



Berkeley Unified School District

**MEASURE A OF 2006
“BERKELEY SCHOOLS
EXCELLENCE PROGRAM”**

**FINANCIAL STATEMENTS
AND
PERFORMANCE AUDIT**

JUNE 30, 2014

BERKELEY UNIFIED SCHOOL DISTRICT
Berkeley, California

MEASURE A OF 2006
"BERKELEY SCHOOLS EXCELLENCE PROGRAM"
PERFORMANCE AUDIT
June 30, 2014

BERKELEY UNIFIED SCHOOL DISTRICT
Berkeley, California
MEASURE A OF 2006
"BERKELEY SCHOOLS EXCELLENCE PROGRAM"
PERFORMANCE AUDIT
June 30, 2014

CONTENT

REPORT OF INDEPENDENT AUDITORS.....	1
BACKGROUND:	
SUMMARY	2
PERFORMANCE AUDIT:	
OBJECTIVES	3
SCOPE	3
METHODOLOGY	3
CONCLUSION.....	3

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 Measure A of 2006, "Berkeley Schools Excellence Program" for the year ended June 30, 2014.

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 included determining that the District expended Measure A of 2006 funds for the year ended June 30, 2014 only for the purposes approved by the voters, in accordance with the requirements of the published election materials specifying the intended use of Measure A of 2006 proceeds. Management 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 requirements of the published election materials specifying the intended use of Measure A of 2006 proceeds. Accordingly, we do not express any assurance on the internal controls.

The results of our procedures indicated that, in all significant respects, Berkeley Unified School District expended Measure A of 2006 funds for the year ended June 30, 2014 only for the purposes approved by the voters, in accordance with the requirements of the published election materials specifying the intended use of Measure A of 2006 proceeds.



Crowe Horwath LLP

Sacramento, California
December 18, 2014

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE A OF 2006
"BERKELEY SCHOOLS EXCELLENCE PROGRAM"
BACKGROUND INFORMATION

SUMMARY

1. Measure A of 2006 was authorized by an election of the registered voters of Berkeley Unified School District to support the quality of public education. Measure A of 2006 authorizes the collection of taxes of 22.80 cents per square foot on residential property, 34.36 cents per square foot on commercial property and \$50.00 for unimproved parcels, for a period of 10 years, beginning with the 2007-08 tax year. These rates may be adjusted for inflation every year. The funds raised are to be used for class size reduction, libraries, visual and performing arts programs, teacher training and academic support.
2. Total proceeds from parcel taxes for Measure A of 2006 were \$25,162,271 for the fiscal year ending June 30, 2014.
3. For fiscal year ending June 30, 2014, \$12,688,646 of Measure A parcel tax revenue was transferred to the District's unrestricted General Fund, for Class Size Reduction purposes, and release time for music.
4. For the fiscal year ending June 30, 2014, the District recorded expenditures of Measure A parcel tax revenues of \$10,915,473.

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE A OF 2006
"BERKELEY SCHOOLS EXCELLENCE PROGRAM"
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure A of 2006 funds for the year ended June 30, 2014 only for the purposes approved by the voters, in accordance with the requirements of the published election materials specifying the intended use of Measure A of 2006 proceeds.

SCOPE

The District provided to us a list of all Measure A of 2006 expenditures for the year ended June 30, 2014 (the "List"). An approximate total of \$10,915,473 in expenditures for the year ended June 30, 2014 were identified. The District provided to us schedules supporting the \$13,101,094 transferred to the General Fund for Class Size Reduction purposes.

