

BEVERLY HILLS UNIFIED SCHOOL DISTRICT

**PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE K BOND PROGRAM
FINANCIAL AUDIT**

For the Six Months Ended December 31, 2003

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
PROPOSITION 39 GENERAL OBLIGATION BONDS
MEASURE K BOND PROGRAM
FINANCIAL AUDIT

December 31, 2003

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Measure K Citizens' Oversight Committee
Beverly Hills Unified School District
255 South Lasky Drive
Beverly Hills, CA 90212-3697

We have audited the accompanying Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balance and Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the Building Fund – Measure K Bond Program of the Beverly Hills Unified School District as of and for the period of July 1, 2003 to December 31, 2003. These statements are the responsibility of the District's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit of the Building Fund – Measure K Bond Program in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements for the Building Fund – Measure K Bond Program are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Building Fund – Measure K Bond Program financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations for the Building Fund – Measure K Bond Program of the Beverly Hills Unified School District as of December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

VICENTI, LLOYD & STUTZMAN LLP

January 25, 2004

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
BALANCE SHEET
BUILDING FUND - MEASURE K BOND PROGRAM
December 31, 2003

ASSETS

Cash in county treasury	\$ 26,912,947
Accounts receivable	8,444
Due from other funds	<u>1,614,913</u>
TOTAL ASSETS	<u><u>\$ 28,536,304</u></u>

LIABILITIES AND FUND EQUITY

Liabilities

Accounts payable	\$ 578,558
Due to other funds	<u>952,145</u>
TOTAL LIABILITIES	<u>1,530,703</u>

Fund Balance

Designated for special purposes	<u>27,005,601</u>
TOTAL FUND EQUITY	<u>27,005,601</u>

TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 28,536,304</u></u>
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BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUILDING FUND - MEASURE K BOND PROGRAM
For the Six Months Ended December 31, 2003

EXPENDITURES

Classified salaries	\$ 52,162
Benefits	11,340
Supplies and materials	116,686
Contracted services and other expenses	1,032,617
Capital outlay	<u>1,639,510</u>

TOTAL EXPENDITURES 2,852,315

REVENUES

Interest income	<u>97,118</u>
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TOTAL REVENUES 97,118

Deficiency of revenues over expenditures (2,755,197)

Fund balance at beginning of year 29,760,798

Fund balance at end of year \$ 27,005,601

BEVERLY HILLS UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
BUILDING FUND - MEASURE K BOND PROGRAM
For the Six Months Ended December 31, 2003

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES			
Classified salaries	140,000	52,162	87,838
Benefits	35,000	11,340	23,660
Supplies and materials	256,000	116,686	139,314
Contracted services and other expenses	6,321,250	1,032,617	5,288,633
Capital outlay	9,400,000	1,639,510	7,760,490
TOTAL EXPENDITURES	16,152,250	2,852,315	13,299,935
REVENUES			
Interest income	-	97,118	97,118
TOTAL REVENUES	-	97,118	97,118
Excess (deficiency) of revenues over expenditures	(16,152,250)	(2,755,197)	13,397,053
Fund balance at beginning of year		29,760,798	
Fund balance at end of year		\$ 27,005,601	

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT
BUILDING FUND
MEASURE K BOND PROGRAM**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and Audits of State and Local Governmental Units issued by the American Institute of Certified Public Accountants.

FUND STRUCTURE

The Statement of Revenues, Expenditures, and Changes in Fund Balance is a statement of financial activities of the Building Fund – Measure K Bond Program related to the current reporting period. Expenditures of the various funds frequently include amounts for land, buildings, equipment, retirement of indebtedness, transfers to other funds, etc. Consequently, these statements do not purport to present the result of operations or the net income or loss for the period as would a statement of income for a profit-type organization.

BASIS OF ACCOUNTING

The Building Fund – Measure K Bond Program of the Beverly Hills Unified School District is maintained on the modified accrual basis of accounting. As such, revenues are recognized when they become susceptible to accrual, which is to say, when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Cash in the County Treasury is recorded at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31.

