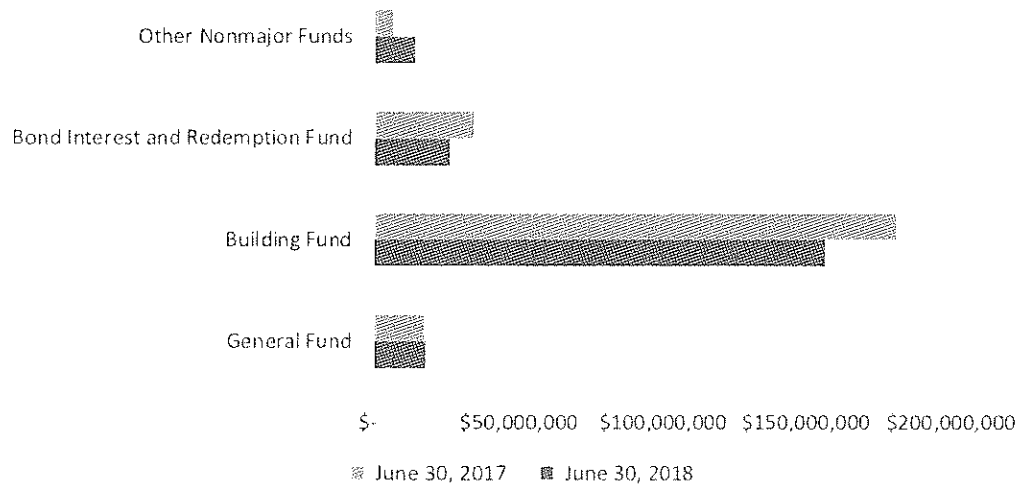
BALANCE SHEET

GOVERNMENTAL FUNDS

The following data reflects a year to year comparison of total fund balances for the governmental funds over the last two fiscal years.

Total Fund Balances – Table 3

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
General Fund	\$ 18,223,486	\$ 17,406,784
Building Fund	156,866,764	181,317,026
Bond Interest and Redemption Fund	26,386,644	34,694,726
Other Nonmajor Funds	<u>14,346,062</u>	<u>6,668,120</u>
Total Fund Balances	<u>\$ 215,822,956</u>	<u>\$ 240,086,656</u>



Capital Assets and Long-Term Debt

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

The following reflects the comparison of the capital assets and long term debt between fiscal year 2018 and 2017

	Balance June 30, 2018	Balance July 1, 2017
Capital assets, not being depreciated:		
Land	\$ 2,933,062	\$ 2,933,062
Construction in progress	175,526,349	145,977,111
Total capital assets, not being depreciated	178,459,411	148,910,173
Capital assets being depreciated:		
Buildings and improvements	199,939,382	199,939,382
Site improvements	8,850,821	8,850,821
Furniture and equipment	7,506,866	7,492,304
Total capital assets being depreciated	216,297,069	216,282,507
Less accumulated depreciation for:		
Buildings and improvements	(64,419,527)	(60,464,446)
Site improvements	(6,350,011)	(5,986,472)
Furniture and equipment	(7,037,404)	(6,911,931)
Total accumulated depreciation	(77,806,942)	(73,362,849)
Total capital assets, being depreciated, net	138,490,127	142,919,658
Total capital assets, net	\$ 316,949,538	\$ 291,829,831
	Balance June 30, 2018	Balance July 1, 2017
General obligation bonds:		
Principal balance	\$ 380,866,507	\$ 405,289,476
Unamortized premium	17,717,291	19,021,475
Accreted interest payable	74,496,705	65,555,764
Compensated absences	603,827	612,680
Net OPEB obligation	18,228,512	6,179,075
Net pension liability	66,574,426	59,352,318
Supplemental retirement plan (SRP)	2,947,949	1,968,777
Loans payable	60,000	60,000
Totals	\$ 561,495,217	\$ 558,039,565

During the fiscal year, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, the District restated its OPEB liability by \$10,702,091. The Net OPEB Obligation as of June 30, 2018 was \$18,228,512.

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Board has approved a district reconfiguration of schools that will change the 4 Kindergarten to Grade 8 (K-8) schools in to two K-5 schools and one Middle School for grades 6 to 8. El Rodeo School will be closed to complete the modernization project. The reconfiguration projects save at least a \$2.6 million to the District's General Fund as early as FY 2019-2020.

The District has also completed salary and other compensation negotiations with Collective Bargaining Units. In FY 2018-19, Base salaries will increase by 4.72%, stipend and other supplemental pay for certificated staff will increase up to 15% and the health and welfare contribution will increase by 14%, with a maximum benefit of \$9750 per the District health and welfare contributions by 5.13%. In the final year of the agreement, FY 2020-2021, salaries will increase by 4.92% and the Health and welfare contribution will increase by 4.88%.

The District continues to pre-fund the OPEB liability by depositing 2% of regular salary earnings to the OPEB Trust.

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 La Tanya Kirk-Carter and the Director of Fiscal Services is Angeli Villaflor.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2018

Assets	Governmental Activities
Cash in County Treasury	\$ 224,705,246
Revolving cash fund	50,000
Accounts receivable	3,578,077
Inventory	17,610
Other assets	240,319
Land	2,933,062
Construction in progress	175,526,349
Buildings and improvements	199,939,382
Site improvements	8,850,821
Furniture and equipment	7,506,866
Less accumulated depreciation	(77,806,942)
Total assets	545,540,790
Deferred Outflows of Resources	
Deferred outflows of resources - pension related	26,580,157
Deferred outflows of resources - OPEB related	25,124
Deferred losses on debt refunding	9,381,408
Total deferred outflows of resources	35,986,689
Liabilities	
Accounts payable	12,451,200
Interest payable	3,117,095
Unearned revenue	265,734
Long-term liabilities:	
Due within one year	27,272,350
Due in more than a year	534,222,867
Total liabilities	577,329,246
Deferred Inflow of Resources	
Deferred inflow of resources - pension related	7,647,000
Deferred inflow of resources - OPEB related	166,232
Total deferred inflows of resources	7,813,232
Net Position	
Net investment in capital assets	84,553,912
Restricted for:	
Capital projects	14,138,387
Education programs	1,599,919
Cafeteria program	207,675
Unrestricted	(104,114,892)
Total net position (deficit)	\$ (3,614,999)

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				Net (Expense) Revenue and Changes in Net Position
Instruction	\$ 40,501,868	\$ -	\$ 4,028,588	\$ 6,547,668
Instruction-related services:				
Instructional supervision and administration	2,177,828	-	632,305	-
Instructional library, media, and technology	2,114,884	-	185,660	-
School site administration	4,428,043	-	170,714	-
Pupil services:				
Home-to-school transportation	123,376	-	-	-
Food services	950,623	612,196	204,888	-
All other pupil services	3,413,636	-	600,607	-
General administration:				
Centralized data processing	187,830	-	-	-
All other general administration	4,374,092	-	255,340	-
Plant services	8,187,799	-	8,228	-
Ancillary services	803,094	-	231,966	-
Community services	69,311	-	247	-
Interest on long-term debt	19,731,672	-	-	-
Other outgo	342,679	-	-	-
Depreciation (unallocated)	4,444,093	-	-	-
Total governmental activities:	<u>\$ 91,850,828</u>	<u>\$ 612,196</u>	<u>\$ 6,318,543</u>	<u>\$ 6,547,668</u>

General revenues:

Taxes and subventions:	
Taxes levied for general purposes	47,705,313
Taxes levied for debt service	27,314,470
Tax levied for other specific purposes	34,163
Federal and state aid not restricted to specific purposes	3,482,990
Interest and investment earnings	3,757,671
Miscellaneous	13,306,273
Total general revenues	<u>95,600,880</u>
Change in net position	<u>17,228,459</u>
Net position (deficit), beginning of fiscal year	(10,167,152)
Restatements	(10,676,306)
Net position beginning of fiscal year, restated	<u>(20,843,458)</u>
Net position (deficit), end of fiscal year	<u>\$ (3,614,999)</u>

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund
Assets			
Cash in County Treasury	\$ 24,323,995	\$ 159,932,902	\$ 26,386,644
Revolving cash fund	50,000	-	-
Accounts receivable	2,321,569	905,792	-
Inventory, at cost	-	-	-
Other assets	240,319	-	-
	<u>26,935,883</u>	<u>160,838,694</u>	<u>26,386,644</u>
Total assets	<u>\$ 26,935,883</u>	<u>\$ 160,838,694</u>	<u>\$ 26,386,644</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 8,446,663	\$ 3,971,930	\$ -
Unearned revenue	265,734	-	-
	<u>8,712,397</u>	<u>3,971,930</u>	<u>-</u>
Total liabilities	<u>8,712,397</u>	<u>3,971,930</u>	<u>-</u>
Fund balances:			
Nonspendable			
Revolving cash	50,000	-	-
Store inventories	-	-	-
Restricted			
Legally restricted balances	1,599,919	-	-
Cafeteria program	-	-	-
Capital projects	-	156,866,764	-
Debt service	-	-	26,386,644
Assigned			
Stabilization arrangements	10,438,966	-	-
Unassigned	6,134,601	-	-
	<u>18,223,486</u>	<u>156,866,764</u>	<u>26,386,644</u>
Total fund balances	<u>18,223,486</u>	<u>156,866,764</u>	<u>26,386,644</u>
Total liabilities and fund balances	<u>\$ 26,935,883</u>	<u>\$ 160,838,694</u>	<u>\$ 26,386,644</u>

See notes to basic financial statements

Other Governmental Funds	Total Governmental Funds
\$ 14,005,887	\$ 224,649,428
-	50,000
350,705	3,578,066
17,610	17,610
-	240,319
<u>\$ 14,374,202</u>	<u>\$ 228,535,423</u>
\$ 28,140	\$ 12,446,733
-	265,734
<u>28,140</u>	<u>12,712,467</u>
-	50,000
17,610	17,610
-	1,599,919
190,065	190,065
14,138,387	171,005,151
-	26,386,644
-	10,438,966
-	6,134,601
<u>14,346,062</u>	<u>215,822,956</u>
<u>\$ 14,374,202</u>	<u>\$ 228,535,423</u>

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total fund balances - governmental funds \$ 215,822,956

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	\$	394,756,480
Accumulated depreciation		<u>(77,806,942)</u>

Net 316,949,538

The District refunded portions of its 2008 Series 2009 and full amount of 2008 Series 2013 General Obligation Bonds. The difference between the amount that was sent to the trustee of the escrow account and the amount of the principal outstanding on the refunded obligations is amortized as an adjustment to interest expense over the remaining life of the refunded bonds. This balance represents the unamortized deferred losses on refunding.

