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Berkeley Unified School District

MEASURE I
GENERAL OBLIGATION BONDS

FINANCIAL STATEMENTS AND
PERFORMANCE AUDIT

JUNE 30, 2014

BERKELEY UNIFIED SCHOOL DISTRICT Berkeley, California

MEASURE I GENERAL OBLIGATION BONDS FINANCIAL STATEMENTS
June 30. 2014

BERKELEY UNIFIED SCHOOL DISTRICT Berkeley. California

MEASURE I GENERAL OBLIGATION BONDS FINANCIAL STATEMENTS
June 30. 2014

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INDEPENDENT AUDITORS 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 I General Obligation Bonds activity included in the Building Fund of the District (Measure I Bonds). as of and for the year ended June 30. 2014. and the related notes to the financiai 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

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Opinion
In our opinion, the financial statements referred to above present fairly. in all material

BERKELEY UNIFIED SCHOOL DISTRICT MEASURE I GENERAL OBLIGATION BONDS BALANCE SHEET

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE I GENERAL OBLIGATION BONDS NOTES TO FINANCIAL STATEMENTS
June 30. 2014

NOTE I -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

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE I GENERAL OBLIGATION BONDS
NOTES TO FINANCIAL STATEMENTS
June 30. 2014

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 as of June 30.

NOTE 2— PURPOSE OF BOND ISSUANCE

Bond Authorization — Measure I: The District received authorization to issue $210000000 of bonds at an election held on November 10, 2010 by an affirmative vote of at least 55% of the votes cast under the 2010 Authorization.

Purpose of Bonds: The proceeds of the Measure I Bonds may be used to improve the learning climate for children by upgrading education facilities through projects such as constructing new classrooms for growth, completing seismic upgrades, constructing science labs, upgrade of computers and education technology, renovation of playgrounds, replacing restrooms, cafeterias, roofs, heating and fire safety systems, removal of hazardous materials, and improvement of energy efficiency.

As required by the California Constitution. the proceeds from the sale of bonds will be used only for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities and not for any other purpose. including teacher and administrator salaries and other school operating expenses.

Bond Proiect List: The Bond Project List, which is an integral part of the proposition. lists the specific projects the District proposes to finance with proceeds of the Measure I bonds. Listed repairs, rehabilitation projects and upgrades will be completed as needed at a particular school site. Each project is assumed to include its share of costs of the election and bond issuance, architectural, engineering, and similar planning costs, construction management, and customary contingency for unforeseen design and construction costs. The final cost of each project will be determined as plans are finalized, construction bids are awarded, and projects are completed. In addition, certain construction funds expected from non-bond sources, if any, have not yet been secured. Therefore, the Board of Education cannot guarantee that the bonds will provide sufficient funds to allow completion of all listed projects. The Bond Project lists were included as an Exhibit to the Measure I Bond proposition.

NOTE 3-CASH AND INVESTMENTS

Cash at June 30, 2014 consisted of the following:

Cash in County Treasury $ 19.121 524

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 cuarterly to participating funds. Any investment losses are proportionately shared by all funds in the pool.

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BERKELEY UNIFIED SCHOOL DISTRICT MEASURE I GENERAL OBLIGATION BONDS NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTES- 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 classifcations are nonspendable. restricted, committed, assigned and unassigned. The fund balance of the Measure I General Obligation Bonds 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 legislationS

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INDEPENDENT AUDITORS 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 I General Obligation Bonds (eMeasure I Bonds’), 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 I Bonds financial reporting. Accordingly, we do not express an opinion of the effectiveness of the District’s internal control over financial reporting for Measure I Bonds.

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 Districts Measure I Bonds financial statements are free of material misstatement, we performed tests of the Measure I Bonds 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 I Bonds. 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 I Bonds, Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Sacramento, California
December 18, 2014

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BERKELEY UNIFIED SCHOOL DISTRICT MEASURE I GENERAL OBLIGATION BONDS SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2014

No matters were reported.

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MEASURE I GENERAL OBLIGATION BONDS PERFORMANCE AUDIT
June 30, 2014

BERKELEY UNIFIED SCHOOL DISTRICT

Berkeley, California
MEASURE I GENERAL OBLIGATION BONDS

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INDEPENDENT AUDITOR’S REPORT

Board of Education
Berkeley Unified School District
Berkeley, California

We have conducted a performance audit of the Berkeley Unified School District (the “District”) Measure I General Obligation Bond funds 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 includes determining the compliance with the performance requirements for the Proposition 39 Measure I General Obligation Bonds under the applicable provisions of Section l(b)(3)(C) of Article XlllA of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof, 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 Proposition 39, as specified by Section 1(b)(3)(C) of Article XlllA of the California Constitution. 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 I General Obligation Bond funds for the year ended June 30, 2014 only for the purposes approved by the voters and only on the specific projects developed by the District’s Board of Education, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIIIA of the California Constitution.

Crowe Horwath LLP

Sacramento, California
December 18, 2014

BERKELEY UNIFIED SCHOOL DISTRICT MEASURE I GENERAL OBLIGATION BONDS BACKGROUND INFORMATION

LEGISLATIVE HISTORY

On November 7, 2000, California

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

OBJECTIVES

The objective of our performance audit was to determine that the District expended Measure I General Obligation Bond funds for the year ended June 30, 2014 only for the purposes approved by the voters and only on the specific projects developed by the District’s Board of Education, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

SCOPE

The District provided to us a list of all Measure I General Obligation Bond project expenditures for the year ended June 30, 2014. A total of $25,381,754 in expenditures for the year ended June 30, 2014 were identified.

METHODOLOGY

We performed the following procedures to the list (“the List”) of Measure I General Obligation Bond project expenditures for the year ended June 30, 2014:

• Interviewed District management to determine that 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 Districts audited
financial statements for the year ended June 30, 2014, presented as the Building Fund.

• Selected a sample of 26 expenditures totaling $12,553,887, representing approximately 50% of total
expenditures. The sample was selected to provide a representation across specific construction projects, vendors and expenditure amounts. Verified that the sampled 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 I General Obligation Bond funds for the year ended June 30, 2014 only for the purposes approved by the voters and only on the specific projects developed by the Districts Board of Education, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)C of Article XIII A of the California Constitution.

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