METHODOLOGY

1. Verified that the expenditures of the Fund were accounted for separately in the accounting records of the District.
2. Verified that the net revenues received from the parcel taxes were deposited in total into the District's Measure A of 2006 Fund.
3. Tested District calculations of Student Enrollment, Teacher FTE's and Teacher Compensation on the schedules supporting the transfer to the General Fund.
4. Tested that not more than 2% of revenues were allocated to Public Information, Planning & Oversight Committee.
5. Tested that the remaining revenues 66.00%, 10.25%, 6.25%, 7.25%, 1.25% and 9.00% of the revenues have been allocated to Class Size Reduction, School Discretionary Funds, Visual and Performing Arts, School Libraries, Parent Outreach and Translation Services, and Professional Development, Educational Program Evaluation and Technology for Schools for the Measure A of 2006 Fund.
6. Selected a sample of 30 individual expenditures totaling \$311,568. Tested expenditures of each Resource Code ensuring that such expenditures were spent in accordance with the scope of the published material specifying the intended use of proceeds for Measure A of 2006.

CONCLUSION

The results of our procedures indicated that, in all significant respects, Berkeley Unified School District expended Measure A of 2006 funds for the year ended June 30, 2014 only for the purposes approved by the voters, in accordance with the requirements of the published election materials specifying the intended use of Measure A of 2006 proceeds.

BERKELEY UNIFIED SCHOOL DISTRICT
Berkeley, California

MEASURE A OF 2006
"BERKELEY SCHOOLS EXCELLENCE PROGRAM"

FINANCIAL STATEMENTS
June 30, 2014

BERKELEY UNIFIED SCHOOL DISTRICT
Berkeley, California

MEASURE A OF 2006
"BERKELEY SCHOOLS EXCELLENCE PROGRAM"

FINANCIAL STATEMENTS
June 30, 2014

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL SECTION:	
BALANCE SHEET	3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE	4
NOTES TO FINANCIAL STATEMENTS	5
OTHER INDEPENDENT AUDITOR'S REPORTS:	
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	8
FINDINGS AND RECOMMENDATIONS:	
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS	10
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS	11

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Berkeley Unified School District
Berkeley, California

Report on the Financial Statements

We have audited the accompanying financial statements of Berkeley Unified School District (the "District") Measure A of 2006, also referred to as "Berkeley Schools Excellence Program (Measure A of 2006)" activity included in the General Fund of the District ("Measure A of 2006"), as of and for the year ended June 30, 2014, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Berkeley Unified School District's Measure A of 2006 as of June 30, 2014, and the changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial activity and balances of Measure A of 2006 only, and do not purport to, and do not, present fairly the financial position of Berkeley Unified School District as of June 30, 2014, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Crowe Horwath LLP

Sacramento, California
December 18, 2014

BERKELEY UNIFIED SCHOOL DISTRICT
 MEASURE A OF 2006 FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 For the Year Ended June 30, 2014

	Unrestricted General Education Resource 0000	Class Size Reduction Resource 0841	School Discretionary Funds Resource 0852	Visual and Performing Arts Programs Resource 0853	Public Information Planning and Oversight Committee Resource 0854	Professional Development, Educational Program Evaluation and Technology for Schools Resource 0855	Parent Outreach and Translation Services Resource 0857	School Libraries Resource 0860	Total Measure A of 2006
Revenues:									
Special taxes	\$ 447,764	\$ 15,984,697	\$ 2,482,472	\$ 1,513,702	\$ 494,271	\$ 2,180,731	\$ 302,740	\$ 1,755,894	\$ 25,162,271
Interest	19,939	-	-	-	-	-	-	-	19,939
Other local revenue	-	-	538	-	-	-	36	45	619
Contribution to unrestricted General Fund	-	(12,688,646)	-	(412,448)	-	-	-	-	(13,101,094)
Total revenues	467,703	3,296,051	2,483,010	1,101,254	494,271	2,180,731	302,776	1,755,939	12,081,735
Expenditures:									
Certificated salaries	-	2,062,500	812,700	706,742	-	889,735	1,821	587,000	5,060,498
Classified salaries (project management)	-	-	601,932	48,853	314,745	478,927	196,498	472,272	2,113,226
Employee benefits	-	549,207	366,111	180,382	111,415	414,186	61,761	372,712	2,055,773
Books and supplies	-	-	209,460	84,805	6,128	82,932	3,113	172,302	558,741
Contract services	474,232	-	324,162	82,545	78,652	77,866	34,481	55,297	1,127,235
Total expenditures	474,232	2,611,707	2,314,364	1,103,326	510,940	1,943,647	297,673	1,659,583	10,915,473
(Deficiency) excess of revenues (under) over expenditures	(6,529)	684,344	168,646	(2,072)	(16,669)	237,084	5,103	96,356	1,166,261
Other uses:									
Transfer of indirect costs to Unrestricted General Fund	-	(1,029,714)	(155,757)	(102,012)	-	(130,807)	(20,033)	(111,690)	(1,550,013)
Net change in fund balance	(6,529)	(345,369)	(12,889)	(104,084)	(16,669)	106,276	(14,931)	(15,334)	(383,751)
Fund balance, beginning of year	918,432	901,809	610,110	272,256	338,207	308,539	318,462	537,763	4,205,579
Fund balance, end of year	\$ 911,903	\$ 556,440	\$ 622,999	\$ 168,172	\$ 321,538	\$ 414,815	\$ 303,532	\$ 522,429	\$ 3,821,828