9,381,408

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

(3,117,095)

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	\$	(380,866,507)
Unamortized premium		(17,717,291)
Accreted interest payable		(74,496,705)
Compensated absences		(603,827)
OPEB		(18,228,512)
SRP		(2,947,949)
Loans payable		(60,000)
Net pension liability		<u>(66,574,426)</u>

Total (561,495,217)

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

Deferred outflows of resources	\$	26,605,281
Deferred inflows of resources		<u>(7,813,232)</u>

Net 18,792,049

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

51,362

Total net position (deficit), governmental activities

\$ (3,614,999)

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, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund
Revenues:			
LCFF Sources	\$ 49,817,672	\$ -	\$ -
Federal	1,458,712	-	-
Other state	4,685,665	-	23,692
Other local	15,894,950	2,658,080	27,645,603
Total revenues	71,856,999	2,658,080	27,669,295
Expenditures:			
Certificated salaries	30,645,490	-	-
Classified salaries	9,900,895	701,319	-
Employee benefits	16,788,836	218,742	-
Books and supplies	1,648,105	1,763,395	-
Contracted services and other operating expenditures	11,807,127	2,819,957	-
Capital outlay	1,006	21,699,870	-
Other outgo	4,602	-	-
Debt service:			
Principal	-	-	24,422,969
Interest	-	-	11,554,408
Total expenditures	70,796,061	27,203,283	35,977,377
Excess of revenues over (under) expenditures	1,060,938	(24,545,203)	(8,308,082)
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	(149,295)	-	-
Total other financing sources (uses)	(149,295)	-	-
Net change in fund balances	911,643	(24,545,203)	(8,308,082)
Fund balances, July 1, 2017	17,406,784	181,317,026	34,694,726
Restatements	(94,941)	94,941	-
Fund balances, July 1, 2017, restated	17,311,843	181,411,967	34,694,726
Fund balance, June 30, 2018	\$ 18,223,486	\$ 156,866,764	\$ 26,386,644

Other Governmental Funds	Totals Governmental Funds
\$ -	\$ 49,817,672
195,332	1,654,044
6,557,224	11,266,581
1,742,967	47,941,600
<u>8,495,523</u>	<u>110,679,897</u>
-	30,645,490
398,604	11,000,818
153,844	17,161,422
389,520	3,801,020
24,908	14,651,992
-	21,700,876
-	4,602
-	24,422,969
-	11,554,408
<u>966,876</u>	<u>134,943,597</u>
<u>7,528,647</u>	<u>(24,263,700)</u>
149,295	149,295
-	(149,295)
<u>149,295</u>	<u>-</u>
<u>7,677,942</u>	<u>(24,263,700)</u>
6,668,120	240,086,656
-	-
<u>6,668,120</u>	<u>240,086,656</u>
<u>\$ 14,346,062</u>	<u>\$ 215,822,956</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, 2018

Total net change in fund balances - governmental funds	\$	(24,263,700)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay	\$	29,563,800
Depreciation expense		(4,444,093)
		25,119,707
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities.		
		24,422,969
Governmental funds report the effect of premiums, discounts, and deferred losses on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. Amortization for the period was:		
Premium amortization for the period	\$	1,304,184
Deferred losses on refunding amortized for the period		(541,231)
		762,953
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:		
		(8,940,217)
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:		
		8,853
In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This fiscal year, the difference between accrual basis OPEB expenses and actual employer OPEB contributions was:		
		(1,514,239)
In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. Examples include special termination benefits such as retirement incentives financed over time. This fiscal year, expenses incurred for such obligations were:		
		(979,172)
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This fiscal year, the difference between accrual basis pension costs and actual employer contributions was:		
		2,559,943
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:		
		<u>51,362</u>
Changes in net position of governmental activities	\$	<u>17,228,459</u>

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2018

	Governmental Activities <u>Internal Service Fund</u>
Assets	
Cash in County Treasury	\$ 55,818
Accounts receivable	<u>11</u>
Total assets	<u>55,829</u>
Liabilities	
Accounts payable	<u>4,467</u>
Total liabilities	<u>4,467</u>
Net Position	
Unrestricted	<u>51,362</u>
Total net position	<u><u>\$ 51,362</u></u>

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2018

	Governmental Activities <u>Internal Service Fund</u>
Operating Revenues:	
In-district premiums	\$ 290,465
Operating Expenses:	
Contracted services and other operating expenses	<u>239,150</u>
Operating income	<u>51,315</u>
Non-Operating Revenues (Expenses):	
Interest income	<u>47</u>
Change in net position	51,362
Net position - July 1, 2017	<u>-</u>
Net position - June 30, 2018	<u><u>\$ 51,362</u></u>

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2018

	Governmental Activities Internal Service Fund
Cash flows from operating activities:	
Cash received from internal charges	\$ 290,465
Cash paid for contracted services and other operating expenses	(234,683)
Net cash provided by operating activities	55,782
Cash flows from investing activities:	
Interest received	36
Net increase in cash and cash equivalents	55,818
Cash and cash equivalents at July 1, 2017	-
Cash and cash equivalents at June 30, 2018	\$ 55,818
 Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income	\$ 51,315
Increase (decrease) in operating liabilities:	
Accounts payable	4,467
Net cash provided by operating activities	\$ 55,782

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2018

		Agency Funds		
	Retiree Benefit Fund	Warrant Pass-through Fund	Student Body Fund	Totals
Assets				
Cash in County Treasury	\$ 22,291	\$ (761,123)	\$ -	\$ (761,123)
Cash on hand and in banks	-	-	942,491	942,491
Accounts receivable	123	-	-	-
Total assets	22,414	<u><u>\$ (761,123)</u></u>	<u><u>\$ 942,491</u></u>	<u><u>\$ 181,368</u></u>
Liabilities				
Due to student groups	\$ -	\$ -	\$ 942,491	\$ 942,491
Accounts payable	1,392	(761,123)	-	(761,123)
Total liabilities	1,392	<u><u>\$ (761,123)</u></u>	<u><u>\$ 942,491</u></u>	<u><u>\$ 181,368</u></u>
Net Position				
Unrestricted	21,022			
Total net position	<u><u>\$ 21,022</u></u>			

See notes to basic financial statements

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
RETIREE BENEFIT FUND
For the Fiscal Year Ended June 30, 2018

	Retiree Benefit Fund
Additions:	
Interest	\$ 346
Change in net position	346
Net position - July 1, 2017	<u>20,676</u>
Net position - June 30, 2018	<u><u>\$ 21,022</u></u>

See notes to basic financial statements

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BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

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

B. Reporting Entity

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

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

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

Based upon the requirements of GASB Statement No. 14, and as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the District, including their ongoing financial support of the District or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of the District if all of the following criteria are met:

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

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

The Beverly Hills Education Foundation The Beverly Hills Education Foundation Inc. (the Foundation) is a legally separate, tax-exempt entity. The Foundation's sole purpose is to provide financial support for the District. Although the District does not control the timing or the amount of receipts of the Foundation, the majority of the resources held by the Foundation can only be used by, or for the benefit of the District. During the fiscal year ended June 30, 2018, the Foundation contributed \$441,590 to the District.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

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

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

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

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. The internal service fund is presented on the proprietary fund statements. Fiduciary funds use the accrual basis of accounting.

Revenues/exchange and non-exchange transactions:

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

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

Cash and Cash Equivalents:

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

Unearned revenue:

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

Pensions:

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

Other Postemployment Benefits (OPEB):

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Expenses/expenditures:

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

E. Fund Accounting

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

Major Governmental Funds:

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

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

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

Nonmajor Governmental Funds:

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

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

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

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

Nonmajor Governmental Funds:

2. The County School Facilities Fund is used to account separately for apportionments from the State School Facilities Fund authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants.

Proprietary Fund:

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

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

Fiduciary Funds:

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

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

F. Budgets and Budgetary Accounting

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

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

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

G. Encumbrances

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

I. Deposits and Investments

Cash balances held in banks and in revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation (all non-interest bearing transactions accounts are fully insured by the FDIC). All cash held by the financial institutions are fully insured or collateralized per California Government Code.

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

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the County are either secured by federal depository insurance or are collateralized.

2. Interfund Balances

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables. These amounts are eliminated in the governmental activities columns of the statement of net position.

3. Inventories and Prepaid Items

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and charged as expenditures when used. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

4. Amortization of Premiums

The premiums are being amortized on the straight-line method over the life of the debt on the government-wide statements.

5. Capital Assets

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

Depreciation on all capital assets is computed using the straight-line basis over the following estimated useful lives.

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Deferred inflows and outflows of resources

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

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

7. Unearned Revenue

Cash is received for federal and state special projects and programs are recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

8. Compensated Absences

All vacation pay plus related payroll taxes is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires, provided the employee was hired prior to July 1.

9. Long-Term Obligations

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

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

10. Deferred Losses on Refunding

The deferred losses on refunding in the government-wide financial statements represent the difference between the cost of the old debt and the cost of the refunding. As the amount is directly related to the debt, the amount is deferred and amortized over the life, shorter of the old or new debt, using the straight-line method. During the fiscal year, \$541,231 was amortized as interest expense and as of June 30, 2018, the remaining balance is \$9,381,408.

11. Fund Balance – Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Fund Balance – Governmental Funds (Continued)

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

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

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or director may assign amounts for specific purposes. During the fiscal year 2017-2018, the governing board committed \$10,438,966 as stabilization arrangements.

Unassigned – all other spendable amounts.

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

12. Net Position

The government-wide and fiduciary statement of net position includes three equity categories entitled net investment in capital assets; restricted net position; and unrestricted net position. The investment in capital assets category presents the District's equity interest in capital assets less outstanding principal of related debt. The restricted net position category is designed to reflect net position that are subject to restrictions beyond the District's control (externally imposed or imposed by law). The unrestricted net position category equals any remaining balance.

I. Property Taxes

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

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

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

J. Estimates

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. New Accounting Pronouncements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 establishes financial reporting standards for other postemployment benefits (OPEB) plans for state and local governments. This standard replaces the requirements of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures, as well as identifying the methods and assumptions required to project benefit payments, discount projected benefit payments, to their actuarial present value, and attribute that present value to periods of employee service. Additionally, GASB 75 lays out requirements for additional note disclosures and required supplementary information.

The District adopted this accounting standard effective July 1, 2017. As a result of adopting GASB 75, which was applied retroactively, the District restated its other postemployment benefit liability, its related deferred outflows of resources, and total net position as of June 30, 2017, by \$10,676,306.

L. Future Accounting Pronouncements

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

Statement No. 83	"Certain Asset Retirement Obligations"	The provision of this statement is effective for fiscal years beginning after June 15, 2018.
Statement No. 84	"Fiduciary Activities"	The provision of this statement is effective for fiscal years beginning after December 15, 2018.
Statement No. 87	"Leases"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.
Statement No. 88	"Certain Disclosure Related to Debt, including Direct Borrowings and Direct Placements"	The provision of this statement is effective for fiscal years beginning after June 15, 2018.
Statement No. 89	"Accounting for Interest Cost Incurred before the End of a Construction Period"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.
Statement No. 90	"Majority Equity Interest-an Amendment of GASB Statements No. 14 and No. 61"	The provision of this statement is effective for fiscal years beginning after December 15, 2018.

NOTE 2 - CASH AND INVESTMENTS

The District's cash and investments at June 30, 2018 consisted of the following:

Cash and investments with County Treasury	\$ 223,966,414
Cash on hand and in banks	<u>992,491</u>
Total cash and investments	<u>\$ 224,958,905</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

Cash in County Treasury, statement of net position	\$ 224,705,246
Cash in revolving fund, statement of net position	50,000
Cash in County Treasury, statement of fiduciary net position	(738,832)
Cash on hand and in banks, statement of fiduciary net position	<u>942,491</u>
Total cash and investments	<u>\$ 224,958,905</u>

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

Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Los Angeles County Treasury as part of the common investment pool (\$223,966,414 as of June 30, 2018). The fair value of this pool as of that date, as provided by the plan sponsor, was \$223,966,414. 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 (\$942,491 as of June 30, 2018) and in the revolving fund (\$50,000) are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). All cash held by the financial institution is fully insured or collateralized per California Government Code.

