



Crowe Horwath®

BERKELEY UNIFIED SCHOOL DISTRICT

Berkeley, California

**MEASURE AA GENERAL OBLIGATION BONDS
PERFORMANCE AUDIT**

For the Period from
July 1, 2008 to June 30, 2012

BERKELEY UNIFIED SCHOOL DISTRICT
Berkeley, California

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Berkeley Unified School District
Berkeley, California

We have conducted a performance audit of the Berkeley Unified School District (the "District") Measure AA General Obligation Bond funds for the period from July 1, 2008 to June 30, 2012.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 3 of this report which includes determining the compliance with the allowable purpose of the Measure AA General Obligation Bonds as defined by Chapter 1 of Part 10 of Division 1 of Title 1 of the California constitution, and the District's Board of Trustees. Management of the District is responsible for Berkeley Unified School District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of Berkeley Unified School District to determine if internal controls were adequate to help ensure the District's compliance with the expenditure requirements for the Measure AA General Obligation Bonds, as defined by Chapter 1 of Part 10 of Division 1 of Title 1 of the California constitution, and the District's Board of Trustees. Accordingly, we do not express any assurance on the internal control.

The results of our procedures indicated that, in all significant respects, Berkeley Unified School District expended Measure AA General Obligation Bond funds for the period from July 1, 2008 to June 30, 2012, only for the purposes approved by the voters and only on the specific projects, as defined by Chapter 1 of Part 10 of Division 1 of Title 1 of the California constitution, and the District's Board of Trustees.



Crowe Horwath LLP

Sacramento, California
February 4, 2013

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE AA GENERAL OBLIGATION BONDS
BACKGROUND INFORMATION

LEGISLATIVE HISTORY

The Bonds are issued pursuant to the provisions of Chapter 1 of Part 10 of Division 1 of Title 1 of the California constitution, which requires approval by the electorate of a District to achieve greater than two-thirds approval in a general election.

BERKELEY UNIFIED SCHOOL DISTRICT MEASURE AA GENERAL OBLIGATION BONDS

On November 7, 2000, the electorate of Berkeley Unified School District approved the \$116.5 million "Measure AA" General Obligation Bonds with greater than two-thirds of the qualified votes in favor. The summarized text of the ballot language was as follows:

"To repair, upgrade and add new classrooms to address overcrowding and facilitate reduced class sizes at Berkeley High School, King Middle School and other Berkeley schools, shall Berkeley Unified School District issue \$116,500,000 in bonds, at interest rates within legal limits, to finance acquisition or improvement of property for school safety and improved environment including building new classrooms; increasing seismic safety; replacing deteriorating floors, windows, restrooms, and roofs; upgrading school kitchens; modernizing science labs; and improving fire safety?"

On June 1, 2001, the District issued Election of 2000, Series 2001 General Obligation Bonds in the amount of \$17,000,000 to improve, construct, or reconstruct school facilities. The bonds bear interest at rates ranging from 4.0% to 7.0%, are payable on February 1 and August 1 of each year and mature through August 2025.

On May 14, 2003, the District issued Election of 2000, Series 2003, General Obligation Bonds in the amount of \$50,000,000 to improve, construct, or reconstruct school facilities. The bonds bear interest at rates ranging from 2.0% to 5.0%, are payable on February 1 and August 1 of each year and mature through August 2027.

On July 14, 2005, the District issued Election of 2000, Series 2005, General Obligation Bonds in the amount of \$24,500,000 to improve, construct, or reconstruct school facilities. The bonds bear interest at rates ranging from 3.35% to 7.0%, are payable on February 1 and August 1 of each year and mature through August 2029.

On June 13, 2007, the District issued Election of 2000, Series 2007, General Obligation Bonds in the amount of \$24,500,000 to improve, construct, or reconstruct school facilities. The bonds bear interest at rates ranging from 4.75% to 5.0%, are payable on February 1 and August 1 of each year and mature through August 2031.

On May 26, 2009, the District issued 2009 General Obligation Bonds, which included \$500,000 authorized by the Election of 2000 to improve, construct, or reconstruct school facilities. The bonds bear interest at 3.5%, and are payable on August 1, 2015.

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE AA GENERAL OBLIGATION BONDS
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure AA General Obligation Bond funds for the period from July 1, 2008 through June 30, 2012 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees.

SCOPE

The District provided to us a list of all Measure AA General Obligation Bond project expenditures ("the List") for the period from July 1, 2008 through June 30, 2012. A total of \$32,911,396 in expenditures were identified for the period from July 1, 2008 through June 30, 2012.

METHODOLOGY

We performed the following procedures to the List for the period from July 1, 2008 through June 30, 2012:

- Interviewed District management related to controls over planning, bidding, contracting, expenditure of Bond Funds, and financial reporting.
- Documented the District's procedures and controls over planning, bidding, contracting, expenditure of Bond Funds, and financial reporting.
- Performed tests to determine that the District's controls over planning, bidding, contracting, expenditure of Bond Funds, and financial reporting have been put in place and are working as documented.
- Verified the mathematical accuracy of the List.
- Reconciled the List to total bond expenditures as reported by the District in the District's audited financial statements for the respective years ended June 30, 2009, 2010, 2011 and 2012, presented as the Building Fund.
- Selected a total sample of 117 expenditures totaling \$12,059,634. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts, and across the period from July 1, 2008 to June 30, 2012.
- Verified that the expenditures were for the approved projects and were to construct, upgrade, and improve classrooms and school facilities, renovate restrooms and plumbing, upgrade electrical systems, improve student access to computers and technology, replace heating and air conditioning systems or to make health and safety improvements, and that no funds were used for teacher or administrative salaries, or other school operating expenses.

CONCLUSIONS

The results of our procedures indicated that, in all significant respects, Berkeley Unified School District expended Measure AA General Obligation Bond funds for the period from July 1, 2008 to June 30, 2012 only for the purposes approved by the voters and only on the specific projects developed by the District's Board of Trustees.