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE A OF 2006 FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Berkeley Unified School District (the "District") conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California School Districts. The District accounts for its financial transactions in accordance with policies and procedures of the Department of Education's *California School Accounting Manual*. The activities of the Measure A of 2006 are recorded along with other activities in the District's General Fund. The following is a summary of the more significant accounting policies:

Financial Reporting Entity: The financial statements include the financial activity of the Measure A of 2006 Fund only. The Fund was established to account for the revenues and expenditures of Measure A of 2006. These financial statements are not intended to present the financial position and results of operations of Berkeley Unified School District as a whole, in conformity with accounting principles generally accepted in the United States of America. Measure A of 2006 was approved to support the quality of public education. The funds raised are to be used for reducing class sizes, supporting music programs, parent outreach, program evaluation and teacher training, school libraries, as well as reimbursement of administration costs incurred by Berkeley Unified School District. The Measure A of 2006 Fund is generated from a separate property tax levy of 22.80 cents per square foot on residential property and 34.36 cents per square foot on commercial property and \$50.00 for unimproved parcels. These rates may be adjusted for inflation every year.

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

The financial statements of the Fund are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Using this measurement focus, only current assets and current liabilities are included in the balance sheet. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred.

Receivables: Receivables are made up principally of amounts due from the County of Alameda for Measure A parcel taxes. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2014.

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

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE A OF 2006 FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 – CASH AND INVESTMENTS

Cash and investments held on behalf of the Fund of Berkeley Unified School District consist of deposits in the County of Alameda Treasury.

Cash in County Treasury: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Alameda County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool. Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. In accordance with applicable state laws, the Alameda County Treasurer may invest in derivative securities. However, at June 30, 2014, the Alameda County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2014, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2014, the District had no concentration of credit risk.

NOTE 3 – FUND BALANCE CLASSIFICATION

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications are nonspendable, restricted, committed, assigned and unassigned. The fund balance of Measure A of 2006 is restricted, as described below.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Fund Balance Policy

The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE A OF 2006 FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 – FUND BALANCE (Continued)

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Trustees. At June 30, 2014, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

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
Berkeley Unified School District
Berkeley, California

We have audited the financial statements of Berkeley Unified School District (the "District") Measure A of 2006, also referred to as "Berkeley Schools Excellence Program (Measure A of 2006)", as of and for the year ended June 30, 2014, and have issued our report thereon dated December 18, 2014. 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.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over Measure A of 2006 financial reporting. Accordingly, we do not express an opinion of the effectiveness of the District's internal control over financial reporting for Measure A of 2006.

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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's Measure A of 2006 financial statements are free of material misstatement, we performed tests of the Measure A of 2006 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance for the Measure A of 2006. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance for the Measure A of 2006. Accordingly, this communication is not suitable for any other purpose.



Crowe Horwath LLP

Sacramento, California
December 18, 2014

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE A OF 2006
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

No matters were reported.

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE A OF 2006
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

No matters were reported.