Investments Authorized by the District's Investment Policy

The District's investment policy 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.

Investments Authorized by Debt Agreements

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements (Continued)

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

Disclosures Relating to Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Remaining maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25-60 Months</u>	<u>More Than 60 Months</u>
Los Angeles County Investment Pool	<u>\$223,966,414</u>	<u>\$223,966,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$223,966,414</u>	<u>\$223,966,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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.

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt from Rating</u>	<u>Rating as of Fiscal Year End</u>			
				<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
Los Angeles County Investment Pool	<u>\$223,966,414</u>	N/A	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,966,414</u>
Total	<u>\$223,966,414</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 223,966,414</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allow financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2018, \$715,266 of the District's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

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

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2018, the District incurred no excess of expenditures over appropriations of in the General Fund as presented in the Budgetary Comparison Schedule by major object code.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consist of the following:

	General Fund	Building Fund	Other Governmental Funds	Internal Service Fund	Retiree Benefit Fund
Federal Government					
Categorical Aid	\$ 1,031,742	\$ -	\$ 20,191	\$ -	\$ -
State Government					
Categorical Aid	375,250	-	1,238	-	-
Lottery	152,041	-	-	-	-
Local Government					
Interest	162,464	905,792	71,911	11	123
Other Local Sources	<u>600,072</u>	<u>-</u>	<u>257,365</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,321,569</u>	<u>\$ 905,792</u>	<u>\$ 350,705</u>	<u>\$ 11</u>	<u>\$ 123</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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 2017-2018 fiscal year are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Fund:		
General Fund	\$ -	\$ 149,295
Nonmajor Fund:		
Cafeteria Fund	<u>149,295</u>	<u>-</u>
Totals	<u>\$ 149,295</u>	<u>\$ 149,295</u>

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets, not being depreciated:				
Land	\$ 2,933,062	\$ -	\$ -	\$ 2,933,062
Construction in progress	<u>145,977,111</u>	<u>29,549,238</u>	<u>-</u>	<u>175,526,349</u>
Total capital assets, not being depreciated	<u>148,910,173</u>	<u>29,549,238</u>	<u>-</u>	<u>178,459,411</u>
Capital assets being depreciated:				
Buildings and improvements	199,939,382	-	-	199,939,382
Site improvements	8,850,821	-	-	8,850,821
Furniture and equipment	<u>7,492,304</u>	<u>14,562</u>	<u>-</u>	<u>7,506,866</u>
Total capital assets being depreciated	<u>216,282,507</u>	<u>14,562</u>	<u>-</u>	<u>216,297,069</u>
Less accumulated depreciation for:				
Buildings and improvements	(60,464,446)	(3,955,081)	-	(64,419,527)
Site improvements	(5,986,472)	(363,539)	-	(6,350,011)
Furniture and equipment	<u>(6,911,931)</u>	<u>(125,473)</u>	<u>-</u>	<u>(7,037,404)</u>
Total accumulated depreciation	<u>(73,362,849)</u>	<u>(4,444,093)</u>	<u>-</u>	<u>(77,806,942)</u>
Total capital assets, being depreciated, net	<u>142,919,658</u>	<u>(4,429,531)</u>	<u>-</u>	<u>138,490,127</u>
Total capital assets, net	<u>\$ 291,829,831</u>	<u>\$ 25,119,707</u>	<u>\$ -</u>	<u>\$ 316,949,538</u>

Depreciation expense of \$4,444,093 was charged to governmental activities as unallocated.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 7 - LONG-TERM DEBT – SCHEDULE OF CHANGES

A schedule of changes in long-term debt for the fiscal year ended June 30, 2018, 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, PARS, 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, 2017	Restatements	Additions	Deletions	Balance June 30, 2018	Due within One Year
General obligation bonds:						
Principal balance	\$ 405,289,476	\$ -	\$ -	\$ (24,422,969)	\$ 380,866,507	\$ 20,687,965
Unamortized premium	19,021,475	-	-	(1,304,184)	17,717,291	1,304,184
Accreted interest payable	65,555,764	-	12,625,265	(3,684,324)	74,496,705	3,680,206
Compensated absences	612,680	-	463,643	(472,496)	603,827	465,670
Net OPEB obligation	6,179,075	10,702,091	1,347,346	-	18,228,512	-
Net pension liability	59,352,318	-	7,222,108	-	66,574,426	-
Supplemental retirement plan (SRP)	1,968,777	-	1,711,250	(732,078)	2,947,949	1,074,325
Loans payable	60,000	-	-	-	60,000	60,000
Totals	<u>\$ 558,039,565</u>	<u>\$ 10,702,091</u>	<u>\$ 23,369,612</u>	<u>\$ (30,616,051)</u>	<u>\$ 561,495,217</u>	<u>\$ 27,272,350</u>

NOTE 8 - GENERAL OBLIGATION BONDS

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Issued	Redeemed	Bonds Outstanding June 30, 2018	Due within One Year
6/2001	5/2020	4.00-5.50%	\$ 13,600,000	\$ 3,155,000	\$ -	\$ (990,000)	\$ 2,165,000	\$ 1,050,000
7/2005	6/2023	2.70-5.25%	47,354,973	13,059,926	-	(2,445,124)	10,614,802	2,331,771
7/2005	8/2026	2.70-5.25%	36,384,991	17,323,998	-	(1,917,845)	15,406,153	1,846,194
1/2009	8/2033	2.50-8.10%	72,044,664	63,359,664	-	(1,625,000)	61,734,664	2,150,000
4/2012	8/2030	2.00-5.00%	42,230,000	41,225,000	-	(775,000)	40,450,000	985,000
9/2015	8/2032	2.00-5.00%	76,000,000	70,475,000	-	(5,420,000)	65,055,000	4,945,000
11/2016	8/2038	3.00-5.00%	55,738,598	55,738,598	-	(110,000)	55,628,598	-
2/2017	8/2040	2.00-5.00%	140,952,290	140,952,290	-	(11,140,000)	129,812,290	7,380,000
				<u>\$ 405,289,476</u>	<u>\$ -</u>	<u>\$ (24,422,969)</u>	<u>\$ 380,866,507</u>	<u>\$ 20,687,965</u>

2001 General Obligation Refunding Bonds

On June 8, 2001, the District issued \$13,600,000 of General Obligation Refunding Bonds. The proceeds of these bonds were used to refund the outstanding principal of the District's General Obligation Bonds, 1995 Series A that was previously issued. Interest rates on the bonds range from 4.00 percent to 5.50 percent. As of June 30, 2018, the principal balance outstanding was \$2,165,000.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 - GENERAL OBLIGATION BONDS (Continued)

2001 General Obligation Refunding Bonds (Continued)

The bonds mature through 2020 as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,050,000	\$ 119,075	\$ 1,169,075
2020	<u>1,115,000</u>	<u>61,325</u>	<u>1,176,325</u>
	<u>\$ 2,165,000</u>	<u>\$ 180,400</u>	<u>\$ 2,345,400</u>

2005 Refunding Bonds Series A and B

In July 2005, the District issued General Obligation Refunding Bonds Series A and B in the amount of \$47,354,973 and \$36,384,991, respectively. The bonds were issued for the purpose of providing funds to refinance two previously outstanding bond issues including the 1998 Series B and the 2002 Series A bonds. The 2005 Refunding Bonds Series A and B had combined deferred losses on refunding and premium that was fully amortized over the life of the debt. The premium was amortized utilizing the straight-line method. The bonds' interest rates range from 2.70 percent to 5.25 percent. The outstanding principal at June 30, 2018 was \$10,614,802 and \$15,406,153, respectively. The accreted interest on the capital appreciation bonds balance as of June 30, 2018 was \$8,741,262 and \$14,026,967 respectively.

The Series A bonds mature through 2023 as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Principal</u>	<u>Accreted</u> <u>Interest</u>	<u>Total</u>
2019	\$ 2,331,771	\$ 2,166,979	\$ 4,498,750
2020	2,221,948	2,275,552	4,497,500
2021	2,117,780	2,379,720	4,497,500
2022	2,018,818	2,479,432	4,498,250
2023	<u>1,924,485</u>	<u>2,574,765</u>	<u>4,499,250</u>
	<u>\$ 10,614,802</u>	<u>\$ 11,876,448</u>	<u>\$ 22,491,250</u>

The Series B bonds mature through 2027 as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Principal</u>	<u>Accreted</u> <u>Interest</u>	<u>Total</u>
2019	\$ 1,846,194	\$ 1,747,935	\$ 3,594,129
2020	1,801,589	1,885,930	3,687,519
2021	1,753,835	2,020,383	3,774,218
2022	1,709,865	2,158,691	3,868,556
2023	1,667,039	2,298,462	3,965,501
2024-2027	<u>6,627,631</u>	<u>11,277,618</u>	<u>17,905,249</u>
	<u>\$ 15,406,153</u>	<u>\$ 21,389,019</u>	<u>\$ 36,795,172</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 - GENERAL OBLIGATION BONDS (Continued)

2008 General Obligation Bond Series 2009

In January 2009 the District issued General Obligation Bonds Series 2009 in the amount of \$72,044,664. The bonds included \$12,460,000 in Current Interest bonds and \$59,584,664 in Capital Appreciation bonds totaling to the \$72,044,664. The Capital Appreciation bonds of \$59,584,664 accrete to a \$203,900,000 maturity value. The bonds' interest rates range from 2.50 percent to 8.10 percent. The bonds were issued for the purpose of providing funds to refinance new construction, additions to and modernization of school facilities for the District. On November 2, 2016, the District issued 2016 General Obligation Refunding Bonds to advance refund partial of the Current Interest bonds. The advance refunding resulted in a legal defeasance of the bonds. An irrevocable trust was established with funds sufficient to fund payments on the bonds until the redemption date. The difference between the debt service of the original bonds and the refunding bonds is \$428,121 and an economic gain (difference between the present values of the old and new debt) of \$387,754. Because the transaction qualifies as a legal defeasance the obligations for the defeased bonds have been removed from the District's financial statements. The remaining unamortized premium totaled \$1,489,116 as of June 30, 2018. The premium is being amortized utilizing the straight-line method over the life of the debt. The outstanding principal at June 30, 2018, was \$61,734,664. The accreted interest on the capital appreciation bonds balance as of June 30, 2018 was \$46,329,334.