BUDGET

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual includes a column entitled “Budget”. The amounts in this column represent the budget adopted by the Board and all amendments throughout the year.

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT
BUILDING FUND
MEASURE K BOND PROGRAM**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

CAPITAL ASSETS AND LONG-TERM DEBT

The accounting and reporting treatment applied to the capital assets and long-term liabilities associated with the Building Fund – Measure K Bond Program are determined by its measurement focus. The bond building funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered a measure of “available spendable resources”. Thus, the capital assets and long-term liabilities associated with the Building Fund – Measure K Bond Program are accounted for in the basic financial statements of the Beverly Hills Unified School District.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

There were no excesses of expenditures over appropriations, by major object accounts, in the Building Fund – Measure K Bond Program.

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT
BUILDING FUND
MEASURE K BOND PROGRAM**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

NOTE 3 – BONDED DEBT:

On March 5, 2002, the voters authorized the issuance and sale of general obligation bonds totaling \$90,000,000. In June 2002, \$45,000,000 of general obligation bonds were sold under Proposition 39/Measure K which provides that the proceeds of the bonds will generally be used to repair, upgrade and improve all schools, construct additional classrooms, science and computer classrooms, restrooms, and school facilities, upgrade electrical wiring and power, repair, and upgrade deteriorating restrooms, plumbing and HVAC and make other improvements to school sites and buildings and that bond proceeds will not be used for salaries or other administrative expenses.

The outstanding general obligation bonded debt (the bonds) for the Beverly Hills Unified School District at December 31, 2003 is:

<u>Date of Issue</u>	<u>Interest Rate %</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding July 1, 2003</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Outstanding December 31, 2003</u>
5/30/02	3-5.375%	8/1/2026	\$44,999,260	\$ 44,999,260	\$0	\$ 0	\$44,334,260

The annual requirements to amortize the bonds payable, outstanding as of December 31, 2003, are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 1,350,000	\$ 2,089,269	\$ 3,439,269
2005	1,595,000	2,048,769	3,643,769
2006	105,000	2,000,919	2,105,919
2007	185,000	1,997,506	2,182,506
2008	440,000	1,991,494	2,431,494
2009-13	5,385,000	9,520,968	14,905,968
2014-2018	8,234,260	9,261,209	17,495,469
2019-2023	14,205,000	5,520,650	19,725,650
2024-2027	<u>12,835,000</u>	<u>1,332,000</u>	<u>14,167,000</u>
Totals	<u>\$44,334,260</u>	<u>\$35,762,784</u>	<u>\$80,097,044</u>

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT
BUILDING FUND
MEASURE K BOND PROGRAM**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2003

NOTE 3 – BONDED DEBT: (continued)

The repayment of the debt related to the Measure K General Obligation Bonds is accounted for in the District's Bond Interest and Redemption Fund which is part of the Beverly Hills Unified School District's basic financial statements.

NOTE 4 – CONTINGENT LIABILITY:

The District is in the process of obtaining a formal legal opinion regarding certain disallowed expenditures that occurred prior to 60 days preceding the date of the resolution calling for the bond. It is expected that this legal opinion would support the transfer of expenditures back in to the Building Fund. The amount of expenditures in question is \$962,773.

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT
BUILDING FUND
MEASURE K BOND PROGRAM**

SCHEDULE OF AUDIT ADJUSTMENTS

December 31, 2003

Ending fund balance, per District:	\$ 26,827,642
Audit adjustments:	
To reconcile for prior periods audit adjustments not booked (net)	662,768
To adjust for under-accrual of accounts payable	<u>(484,809)</u>
Ending fund balance, per Measure K Proposition 39 Audit	<u>\$ 27,005,601</u>

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT
BUILDING FUND
MEASURE K BOND PROGRAM**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2003

There were no findings and questioned costs related to the financial audit of the Building Fund – Measure K Bond Program for the six months ended December 31, 2003.