

BERKELEY UNIFIED SCHOOL DISTRICT

**MEASURE H OF 2014
FINANCIAL STATEMENTS**

June 30, 2017

BERKELEY UNIFIED SCHOOL DISTRICT

MEASURE H OF 2014
FINANCIAL STATEMENTS
June 30, 2017

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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 H of 2014 activity included in the General Fund of the District ("Measure H of 2014"), as of and for the year ended June 30, 2017, 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(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 H of 2014 activity as of June 30, 2017, and the changes in financial position thereof 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 the financial activity and balances of Measure H of 2014 activity only, and do not purport to, and do not, present fairly the financial position of Berkeley Unified School District as of June 30, 2017, the changes in its financial position, or where applicable, its cash flows, for the year then ended, in conformity 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 June 1, 2018 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 for the Measure H of 2014 activity. 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 for the Measure H of 2014 activity. 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 for the Measure H of 2014 activity.



Crowe Horwath LLP

Sacramento, California
June 1, 2018

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE H OF 2014
BALANCE SHEET
June 30, 2017

ASSETS

| | |
|----------------------|---------------------|
| Cash (Note 2) | \$ 1,366,402 |
| Receivables | 293,666 |
| Due from other Funds | <u>93,184</u> |
| Total assets | <u>\$ 1,753,252</u> |

LIABILITIES AND FUND BALANCE

| | |
|------------------------------------|---------------------|
| Accounts payable | \$ 153,179 |
| Due to the General Fund | <u>348,392</u> |
| Total liabilities | 501,571 |
| Fund balance – restricted (Note 3) | <u>1,251,681</u> |
| Total liabilities and fund balance | <u>\$ 1,753,252</u> |

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE H OF 2014
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
For the Year Ended June 30, 2017

| | | |
|--------------------------------------|----|------------------|
| Revenues: | | |
| Parcel tax | \$ | 5,896,343 |
| Interest | | 6,550 |
| Other local revenue | | <u>116,020</u> |
| Total revenues | | <u>6,018,913</u> |
| Expenditures: | | |
| Current: | | |
| Classified salaries | | 2,630,376 |
| Employee benefits | | 1,000,992 |
| Books and services | | 454,896 |
| Services and other | | 1,276,302 |
| Capital outlay | | <u>72,562</u> |
| Total expenditures | | <u>5,435,128</u> |
| Excess of revenues over expenditures | | 583,785 |
| Other uses: | | |
| Transfer to the General Fund | | <u>(348,392)</u> |
| Net change in fund balance | | 235,392 |
| Restricted fund balance – beginning | | <u>1,016,288</u> |
| Restricted fund balance – ending | \$ | <u>1,251,681</u> |

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE H OF 2014
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 H of 2014 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 Measure H of 2014 only, which are accounted for separately from other financial activity, within the General Fund of the District. 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 H was authorized by an election of the registered voters of Berkeley Unified School District and extends Measure BB for another 10 years. Measure H continues the existing special tax of 6.31 cents per square foot on residential buildings and 9.46 cents per square foot on commercial buildings, and \$20 on unimproved parcels with annual cost-of-living adjustments for 10 years.

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 Measure H of 2014 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 H of 2014 parcel taxes. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2017.

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.

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. Any unpaid balances at year-end, as a result of such transactions, are shown as due to and due from other funds. During the year ended June 30, 2017, the District transferred \$348,392 from Measure H of 2014 to the General Fund to allow for expenditures authorized under Measure H of 2014. At June 30, 2017, \$348,392 was outstanding as a payable to the General Fund.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE H OF 2014
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 – CASH

At June 30, 2017, cash of \$1,366,402 is held on behalf of Measure H of 2014 of Berkeley Unified School District, and consists 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 interest bearing Alameda County Treasurer's Pooled Investment Fund. 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 Treasury may invest in derivative securities with the State of California. However, at June 30, 2017 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, 2017, 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, 2017, the District had no concentration of credit risk.

NOTE 3 – FUND BALANCE

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 H of 2014 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.

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, 2017, 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, 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 Berkeley Unified School District (the "District") Measure H of 2014 activity ("Measure H of 2014"), included in the General Fund of Berkeley Unified School District as of and for the year ended June 30, 2017, and the related notes to the financial statements and have issued our report thereon dated June 1, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over Measure H of 2014 activity 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. Accordingly, we do not express an opinion of 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.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Berkeley Unified School District Measure H of 2014 activity included in the General Fund of the District's financial statements are free of material misstatement, we performed tests of the District's 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

This purpose of this report is intended solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Crowe Horwath LLP

Sacramento, California
June 1, 2018

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE H OF 2014
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

No matters were reported.

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE H OF 2014
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

No matters were reported.