The bonds mature through 2034 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Interest	Total
2019	\$ 2,150,000	\$ -	\$ 48,375	\$ 2,198,375
2020	-	-	-	-
2021	-	-	-	-
2022	1,634,424	2,765,576	-	4,400,000
2023	1,715,550	3,284,450	-	5,000,000
2024-2028	20,697,110	33,802,890	-	54,500,000
2028-2033	29,056,980	80,943,020	-	110,000,000
2034	6,480,600	23,519,400	-	30,000,000
	<u>\$ 61,734,664</u>	<u>\$ 144,315,336</u>	<u>\$ 48,375</u>	<u>\$ 206,098,375</u>

2012 General Obligation Refunding Bonds

In April 2012 the District issued 2012 General Obligation Refunding Bonds in the amount of \$42,230,000. The bonds were issued for the purpose of providing funds to refinance General Obligation Bonds, 2002 Series B. The unamortized premium totaled \$3,829,881 as of June 30, 2018. The premium is being amortized utilizing the straight-line method over the life of the debt. The bonds interest rates range from 2.00 percent to 5.00 percent. The outstanding principal at June 30, 2018, was \$40,450,000.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 - GENERAL OBLIGATION BONDS (Continued)

2012 General Obligation Refunding Bonds (Continued)

The bonds mature through 2031 as follows:

Fiscal Year Ended	Principal	Interest	Total
2019	\$ 985,000	\$ 1,812,488	\$ 2,797,488
2020	1,160,000	1,763,788	2,923,788
2021	1,370,000	1,714,238	3,084,238
2022	2,745,000	1,625,063	4,370,063
2023	3,020,000	1,480,938	4,500,938
2024-2028	17,770,000	4,952,940	22,722,940
2029-2031	13,400,000	894,643	14,294,643
	<u>\$ 40,450,000</u>	<u>\$ 14,244,098</u>	<u>\$ 54,694,098</u>

2008 General Obligation Bond Series 2013

In December 2013, the District issued 2008 General Obligation Bonds Series 2013 in the amount of \$44,999,303. The bonds were issued for the purpose of financing the construction, renovation, modernization and equipping of school facilities. On November 2, 2016, the District issued 2016 General Obligation Refunding Bonds to advance refund the bonds. The advance refunding resulted in a legal defeasance of the bonds. An irrevocable trust was established with funds sufficient to fund payments on the bonds until the redemption date. The difference between the debt service of the original bonds and the refunding bonds is \$5,800,000 and an economic gain (difference between the present values of the old and new debt) of \$2,959,192. Because the transaction qualifies as a legal defeasance the obligations for the defeased bonds have been removed from the District's financial statements. As of June 30, 2018, the defeased bonds balance including accreted interest of \$8,581,988 was \$42,231,291.

2008 General Obligation Bond Series 2015

In September 2015, the District issued 2008 General Obligation Bonds Series 2015 in the amount of \$76,000,000. The bonds were issued for the purpose of financing the construction, renovation, modernization and equipping of school facilities. The unamortized premium totaled \$5,488,316 as of June 30, 2018. The premium is being amortized utilizing the straight-line method over the life of the debt. The bond's interest rates range from 2.00 percent to 5.00 percent. The outstanding principal at June 30, 2018, was \$65,055,000.

The bonds mature through 2033 as follows:

Fiscal Year Ended	Principal	Interest	Total
2019	\$ 4,945,000	\$ 2,230,851	\$ 7,175,851
2020	3,305,000	2,107,101	5,412,101
2021	3,390,000	2,023,626	5,413,626
2022	3,395,000	1,955,776	5,350,776
2023	3,540,000	1,886,426	5,426,426
2024-2028	24,185,000	6,936,830	31,121,830
2029-2033	22,295,000	1,445,363	23,740,363
	<u>\$ 65,055,000</u>	<u>\$ 18,585,973</u>	<u>\$ 83,640,973</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 - GENERAL OBLIGATION BONDS (Continued)

2016 General Obligation Refunding Bond

On November 2, 2016, the District issued 2016 General Obligation Refunding Bonds in the amount of \$55,738,598. The bonds were issued for the purpose of refund portions of the 2008 General Obligation Bond Series 2009 and refund the entire portions of the 2008 General Obligation Bond Series 2013. The bonds included \$6,135,000 in Current Interest bonds and \$49,603,598 in Capital Appreciation bonds. The Capital Appreciation bonds accrete to a \$98,485,000 maturity value. The unamortized premium totaled \$431,372 as of June 30, 2018. The premium is being amortized utilizing the straight-line method over the life of the debt. The bond's interest rates range from 3.00 percent to 5.00 percent. The outstanding principal at June 30, 2018, was \$55,628,598. The accreted interest on the capital appreciation bonds balance as of June 30, 2018 was \$2,399,835.

The bonds mature through 2039 as follows:

Fiscal Year Ended	Principal	Accreted Interest	Interest	Total
2019	\$ -	\$ -	\$ 301,250	\$ 301,250
2020	2,640,000	-	235,250	2,875,250
2021	3,385,000	-	84,625	3,469,625
2022	-	-	-	-
2023	-	-	-	-
2024-2028	-	-	-	-
2029-2033	-	-	-	-
2034-2038	39,635,428	37,389,572	-	77,025,000
2039	<u>9,968,170</u>	<u>11,491,830</u>	<u>-</u>	<u>21,460,000</u>
	<u>\$ 55,628,598</u>	<u>\$ 48,881,402</u>	<u>\$ 621,125</u>	<u>\$ 105,131,125</u>

2008 General Obligation Bond Series 2017

On February 9, 2017, the District issued 2008 General Obligation Bond Series 2017 in the amount of \$140,952,290. The bonds were issued for the purpose of financing to acquire, repair, and construct certain equipment, sites and facilities of the District. The bonds included \$99,565,000 in Current Interest bonds and \$41,387,290 in Capital Appreciation bonds. The Capital Appreciation bonds accrete to a \$95,705,000 maturity value. The unamortized premium totaled \$6,478,606 as of June 30, 2018. The premium is being amortized utilizing the straight-line method over the life of the debt. The bond's interest rates range from 2.00 percent to 5.00 percent. The outstanding principal at June 30, 2018, was \$129,812,290. The accreted interest on the capital appreciation bonds balance as of June 30, 2018 was \$2,999,307.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 - GENERAL OBLIGATION BONDS (Continued)

2008 General Obligation Bond Series 2017 (Continued)

The bonds mature through 2039 as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Principal</u>	<u>Accreted</u> <u>Interest</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 7,380,000	\$ -	\$ 3,093,300	\$ 10,473,300
2020	8,685,000	-	2,889,225	11,574,225
2021	7,160,000	-	2,651,550	9,811,550
2022	7,350,000	-	2,433,900	9,783,900
2023	7,680,000	-	2,246,850	9,926,850
2024-2028	21,025,000	-	7,597,425	28,622,425
2029-2033	335,000	-	5,781,075	6,116,075
2034-2038	26,730,718	31,154,282	5,696,325	63,581,325
2039	<u>43,466,572</u>	<u>23,163,428</u>	<u>2,194,300</u>	<u>68,824,300</u>
	<u>\$ 129,812,290</u>	<u>\$ 54,317,710</u>	<u>\$ 34,583,950</u>	<u>\$ 218,713,950</u>

NOTE 9 - COMPENSATED ABSENCES

The accumulated unpaid employee vacation for the District at June 30, 2018, amounted to \$603,827.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

At June 30, 2018, net OPEB liability and related deferred inflows of resources are as follows:

	<u>Governmental</u> <u>Activities</u>
Net OPEB liabilities:	\$ 17,855,942
Total net OPEB liabilities	<u>\$ 17,855,942</u>
Deferred inflows of Resources:	
Changes of assumptions	\$ 151,838
Difference between expected and actual experience	<u>14,386</u>
Total deferred inflows of resources	<u>\$ 166,224</u>

Plan Description

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

Access to coverage: Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS, which requires attainment of age 50 (age 52, if a new to PERS on or after January 1, 2013) with 5 years of State or public agency service or approved disability retirement.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

Plan Description (Continued)

The employee must begin his or her retirement benefit within 120 days of terminating employment with the District to be eligible to continue medical coverage through the agency and be entitled to the benefits described below. If an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement or during any future open enrollment period. Once eligible, coverage may be continued at the retiree's option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage.

Benefits provided: As a participating PEMHCA employer, the District is obligated to contribute toward the cost of retiree medical coverage for all employees who retire from the District for the retiree's lifetime or until coverage is discontinued.

- All employees who retire from the District and continue their medical coverage in retirement will receive the required PEMHCA minimum employer contribution (MEC). Benefits continue to a covered surviving spouse as well, if eligible for survivor benefits under the retirement program. The MEC was \$128 per month in 2017 and increased to \$133 per month in 2018.
- Employees who retire at age 55 or older having worked at least 10 years with the District are eligible to receive enhanced benefits, *inclusive of* the MEC benefit described above. The District will pay the retiree's medical and/or dental premiums for a limited period of time and up to a maximum Annual Cap, which is \$8,000 during 2017. The term of this enhanced benefit depends on years of District service. For employees with at least 10 but less than 20 years of service, the benefit is payable for up to 8 years, but not beyond the retiree's age 65. For employees with at least 20 years of service, the benefit is payable for up to 10 years, but not beyond age 65.

Employees Covered

As of June 30, 2017, actuarial valuation, the following current and former employees were covered by the benefit terms under the District's Plan:

Active plan members	491
Inactive employees or beneficiaries currently receiving benefit payments	159
Inactive employees entitled to but not yet receiving benefit payments	-
Total	<u>650</u>

Contribution Information

The contribution requirement of plan members and the District are established under a funding policy approved by the District's Board and may be amended by the District from time to time. The District's funding policy is to contribute an amount sufficient to pay the current fiscal year premiums. For fiscal year 2018, the District contributed \$489,280 to the plan including implicit rate subsidy of \$154,450. The District also made a contribution in an amount of \$754,389 after the fiscal year end.

Net OPEB Liability

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

Valuation Date	July 1, 2017
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets
Long Term Return of Assets	6.85%, net of plan investment expenses and including inflation

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

Net OPEB Liability (Continued)

Discount Rate	3.56% as of June 30, 2017 and 3.62% as of June 30, 2018
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year, since benefits do not depend on pay, this is used only to allocate the cost of benefits between service years
Assumed Wage Inflation	3.0% per year; a component of assumed salary increases
General Inflation Rate	2.75% per year

Demographic actuarial assumptions used in this valuation are based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, except for a different basis used to project future mortality improvements. Rates for selected age and service are shown below and on the following pages. The representative mortality rates were those published by CalPERS adjusted to back out 20 years of Scale BB to central year 2008 and then projected forward 6 years using MacLeod Watts Scale 2017 to year 2014. For CalSTRS members, the assumptions are based on the June 30, 2011 CalSTRS experience study report.

Mortality Improvement	MacLeod Watts Scale 2017 applied generationally.
Healthcare Trend	Medical plan premiums and claims costs by age are assumed to increase once each year. 7.50% initially reduced by decrements to an ultimate of 5.0%.

Discount Rate

The District uses the Fidelity 20 Year AA General Obligation Municipal Bond Index. As of the beginning and end of the Measurement Period, use of this index results in discount rates of 3.56% as of June 30, 2017 and 3.62% as of June 30, 2018.

Changes in the OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at fiscal year ending June 30, 2017	\$ 17,473,822	\$ 1,007,126	\$ 16,466,696
Changes Recognized for the Measurement Period:			
Service Cost	1,466,787	-	1,466,787
Interest on the total OPEB liability	665,576	-	665,576
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	17,982	(17,982)
Changes of assumptions	(169,638)	-	(169,638)
Contributions from the employer	-	489,280	(489,280)
Net investment income	-	68,896	(68,896)
Administrative expenses	-	(2,679)	2,679
Benefit payments	(489,280)	(489,280)	-
Net Changes during July 1, 2017 to June 30, 2018	1,473,445	84,199	1,389,246
Balance at fiscal year ending June 30, 2018 (Measurement Date)	\$ 18,947,267	\$ 1,091,325	\$ 17,855,942

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

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

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

Plan's Net OPEB Liability (Asset)		
Current Discount Rate - 1%	Current Discount Rate	Current Discount Rate + 1%
\$ 21,012,385	\$ 17,855,942	\$ 15,335,383

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

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

Plan's Net OPEB Liability (Asset)		
Current Trend Rate - 1%	Current Healthcare Cost Trend Rate	Current Trend Rate + 1%
\$ 14,253,520	\$ 17,855,942	\$ 24,170,841

Recognition of Deferred Outflows and Deferred Inflows of Resources

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

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

The recognition period differs depending on the source of the gain or loss. Changes in assumptions on OPEB plan investments are recognized over 9.53 years. All other amounts are recognized over the expected average remaining lifetime (EARSL).

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

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$2,044,750. As of fiscal year ended June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 151,838
Difference between expected and actual experience	-	14,386
Total	<u>\$ -</u>	<u>\$ 166,224</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

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

Measurement Period Ended June 30,	Recognized Net Deferred Outflows (Inflows) of Resources
2019	\$ (21,396)
2020	(21,396)
2021	(21,396)
2022	(21,398)
2023	(17,800)
Thereafter	(62,838)
Total	<u>\$ (166,224)</u>

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

Plan Description

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

Benefits Provided

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

Contributions

Since the plan is only for employees retired or receiving a disability allowance prior to July 1, 2012, the plan is funded on a pay-as-you go basis. The premium rates for Medicare A for employees without 30-39 quarters of Medicare employment was \$411 from July 1, 2016 to December 31, 2016 and \$413 from January 1, 2017 to June 30, 2017. The premium rates for Medicare A for employees with 30-39 quarters of Medicare employment was \$226 from July 1, 2016 to December 31, 2016 and \$227 from January 1, 2017 to June 30, 2017. Contributions to the OPEB plan from the District were \$25,124 for the fiscal year ended June 30, 2018. Employees are not required to contribute to the OPEB plan.

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

At June 30, 2018, the District reported a liability of \$372,570 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school. At June 30, 2017, the District's proportion was 0.0890%.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$(41,231). As of fiscal year ended June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
OPEB contributions subsequent to measurement date	\$ 25,124	\$ -
Net difference between projected and actual earnings on retirement plan investments	<u>-</u>	<u>8</u>
	<u>\$ 25,124</u>	<u>\$ 8</u>

The \$25,124 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as expense as follows:

<u>Fiscal year Ending June 30,</u>	<u>Amount</u>
2019	\$ 3
2020	3
2021	2
2022	<u>-</u>
	<u>\$ 8</u>

Actuarial Assumptions

The District's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2016 that was rolled forward to determine the June 30, 2017 total OPEB liability, based on the following actuarial methods and assumptions:

Discount Rate	3.58%
Investment Rate of Return	3.58%
Mortality Rate	Custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries
Medicare Part A Premium Costs Trend Rate	3.70%
Medicare Part B Premium Costs Trend Rate	4.10%

Mortality rates were based on the RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CALSTRS specific experience through June 30, 2015. For the valuation of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016), issued by the Society of Actuaries.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

Discount Rate

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

Change in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at fiscal year ending 6/30/17			
Measurement date 6/30/16	\$ 414,479	\$ 9	\$ 414,470
Changes recognized for the measurement period:			
Interest	11,448	-	11,448
Difference between expected and actual experience	(36)	-	(36)
Changes of assumptions	(27,666)	-	(27,666)
Contributions - employer	-	25,785	(25,785)
Net investment income	-	10	(10)
Benefit payments	(25,619)	(25,619)	-
Administrative expense	-	(149)	149
Net Changes in fiscal year 2017-2018	<u>(41,873)</u>	<u>27</u>	<u>(41,900)</u>
Balance at fiscal year ending 6/30/18			
Measurement date 6/30/17	<u>\$ 372,606</u>	<u>\$ 36</u>	<u>\$ 372,570</u>

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
Net OPEB Liability	\$ 412,461	\$ 372,570	\$ 333,768

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

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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

	1% Decrease (2.7% Part A and 3.1 Part B)	Current Healthcare Cost Trend Rates (3.7% Part A and 4.1% Part B)	1% Increase (4.7% Part A and 5.1% Part B)
Net OPEB Liability	\$ 336,674	\$ 372,570	\$ 408,108

OPEB Plan Fiduciary Net Position

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer. For more information on the Surplus Money Investment Fund, see <https://www.treasurer.ca.gov/pmia-laif/pmia/index.asp>.

Payables to the OPEB Plan

At June 30, 2018, the District had no amount outstanding for contributions to the OPEB plan required for the fiscal year ended June 30, 2018.

NOTE 12 - SUPPLEMENTAL RETIREMENT PLAN (SRP)

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

The future SERP payments are as follows:

Fiscal Year Ended	Total Payment
2019	\$ 1,074,325
2020	745,519
2021	443,605
2022	342,250
2023	342,250
	<u>\$ 2,947,949</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) whereby the City will provide partial funding to upgrade the lower athletic field at Beverly Hills High School with synthetic turf. In return, the District agreed to make available to the City the use of the athletic field. The term of the agreement stated the City would contribute \$600,000 toward the construction cost and provide an additional \$300,000 in the form of an interest free loan to the District. Repayment of the loan began in fiscal year 2008-2009. The future payments are as follows:

Fiscal Year Ended	Total
2019	\$ 60,000

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 14 - JOINT VENTURES (Joint Powers Agreements)

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

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

As of June 30, 2018, the District's proportionate share of the net pension liabilities, pension expense, and deferred inflows of resources and deferred outflows of resources for each of the retirement plans are as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 51,457,049	\$ 21,738,670	\$ 7,305,212	\$ 1,278,030
CalPERS	15,117,377	4,841,487	341,788	2,828,460
Total	<u>\$ 66,574,426</u>	<u>\$ 26,580,157</u>	<u>\$ 7,647,000</u>	<u>\$ 4,106,490</u>

State Teachers' Retirement System (CalSTRS)

A. General Information about the Pension Plan

Plan Descriptions – All qualified California full-time and part-time public school teachers from pre-kindergarten through community college and certain other employees of the public school system are eligible to participate in the CalSTRS Pension Plans, multiple-employer, cost-sharing defined benefit plans administered by the California State Teacher's Retirement System (CalSTRS). Benefit provisions under the Plans are established by the Teachers' Retirement Law (California Education Code Section 22000 et seq), as enacted and amended by the California Legislature. The benefit terms of the plans may be amended through legislation CalSTRS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalSTRS website.

Benefits Provided – The CALSTRS Defined Benefit Program has two benefit formulas:

CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform services that could be creditable to CalSTRS

CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform services that could be creditable to CalSTRS

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and on survivors/beneficiaries upon death of eligible members.

After earning five years of credited service, members become 100 percent vested in retirement benefits.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 – PENSION PLANS (Continued)

State Teachers' Retirement System (CalSTRS) (Continued)

A. General Information about the Pension Plan (Continued)

After five years of credited service, a member (prior to age 60 if under Coverage A, no age limit if under Coverage B, as defined in Education Code Sections 24001 and 24101, respectively) is eligible for disability benefits of up to 50.0 percent of final compensation plus 10.0 percent of final compensation for each eligible child, up to a maximum addition of 40.0 percent. The member must have a disability that will exceed a period of 12 or more months to qualify for benefit.

Any compensation for service in excess of one year in a school year due to overtime or working additional assignments is credited to the Defined Benefit Supplement Program so long as it is under the creditable compensation limit. Other compensation, such as allowances, bonuses, cash in-lieu of fringe benefits, limited-period compensation or compensation determined to have been paid to enhance a benefit, are not creditable to any CalSTRS benefit program.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	CalSTRS	
	<u>Before</u>	<u>On or After</u>
Hire Date	<u>January 1, 2013</u>	<u>January 1, 2013</u>
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-63	55-65
Monthly benefits, as a % of eligible compensation	2.0% to 2.4%	2.00%
Required employee contribution rates (Average)	10.250%	9.205%
Required employer contribution rates	14.430%	14.430%
Required state contribution rates	9.328%	9.328%

Specific details for the retirement, disability or death benefit calculations for each of the pension plans are available in the CalSTRS Comprehensive Annual Financial Report (CAFR). The CalSTRS' CAFR is available online at <http://www.calstrs.com/comprehensive-annual-financial-report>.

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

For the fiscal year ended June 30, 2018, the contributions were as follows:

	<u>CalSTRS</u>
Contribution - employer	\$ 4,419,707
Contribution - state	\$ 2,475,544

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 – PENSION PLANS (Continued)

State Teachers' Retirement System (CalSTRS) (Continued)

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

As of June 30, 2018, the District reported net pension liability for its proportionate shares of the net pension liability in the amount of \$51,457,049.

District's proportionate share of the net pension liability	\$ 51,457,049
State's proportionate share of the net pension liability	<u>69,747,358</u>
Total	<u>\$ 121,204,407</u>

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was 0.05564%, which decreased by 0.00241%, its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$1,278,030. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 190,293	\$ (897,651)
Changes of assumptions	9,532,755	-
Net difference between projected and actual earnings on pension plan investments	-	(1,370,051)
Differences between District contributions and proportionate share of contributions	5,820,916	-
Changes in proportion	1,774,999	(5,037,510)
District contributions subsequent to the measurement date	<u>4,419,707</u>	<u>-</u>
Total	<u>\$ 21,738,670</u>	<u>\$ (7,305,212)</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 – PENSION PLANS (Continued)

State Teachers' Retirement System (CalSTRS) (Continued)

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

\$4,419,707 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
2019	\$ 532,571
2020	2,534,206
2021	1,796,264
2022	454,308
2023	2,616,591
Thereafter	<u>2,079,811</u>
Toal	<u>\$ 10,013,751</u>

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	<u>CalSTRS</u>
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.10%
Investment Rate of Return	7.25%
Consumer Price Inflation	2.75%
Wage Growth	350.00%
Post-retirement Benefit Increases	2% simple for DB (Annually)
	Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. In February 2017, the CalSTRS retirement board changed the mortality assumptions based on the July 1, 2010 through June 30, 2015 Experience Analysis. The projection scale was set to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries. For further details, see CalSTRS July 1, 2010 – June 30, 2015 Experience Analysis on the CalSTRS website.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 – PENSION PLANS (Continued)

State Teachers' Retirement System (CalSTRS) (Continued)

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

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance - PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

*10-year geometric average

Change of Assumptions – In February, 2017, the CalSTRS' Retirement Board voted to change the actuarial assumptions and various economic factors based on the CalSTRS Experience Analysis spanning July 1, 2010 through June 30, 2015. The discount rate was lowered from 7.60% to 7.10%, consumer price inflation rate was lowered from 3.00% to 2.75% and the age growth assumption decreased from 3.75% to 3.50%. These changes were made for the June 30, 2017 actuarial.

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 – PENSION PLANS (Continued)

State Teachers' Retirement System (CalSTRS) (Continued)

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

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

1% Decrease	6.10%
Net Pension Liability	\$ 75,555,284
Current Discount Rate	7.10%
Net Pension Liability	\$ 51,457,049
1% Increase	8.10%
Net Pension Liability	\$ 31,899,698

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

C. Payable to the Pension Plan

At June 30, 2018, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2018.

D. On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$2,475,544. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

California Public Employees' Retirement System (CalPERS)

A. General Information About the Pension Plan

Plan Description - 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. Plan membership consists of non-teaching and non-certificated employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California. 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.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 – PENSION PLANS (Continued)

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

A. General Information About the Pension Plan (Continued)

Benefits Provided—The CalPERS Defined Benefit Program has two benefit formulas:

CalPERS 2% at 55: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalPERS

CalPERS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalPERS

The Defined Benefit Program provides retirement benefits based on members' final compensation, age, and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members.

After earning five years of credited service, members become 100 percent vested in retirement benefits.

A family benefit is available if an active member dies and has at least one year of credited service.

Members' accumulated contributions are refundable with interest upon separation from CalPERS. The board determines the credited interest rate each fiscal year. For the fiscal year ended June 30, 2018, the rate of interest credited to members' accounts was 6 percent.

The member's benefit is reduced dollar for dollar, regardless of age, for the first 180 days after retirement if the member performs activities in the public schools that could be creditable to CalPERS, unless the governing body of the school district takes specified actions with respect to a member who is above normal retirement age.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	CalPERS	
	Before <u>January 1, 2013</u>	On or After <u>January 1, 2013</u>
Hire Date		
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.17 - 2.5%	1.0 - 2.5%
Required employee contribution rates (Average)	7.000%	6.500%
Required employer contribution rates	15.531%	15.531%

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

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 – PENSION PLANS (Continued)

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

A. General Information About the Pension Plan (Continued)

For the fiscal year ended June 30, 2018, the contributions were as follows:

	<u>CalPERS</u>
Contribution - employer	\$ 1,371,792

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

As of June 30, 2018, the District reported net pension liability for its proportionate shares of the net pension liability in the amount of \$15,117,377.

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was 0.06333%, which increased by 0.00053% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$2,828,460. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 541,592	\$ -
Changes of assumptions	2,208,130	(177,988)
Net difference between projected and actual earnings on pension plan investments	522,958	-
Differences between District contributions and proportionate share of contributions	-	(6,466)
Changes in proportion	197,015	(157,334)
District contributions subsequent to the measurement date	<u>1,371,792</u>	<u>-</u>
	<u>\$ 4,841,487</u>	<u>\$ (341,788)</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 – PENSION PLANS (Continued)

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

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

\$1,371,792 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Amount</u>
2019	\$ 924,535
2020	1,428,153
2021	1,061,589
2022	<u>(286,370)</u>
Total	<u>\$ 3,127,907</u>

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies
Post-retirement Benefit Increases	2% until PPPA floor on purchasing power applies, 2.75% thereafter

Change of Assumption - In December 2016, as part of the Asset Liability Management (ALM) review cycle, the CalPERS Board approved to lower the financial reporting discount for PERF B from 7.65% to 7.15%

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF B), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Base on the testing the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent is applied to all plans in the Public Employees Retirement Fund, including PERF B. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB No 68 section.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 – PENSION PLANS (Continued)

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

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

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed February 2022. Any changes to the discount rate will require Board action and proper stockholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2021-22 fiscal years. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates are net of administrative expenses.

<u>Asset Class</u>	<u>Strategic Allocation</u>	<u>Real Return Years 1-10**</u>	<u>Real Return Years 11+***</u>
Global Equity	47%	4.90%	5.38%
Global Fixed Income	19%	0.80%	2.27%
Inflation Sensitive	6%	0.60%	1.39%
Private Equity	12%	6.60%	6.63%
Real Estate	11%	2.80%	5.21%
Infrastructure & Forestland	3%	3.90%	5.36%
Cash/Liquidity	2%	-0.40%	-0.90%
	<u>100%</u>		

** Expected inflation of 2.5%

*** Expected inflation of 3%

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 – PENSION PLANS (Continued)

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

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

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

1% Decrease	6.15%
Net Pension Liability	\$ 22,242,507
Current Discount Rate	7.15%
Net Pension Liability	\$ 15,117,377
1% Increase	8.15%
Net Pension Liability	\$ 9,206,486

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

C. Payable to the Pension Plan

At June 30, 2018, the District had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2018.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

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

Litigation

The District successfully appealed the Superior Court judgment in the Strategic Concepts, LLC breach of contract case wherein the Superior Court determined the District was liable for damages for improperly voiding the Contract and that the Conflict of Interest Government Code Section 1090 did not apply. The Court of Appeal reversed the trial court's decision and remanded the case back to them. Strategic Concepts filed a Petition for Review twice and was denied both times. At this time, Strategic Concepts has not attempted to retry the case.

The District is also involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 16 - COMMITMENTS AND CONTINGENCIES (continued)

Contingency

The cost for abandonment, plugging, and capping of the oil wells is estimated at between \$21 million and \$26 million. The District entered into an agreement with the City of Beverly Hills from the City to pay the entire cost of the project up front and to be the project lead. The District has agreed to reimburse the City fifty percent of the cost. In June 2018, the District successfully passed the Measure BH for \$385 million. Within the language of Measure BH is a provision to reimburse the City and any additional costs related to the oil wells. As such, the oil well abandonment project have no further effect on the District's general fund.

NOTE 17 - NET POSITION

The government-wide and fiduciary funds financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment In Capital Assets – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the District, not restricted for any project or other purpose.

NOTE 18 - RESTATEMENTS

The District implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, during fiscal year 2018. The cumulative effect of applying GASB No. 75 and reclassify expenditures between funds have resulted in decrease to the net position at July 1, 2017 as follows:

	Governmental Activities	General Fund	Building Fund
Net Position at July 1, 2017	\$ (10,167,152)	\$ 17,406,784	\$ 181,317,026
Deferred Outflows of Resources Related to OPEB	25,785	-	-
Net OPEB Obligation	(10,287,621)	-	-
Net OPEB Obligation - MPPP	(414,470)	-	-
Reclassify Salaries and Related Benefits Charges between funds	-	(94,941)	94,941
Net Position, restated July 1, 2017	<u>\$ (20,843,458)</u>	<u>\$ 17,311,843</u>	<u>\$ 181,411,967</u>

REQUIRED SUPPLEMENTARY INFORMATION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
LCFF Sources	\$ 47,777,665	\$ 50,341,468	\$ 49,817,672	\$ (523,796)
Federal	1,704,455	1,658,813	1,458,712	(200,101)
Other state	1,258,147	1,968,972	2,210,121	241,149
Other local	13,587,919	15,660,185	15,894,950	234,765
Total revenues ¹	64,328,186	69,629,438	69,381,455	(247,983)
Expenditures:				
Certificated salaries	30,289,167	30,751,483	30,645,490	105,993
Classified salaries	9,460,350	9,900,895	9,900,895	-
Employee benefits	14,096,559	15,222,584	14,313,292	909,292
Books and supplies	1,987,684	1,917,846	1,648,105	269,741
Contracted services and other operating expenditures	11,928,347	12,707,726	11,807,127	900,599
Capital outlay	-	1,006	1,006	-
Other outgo	98,454	98,454	4,602	93,852
Total expenditures ¹	67,860,561	70,599,994	68,320,517	2,279,477
Excess of revenues over (under) expenditures	(3,532,375)	(970,556)	1,060,938	2,031,494
Other Financing Sources (Uses):				
Transfers out	(457,972)	(371,382)	(149,295)	222,087
Total other financing sources (uses)	(457,972)	(371,382)	(149,295)	222,087
Net change in fund balance	(3,990,347)	(1,341,938)	911,643	2,253,581
Fund balance, July 1, 2017	17,406,784	17,406,784	17,406,784	-
Restatements			(94,941)	(94,941)
Fund balance, July 1, 2017, restated	17,406,784	17,406,784	17,311,843	(94,941)
Fund balance, June 30, 2018	\$ 13,416,437	\$ 16,064,846	\$ 18,223,486	\$ 2,158,640

¹ On behalf payments of \$2,475,544 are not included in this schedule.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (CALSTRS)**

Last 10 Fiscal Years*

As of June 30, 2018

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

Fiscal Year Ended June 30, Measurement date	2018	2017	2016	2015
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the net pension liability	0.05564%	0.05805%	0.05469%	0.0630%
Proportionate share of the net pension liability	51,457,049	46,953,160	\$ 36,819,496	\$ 36,815,310
Covered payroll	29,651,653	29,302,768	27,173,187	\$ 26,603,685
Proportionate share of the net pension liability as percentage of covered payroll	173.54%	160.23%	135.50%	138.38%
Plan's total pension liability	\$ 302,770,146,000	\$ 269,994,690,000	\$ 259,146,248,000	\$ 248,910,544,000
Plan's fiduciary net position	\$ 210,289,899,995	\$ 189,113,486,995	\$ 191,822,335,995	\$ 190,474,016,000
Plan fiduciary net position as a percentage of the total pension liability	69.46%	70.04%	74.02%	76.52%

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

Notes to Schedule:

1) Benefit Changes: In 2015, 2016, and 2017 there were no changes to benefits

2) Changes in Assumptions: In 2015, 2016, and 2017 there were no changes in assumptions

In 2018, the discount rate was lowered to 7.10%, the growth rate was decreased to 3.50% and inflation was lowered to 2.75%

BEVERLY HILLS UNIFIED SCHOOL DISTRICT**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (CALPERS)**

Last 10 Fiscal Years*

As of June 30, 2018

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

Fiscal Year Ended June 30, Measurement date	2018 June 30, 2017	2017 June 30, 2016	2016 June 30, 2015	2015 June 30, 2014
Proportion of the net pension liability	0.06333%	0.06280%	0.06489%	0.0612%
Proportionate share of the net pension liability	15,117,377	12,399,158	9,564,851	\$ 6,947,690
Covered payroll	8,100,324	7,578,948	7,154,634	\$ 6,419,830
Proportionate share of the net pension liability as percentage of covered payroll	186.63%	163.60%	133.69%	108.22%
Plan's total pension liability	\$ 84,871,025,628	\$ 75,663,026,434	\$ 71,651,164,353	\$ 68,292,799,349
Plan's fiduciary net position	\$ 60,998,386,333	\$ 55,912,964,588	\$ 56,911,065,643	\$ 56,940,364,500
Plan fiduciary net position as a percentage of the total pension liability	71.87%	73.90%	79.43%	83.38%

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

Notes to Schedule:

1) Benefit Changes: In 2015 & 2016 there were no changes to benefits

2) Changes in Assumptions: In 2015 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65% to correct for an adjustment to exclude administrative expense. In 2018, the discount rate was lowered to 7.15%

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS (CALSTRS)
 Last 10 Fiscal Years*
 As of June 30, 2018

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

Fiscal Year Ended June 30,	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 4,419,707	\$ 3,730,178	\$ 3,144,187	\$ 2,412,979
Contribution in relation to the actuarially determined contributions	(4,419,707)	(3,730,178)	(3,144,187)	(2,412,979)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 30,628,600	\$ 29,651,653	\$ 29,302,768	\$ 27,173,187
Contributions as a percentage of covered payroll	14.43%	12.58%	10.73%	8.88%

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

Notes to Schedule:

Valuation Date 6/30/2014
 Methods and assumptions used to determine contribution rates:
 Actuarial cost method Entry Age
 Asset valuation method Expected value with 33% adjustment to market value
 Amortization method The unfunded actuarial accrued liability is amortized over an open 30 year period as a level percentage of payroll
 Discount rate 7.60%
 Amortization growth rate 3.75%
 Price inflation 3.00%
 Salary increases 3.75%
 Mortality Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with a 2 year setback for males and a 4 year setback for females.

Valuation Date 6/30/2017
 Discount rate 7.35%
 Amortization growth rate 3.50%
 Price inflation 2.75%

Valuation Date 6/30/2018
 Discount rate 7.10%

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS (CALPERS)
Last 10 Fiscal Years*
As of June 30, 2018

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 1,371,792	\$ 1,124,973	\$ 1,371,792	\$ 842,172
Contribution in relation to the actuarially determined contributions	<u>(1,371,792)</u>	<u>(1,124,973)</u>	<u>(1,371,792)</u>	<u>(842,172)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 8,832,606	\$ 8,100,324	\$ 7,578,948	\$ 7,154,634
Contributions as a percentage of covered payroll	15.531%	13.888%	18.100%	11.771%

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

Notes to Schedule

Notes to Schedule:

Valuation Date	6/30/2014
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age
Asset valuation method	5-year smoothed market
Amortization method	The unfunded actuarial accrued liability is amortized over an open 17 year period as a level percentage of payroll
Discount rate	7.500%
Amortization growth rate	3.75%
Price inflation	3.25%
Salary increases	3.75% plus merit component based on employee classification and years of service
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with a 2 year setback for males and a 4 year setback for females
Valuation Date	6/30/2015
Discount Rate	7.65%
Valuation Date	6/30/2017
Discount rate	7.375%
Valuation Date	6/30/2018
Discount rate	7.150%

BEVERLY HILLS UNIFIED SCHOOL DISTRICT**SCHEDULE OF CHANGE IN NET OPEB LIABILITY AND RELATED RATIOS**

Last 10 Fiscal Years*

As of June 30, 2018

Employer Fiscal Year End Measurement Period	2017-18 2017-18 ¹
Total OPEB Liability	
Service Cost	\$ 1,466,787
Interest on the Total OPEB Liability	665,576
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	-
Changes of Assumptions	(169,638)
Benefit Payments	(489,280)
Net Change in Total OPEB Liability	1,473,445
Total OPEB Liability - Beginning	17,473,822
Total OPEB Liability - Ending	<u>\$ 18,947,267</u>
OPEB Fiduciary Net Position	
Difference between expected and actual experience	\$ 17,982
Contributions from the Employer	489,280
Net Investment Income	68,896
Administrative Expenses	(2,679)
Benefit Payments	(489,280)
Net Change in Plan Fiduciary Net Position	84,199
Plan Fiduciary Net Position - Beginning	1,007,126
Plan Fiduciary Net Position - Ending	<u>\$ 1,091,325</u>
Plan Net OPEB Liability - Ending	<u>\$ 17,855,942</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	<u>5.76%</u>
Covered-Employee Payroll	\$ 39,651,934
Net OPEB Liability as a Percentage of Covered-Employee Payroll	45.03%

¹ Historical information is required only for measurement periods for which GASB 75 is applicable.

Notes to Schedule:

Change of Assumptions: There were no changes of assumption.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION OPEB LIABILITY
MEDICARE PREMIUM PAYMENT PROGRAM
Last 10 Fiscal Years*
As of June 30, 2018

Employer Fiscal Year End	June 30, 2018
Measurement Period	June 30, 2017
District's proportion of the net OPEB liability	0.089%
District's proportionate share of the net OPEB liability	\$ 372,570
District's covered payroll ¹	N/A
District's proportionate share of the net OPEB liability as a percentage of covered payroll	N/A
Plan's total OPEB liability	\$ 420,749,000
Plan's fiduciary net position	\$ 41,000
Plan fiduciary net position as a percentage of the total OPEB liability	0.010%

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

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

Notes to Schedule:

Change of Assumptions: There have been several changes to the assumptions since the June 30, 2014, valuation. The most significant changes were the reductions in the probabilities of enrollment in the MPP Program, the reduced investment return assumption and an increase in life expectancies.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT**SCHEDULE OF CONTRIBUTIONS - OPEB**

Last 10 Fiscal Years*

As of June 30, 2018

	2017-18 ¹
Actuarially Determine Contribution	\$ 1,710,986
Contributions in Relation to the Actuarially Determined Contribution	<u>489,280</u>
Contribution Deficiency (Excess)	<u>\$ 1,221,706</u>
Cover Employee Payroll During Fiscal Year	\$ 39,651,934
Contributions as a Percentage of Covered Employee Payroll	1.23%

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

Notes to Schedule:

Valuation Date	July 1, 2017
Funding method	Entry Age Normal Cost, level percent of pay
Discount Rate	3.56% AS OF June 30, 2017 and 3.62% as of June 30, 2018
Inflation	2.75%
Aggregate payroll Increases	3.00%
Mortality rate	MacLeod Watts Scale 2017 applied generationally.
Healthcare Tread Rate	7.50% for 2019 and decrease to 5.00% for later years

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION OPEB LIABILITY
MEDICARE PREMIUM PAYMENT PROGRAM
Last 10 Fiscal Years*
As of June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Contractually required contribution (actuarially determined)	\$ 25,124	\$ 25,785
Contribution in relation to the actuarially determined contributions	25,124	25,785
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll ¹	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A

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

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

Notes to Schedule:

Valuation Date	June 30, 2016
Funding method	Entry Age Normal Cost, level percent of pay
Discount Rate	3.58%
Inflation	2.75%
Aggregate payroll Increases	2.75%
Mortality rate	Custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries
Medicare Part A Premium Costs Trend Rate	3.70%
Medicare Part B Premium Costs Trend Rate	4.10%

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SUPPLEMENTARY INFORMATION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
COMBINING NONMAJOR FUNDS
BALANCE SHEET
June 30, 2018

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Funds
Assets				
Cash in County Treasury	\$ 194,718	\$ 6,685,128	\$ 7,126,041	\$ 14,005,887
Accounts receivable	23,487	286,548	40,670	350,705
Inventory, at cost	17,610	-	-	17,610
Total assets	<u>\$ 235,815</u>	<u>\$ 6,971,676</u>	<u>\$ 7,166,711</u>	<u>\$ 14,374,202</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 28,140	\$ -	\$ -	\$ 28,140
Total liabilities	<u>28,140</u>	<u>-</u>	<u>-</u>	<u>28,140</u>
Fund balance:				
Nonspendable				
Store inventories	17,610	-	-	17,610
Restricted				
Cafeteria program	190,065	-	-	190,065
Capital projects	-	6,971,676	7,166,711	14,138,387
Total fund balance	<u>207,675</u>	<u>6,971,676</u>	<u>7,166,711</u>	<u>14,346,062</u>
Total liabilities and fund balance	<u>\$ 235,815</u>	<u>\$ 6,971,676</u>	<u>\$ 7,166,711</u>	<u>\$ 14,374,202</u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
COMBINING NONMAJOR FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2018

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund
Revenues:			
Federal	\$ 195,332	\$ -	\$ -
Other state	9,556	-	6,547,668
Other local	612,806	1,061,786	68,375
Total revenues	817,694	1,061,786	6,616,043
Expenditures:			
Classified salaries	398,604	-	-
Employee benefits	153,844	-	-
Books and supplies	389,520	-	-
Contracted services and other operating expenditures	24,908	-	-
Total expenditures	966,876	-	-
Excess of revenues over (under) expenditures	(149,182)	1,061,786	6,616,043
Other Financing Sources (Uses):			
Transfers in	149,295	-	-
Total other financing sources (uses)	149,295	-	-
Net change in fund balance	113	1,061,786	6,616,043
Fund balance, July 1, 2017	207,562	5,909,890	550,668
Fund balance, June 30, 2018	<u>\$ 207,675</u>	<u>\$ 6,971,676</u>	<u>\$ 7,166,711</u>

Total Nonmajor Funds	
\$	195,332
	6,557,224
	1,742,967
	<u>8,495,523</u>
	398,604
	153,844
	389,520
	<u>24,908</u>
	<u>966,876</u>
	<u>7,528,647</u>
	<u>149,295</u>
	<u>149,295</u>
	7,677,942
	<u>6,668,120</u>
\$	<u><u>14,346,062</u></u>

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2018

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, 2018 were as follows:

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Ms. Lisa Korbato	President	December, 2018
Mr. Noah Margo	Vice President	December, 2019
Mr. Mel Spitz	Member	December, 2019
Mr. Howard Goldstein	Member	December, 2018
Ms. Isabel Hacker	Member	December, 2019

ADMINISTRATION

Dr. Michael Bregy
Superintendent

La Tanya Kirk-Carter
Assistant Superintendent – Business Services

Dr. Jennifer Tedford
Assistant Superintendent – Education Services

Mr. Luke Pavone
Executive Director for Human Resources

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Fiscal Year Ended June 30, 2018

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	913.76	918.47
Extended Year Special Education	0.51	0.51
Special Education - Nonpublic Schools	0.53	0.56
Extended Year Special Education - Nonpublic Schools	-	-
Total TK/K through Third	<u>914.80</u>	<u>919.54</u>
Fourth through Sixth		
Regular ADA	869.22	870.16
Extended Year Special Education	0.12	0.12
Special Education - Nonpublic Schools	0.85	0.90
Extended Year Special Education - Nonpublic Schools	0.10	0.10
Total Fourth through Sixth	<u>870.29</u>	<u>871.28</u>
Seventh and Eighth		
Regular ADA	571.27	570.97
Extended Year Special Education	0.01	0.01
Special Education - Nonpublic Schools	3.17	3.31
Extended Year Special Education - Nonpublic Schools	0.31	0.31
Total Seventh and Eighth	<u>574.76</u>	<u>574.60</u>
Ninth through Twelfth		
Regular ADA	1,391.94	1,395.99
Extended Year Special Education	0.25	0.25
Special Education - Nonpublic Schools	10.88	10.93
Extended Year Special Education - Nonpublic Schools	1.14	1.14
Total Ninth through Twelfth	<u>1,404.21</u>	<u>1,408.31</u>
TOTAL SCHOOL DISTRICT	<u>3,764.06</u>	<u>3,773.73</u>

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Fiscal Year Ended June 30, 2018

<u>Grades</u>	<u>Ed Code Section 46207 Minutes Requirement</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	37,980	180	In compliance
Grade 1	50,400	51,564	180	In compliance
Grade 2	50,400	51,564	180	In compliance
Grade 3	50,400	51,564	180	In compliance
Grade 4	54,000	55,194	180	In compliance
Grade 5	54,000	55,194	180	In compliance
Grade 6	54,000	65,192	180	In compliance
Grade 7	54,000	65,192	180	In compliance
Grade 8	54,000	65,192	180	In compliance
Grade 9	64,800	65,028	180	In compliance
Grade 10	64,800	65,028	180	In compliance
Grade 11	64,800	65,028	180	In compliance
Grade 12	64,800	65,028	180	In compliance

Districts must maintain their instructional minutes as defined in Education Code Section 46207.

The District has received incentive funding for increasing instructional time as provided by the Incentive for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. Th District has met or exceeded its Local Control Funding Formula target funding.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Fiscal Year Ended June 30, 2018

<u>General Fund*</u>	<u>(Budget)</u> <u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues and other financial sources	<u>\$ 69,954,871</u>	<u>\$ 69,381,455</u>	<u>\$ 68,112,647</u>	<u>\$ 65,697,644</u>
Expenditures	<u>71,276,052</u>	<u>68,320,517</u>	<u>67,596,635</u>	<u>63,947,277</u>
Other uses and transfers out	<u>285,693</u>	<u>149,295</u>	<u>423,027</u>	<u>3,312</u>
Total outgo	<u>71,561,745</u>	<u>68,469,812</u>	<u>68,019,662</u>	<u>63,950,589</u>
Changes in fund balance (deficit)	<u>(1,606,874)</u>	<u>911,643</u>	<u>92,985</u>	<u>1,747,055</u>
Restatements	<u>-</u>	<u>(94,941)</u>	<u>-</u>	<u>-</u>
Ending fund balance (restated)	<u>\$ 16,616,612</u>	<u>\$ 18,223,486</u>	<u>\$ 17,406,784</u>	<u>\$ 17,313,799</u>
Available reserves (Note 1)	<u>\$ 4,774,203</u>	<u>\$ 6,134,601</u>	<u>\$ 5,453,729</u>	<u>\$ 6,725,922</u>
Available reserves as a percentage of total outgo	<u>6.7%</u>	<u>9.0%</u>	<u>8.0%</u>	<u>10.5%</u>
Total long-term debt	<u>\$ 534,222,867</u>	<u>\$ 561,495,217</u>	<u>\$ 558,039,565</u>	<u>\$ 392,892,415</u>
Average daily attendance at P-2	<u>3,762</u>	<u>3,764</u>	<u>3,878</u>	<u>3,995</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 fund balance has increased by \$909,687 over the past two fiscal years. The fiscal year 2018-2019 budget projects a decrease of \$1,606,874. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures and other uses (total outgo).

The District has incurred an operating surplus in each of the past three fiscal years, and anticipates an operating deficit during the 2018-19 fiscal year. Total long-term debt has increased by \$168,602,802 over the past two fiscal years.

Average daily attendance has decreased by 231 over the past two fiscal years. A decrease of 2 ADA is anticipated during the fiscal year 2018-2019.

NOTES:

- * In conformity with GASB Statement No. 54 – General Fund presented in the fund statement included Special Reserve Fund for Other Than Capital Outlay Projects Fund.
- 1 Available reserves consist of unassigned fund balances within the General Fund and Special Reserve Fund for Other Than Capital Outlay Projects Fund.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

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):			
Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	\$ 452,491
Title II, Part A, Improving Teacher Quality	84.367	14341	46,627
Title III Limited English Proficiency (LEP) Student Program	84.365	14346	9,185
Title III, Immigrant Education Program	84.365	15146	978
Special Education (IDEA) State Grants Cluster:			
Special Ed: IDEA - Basic Local Assistance Entitlement, Part B	84.027	13379	811,074
Special Ed: IDEA - Preschool Grant, Part B	84.173	13430	23,591
Special Ed: IDEA - Preschool Local Entitlement	84.027A	13682	64,394
Total Special Education Cluster			<u>899,059</u>
Advanced Placement	84.330	14831	484
Vocational & Applied Technology Secondary	84.048	14894	21,971
Passed through the Department of Rehabilitation (DOR)			
State Vocational Rehabilitation Services Program	84.126	30396	<u>27,917</u>
Total U.S. Department of Education			<u>1,458,712</u>
U.S. Department of Agriculture:			
Passed through California Department of Education (CDE):			
National School Lunch Program	10.555	13391	157,788
Commodities Supplemental Food Program*	10.565	N/A	<u>37,544</u>
Total U.S. Department of Agriculture			<u>195,332</u>
Total Expenditures of Federal Awards			<u>\$ 1,654,044</u>

* Indicates a noncash expenditure

The accompanying note is 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, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Beverly Hills Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the District's basic financial statements.

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
June 30, 2018

	General Fund*	Cafeteria Fund	Special Reserve Fund for Other Than Capital Outlay Projects
June 30, 2018 Annual Financial and Budget Report Fund Balances/Net Position	<u>\$ 7,784,520</u>	<u>\$ 207,675</u>	<u>\$ 10,438,966</u>
June 30, 2018 Audited Financial Statements Fund Balances/Net Position	<u>\$ 7,784,520</u>	<u>\$ 207,675</u>	<u>\$ 10,438,966</u>

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

	Bond Interest and Redemption Fund	Internal Service Fund	Retiree Benefit Fund
June 30, 2018 Annual Financial and Budget Report Fund Balances/Net Position	<u>\$ 26,386,644</u>	<u>\$ 51,362</u>	<u>\$ 21,022</u>
June 30, 2018 Audited Financial Statements Fund Balances/Net Position	<u>\$ 26,386,644</u>	<u>\$ 51,362</u>	<u>\$ 21,022</u>

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

Building Fund	Capital Facilities Fund	County School Facilities Fund
<u>\$ 156,866,764</u>	<u>\$ 6,971,676</u>	<u>\$ 7,166,711</u>
<u>\$ 156,866,764</u>	<u>\$ 6,971,676</u>	<u>\$ 7,166,711</u>



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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-1 through 2018-6 that we consider to be significant deficiencies.

Compliance and Other Matters

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

The District's Responses to Findings

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

Purpose of this Report

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

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, California
December 15, 2018



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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 *2017-2018 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting, prescribed by Title 5, California Code of Regulations, Section 19810*, 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, 2018.

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.

Auditor's 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 *2017-2018 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting, prescribed by Title 5, California Code of Regulations, Section 19810*. Those standards 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:

<u>Compliance Requirements</u>	<u>Procedures Performed</u>
Local Education Agencies other than Charter Schools:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (See next page)
Continuation Education	No (See next page)
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes

<u>Compliance Requirements</u>	<u>Procedures Performed</u>
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship, Related, and Supplemental Instruction	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	
After School	Not Applicable
Before School	Not Applicable
General Requirements	Not Applicable
Proper Expenditures of Education Protection Account funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	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, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of all the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2017-2018 Guide for Annual Audits of California K-12 Local Educational Agencies and State Compliance Reporting, prescribed by Title 5, California Code of Regulations, Section 19810* in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 15, 2018

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



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

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

Report on Compliance for Each Major Federal Program

We have audited the Beverly Hills Unified School District (District)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of audit findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Beverly Hills Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 15, 2018

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FINDINGS AND RECOMMENDATIONS SECTION

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

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

 X Yes _____ None reported

Noncompliance material to financial statements noted?

_____ Yes X 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 Uniform Guidance,
2CFR 200.516 (a)

_____ Yes X No

Identification of major programs

CFDA Number (s)

Name of Federal Program or Cluster

84.027, 84.027A, 87.173

Special Education Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee:

 X Yes _____ No

State Awards

Any audit findings disclosed that are required to be
reported in accordance with Standards and Procedures
for Audits of California K-12 Local Education Agencies?

_____ Yes X No

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

Unmodified

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2018

Section II – Financial Statement Findings

FINDING 2018-1
INTERNAL CONTROLS
30000

Condition:

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

Effect:

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

Cause:

District has not delegated the duty to HR.

Recommendation:

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

LEA's Corrective Action Plan:

The District upgraded the Sr. Payroll and Benefits Specialist to the Payroll and Benefits Manager to include the duty of updating the salary tables. Once the vacant Accounting Technician position is filled, the Payroll and Benefits Manager will no longer process day to day payroll.

FINDING 2018-2
INTERNAL CONTROLS
30000

Condition:

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

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

Effect:

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

Cause:

Lack of oversight by the District.

Recommendation:

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

LEA's Corrective Action Plan:

The District upgraded the Purchasing Agent position to a Director of Purchasing. This position requires professional level knowledge and experience to strongly oversee and enforce purchasing procedures. The incumbent is scheduled to start in January 2019.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2018

Section II – Financial Statement Findings (Continued)

FINDING 2018-3
INTERNAL CONTROLS
30000

Condition:

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

Effect:

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

Cause:

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

Recommendation:

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

LEA's Corrective Action Plan:

With the placement of the Director of Purchasing, there will be direct oversight in the Facilities purchases.

FINDING 2018-4
INTERNAL CONTROLS
30000

Condition:

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

Effect:

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

Cause:

There is a lack of oversight by the District.

Recommendation:

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

LEA's Corrective Action Plan:

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2018

Section II – Financial Statement Findings (Continued)

FINDING 2018-5
INTERNAL CONTROLS
30000

Condition:

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

Effect:

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

Cause:

There is a lack of oversight by the District.

Recommendation:

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

LEA's Corrective Action Plan:

The Business Office will work with ASB to ensure policies and procedures that are in place are adhered to.

FINDING 2018-6
INTERNAL CONTROLS
30000

Condition:

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

Effect:

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

Cause:

There is a lack of oversight by the District.

Recommendation:

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

LEA's Corrective Action Plan:

With the placement of the Director of Purchasing, the policies and procedures for the procurement of capital assets will be updated. The district has policies and procedures for the routine procurement of goods & Services and for records retention. Administration will make sure that district staff is trained on the policies.

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
June 30, 2018

Section III – Federal Award Findings

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

Section IV – State Award Findings

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

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2018

Section II – Financial Statement Findings

FINDING 2017-1
INTERNAL CONTROLS
30000

Condition:

During the audit, we noted that cash remains at fiscal year end in the Food Services clearing bank account instead of being transferred to the Los Angeles County Treasury.

Effect:

Clearing bank account's deposits that are not transferred in a timely manner present the risk of inaccurate revenue account balances.

Cause:

A lack of policy can be attributed to the untimely transfer. The District did not transfer the cash balance at fiscal year end.

Recommendation:

We recommend the District implement policies and procedures to ensure the deposits withheld in the Food Services bank account are remitted to the Los Angeles County Treasury in a timely manner.

LEA's Corrective Action Plan:

The Food Services department is in the process of filling a position to assist with the accounting functions of this department. We anticipate regular monthly transfers from the clearing bank account to the Los Angeles County Treasury will be at the same time as the monthly bank reconciliation process.

Current Status:

Implemented.

FINDING 2017-2
INTERNAL CONTROLS
30000

Condition:

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

Effect:

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

Cause:

District has not delegated the duty to HR.

Recommendation:

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

LEA's Corrective Action Plan:

The District acknowledges that this function should be performed by the Human Resources department and segregated from the Business/Payroll department. Administration will coordinate with the new Executive Director – Human Resources to implement these duties.

Current Status:

Not implemented – See Finding 2018-1

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2018

Section II – Financial Statement Findings (Continued)

FINDING 2017-3
INTERNAL CONTROLS
30000

Condition:

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

- Eighteen out of 48 disbursements reviewed were not paid within 30 days of receipt or department approval of the invoice.
- 2 out of 48 disbursements reviewed were issued purchase orders after the contracts were signed and services were performed.
- 2 disbursements were duplicate payments of payroll tax (federal and state)

Effect:

The District is not paying invoices in a timely manner and not following its policies regarding purchases, which require purchase orders prior to obtaining goods and services. In addition, the District did not adequately document payroll tax payments and therefore, duplicated the payment in error.

Cause:

Lack of oversight by the District.

Recommendation:

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

LEA's Corrective Action Plan:

The District acknowledges and this practice had been allowed from school sites for many years. Professional development with Site Principals and Office staff has occurred, and the District making strides to end this poor business practice by our school sites.

Current Status:

Not implemented – See Finding 2018-2

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2018

Section II – Financial Statement Findings (Continued)

FINDING 2017-4
INTERNAL CONTROLS
30000

Condition:

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

Effect:

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

Cause:

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

Recommendation:

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

LEA's Corrective Action Plan:

The District and Governing Board is aware and concerned about the large number of change orders and has changed project management firms to better control the Districts Construction Projects.

Current Status:

Not implemented – See Finding 2018-3

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2018

Section II – Federal Award Findings

There were no federal award findings in the prior year.

Section III – State Award Findings

There were no state award findings in the prior year.

