

BERKELEY UNIFIED SCHOOL DISTRICT

TO: William Huyett, Superintendent
FROM: Javetta Cleveland, Deputy Superintendent of Business
DATE: September 9, 2009
SUBJECT: Independent Accountant's report for Measure AA of 2000

BACKGROUND INFORMATION

The District requested its independent audit firm, Vavrinek, Trine, Day (VTD) and Company to perform a special audit of the use of Measure AA of 2000 proceeds for the years ended June 30, 2001 through June 30, 2008. Measure AA of 2000 was authorized by an election of the registered voters of the District to support the repair, upgrade, and the addition of new classrooms to address overcrowding and facilitate reduced class sizes at Berkeley High School, King Middle School, and other Berkeley schools. Proceeds were also authorized for financing acquisition or improvement of property, school safety and environment including building new classrooms, increasing seismic safety, replacing deteriorating floors, windows, restrooms and roofs, upgrading kitchens modernizing science labs and improving fire safety.

The auditors, VTD, will be present at the Board meeting to present the report. Copies are available for public review in Superintendent's office.

STAFF RECOMMENDATION

Review and accept the Independent Accountant's report as presented by VTD.

BERKELEY UNIFIED SCHOOL DISTRICT

INDEPENDENT ACCOUNTANT'S REPORT

MEASURE AA OF 2000

JUNE 30, 2008



INDEPENDENT ACCOUNTANTS' REPORT

Board of Trustees
Berkeley Unified School District

We have examined management's assertion of the Berkeley Unified School District (the District) that the use of the Measure AA of 2000 (the Measure) proceeds for the years ended June 30, 2001 through June 30, 2008 (the years examined) was within the scope of the ballot language authorized by the District's Board of Trustees in resolution no. 7235 (the Ballot) specifying the intended use of the proceeds. Berkeley Unified School District's management is responsible for compliance with the scope of ballot language specifying the intended use of the proceeds. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, management's assertion that the District complied with the aforementioned compliance requirements for the years examined is fairly stated, in all material respects.

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

Vavrinek Trine Day + Co. LLP

Palo Alto, California
August 5, 2009

Financial Summary

1. The Measure AA of 2000 was authorized by an election of the registered voters of the Berkeley Unified School District. Measure AA of 2000 was approved to support “the repair, upgrade, and the addition of new classrooms to address overcrowding and facilitate reduced class sizes at Berkeley High School, King Middle School, and other Berkeley schools.” Measure proceeds were also authorized for “financing acquisition or improvement of property, school safety and environment including building new classrooms, increasing seismic safety, replacing deteriorating floors, windows, restrooms, and roofs, upgrading kitchens, modernizing science labs, and improving fire safety.”
2. Total proceeds from Measure AA of 2000 were \$116,500,000 for the years examined. As of June 30, 2008, District has issued bonds and received proceeds in the amount of \$116,000,000. The District anticipates issuing the final series of the bonds in the amount of \$500,000 in the current fiscal year

Presented below is a summary of the revenues and expenditures for the years examined:

| Fiscal years ending June 30, | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Revenues: | | | | | | | | | |
| Measure AA of 2000 | | | | | | | | | |
| bond proceed | \$ 17,000,000 | \$ - | \$ 50,000,000 | \$ - | \$ - | \$ 24,500,000 | \$ 24,500,000 | \$ - | \$ 116,000,000 |
| Interest | 1,661,381 | 916,232 | 585,159 | 445,140 | 329,312 | 954,996 | 1,473,714 | 2,194,786 | 8,560,720 |
| Transfers in | 612,617 | 6,673 | 1,410,025 | 248,282 | 12,576 | 2,497,846 | 558,057 | - | 5,346,076 |
| Total Revenues | 19,273,998 | 922,905 | 51,995,184 | 693,422 | 341,888 | 27,952,842 | 26,531,771 | 2,194,786 | 129,906,796 |
| Expenditures: | | | | | | | | | |
| Payroll | 212,540 | 217,169 | 214,826 | 249,441 | 220,607 | 203,792 | 206,408 | 240,953 | 1,765,736 |
| Invoices | 16,174,577 | 25,438,612 | 21,357,237 | 17,739,775 | 10,152,350 | 9,165,147 | 4,164,956 | 10,675,362 | 114,868,016 |
| Transfers out | 1,355,506 | - | 343,395 | 204,696 | 404,208 | 389,969 | 507,747 | 829,801 | 4,035,322 |
| Other uses | 123,106 | - | - | - | - | - | - | - | 123,106 |
| Total Expenditures | 17,865,729 | 25,655,781 | 21,915,458 | 18,193,912 | 10,777,165 | 9,758,908 | 4,879,111 | 11,746,116 | 120,792,180 |
| Excess of Revenues Over (Under) Expenditures | 1,408,269 | (24,732,876) | 30,079,726 | (17,500,490) | (10,435,277) | 18,193,934 | 21,652,660 | (9,551,330) | 9,114,616 |
| Fund Balance - Beginning | 36,107,185 | 37,515,454 | 12,782,578 | 42,862,304 | 25,361,814 | 14,926,537 | 33,120,471 | 54,773,131 | 36,107,185 |
| Fund Balance - Ending | \$ 37,515,454 | \$ 12,782,578 | \$ 42,862,304 | \$ 25,361,814 | \$ 14,926,537 | \$ 33,120,471 | \$ 54,773,131 | \$ 45,221,801 | \$ 45,221,801 |

* Fund balance amounts include proceeds received under the the 1992 Measure A bonds.

Management's Assertions:

- 1) Bond Proceeds of the Measure were accounted separately in the accounting records of the District and properly deposited into the Building fund for the years examined.
- 2) Interest revenues of the Measure were accounted for separately in the accounting records of the District and properly deposited into the Building fund for the years examined.
- 3) When payments were made for expenditures the following occurred:
 - A) Expenditure package is complete and contains all necessary supporting documentation including warrant copy, invoice, purchase order, receiving documents, evidence of approval from appropriate District personnel.
 - B) Expenditures represent valid use of Measure AA Bond proceeds based on the ballot language.
 - C) Expenditures were part of the approved Board projects for that particular year.
 - D) Expenditures were properly reported to the Board for that particular period.
- 4) Construction bids followed established District policies on the dissemination of information and awarding of bids as follows:
 - A) There was proper authorization for public bidding by the District's management.
 - B) The bid specifications were published in a newspaper or other publication of general circulation in a timely manner and contained all necessary bid related information.
 - C) There was approval by the Board for awarding of the contract.
 - D) There was evidence that the contract was awarded to the lowest responsible bidder.
- 5) Payroll and benefit expenditures for the years examined:
 - A) Were for allowable employees or employee classifications.

- 6) Project accounting included the following elements:
 - A) Amounts reported to the Board reconcile to the general ledger.
 - B) That the Director of Facilities and Planning is reporting the proper amount of expenditures to the Board, both on a period to date and cumulative basis.
 - C) The Board has approved the initial and subsequent changes or reclassifications of the budget between the different projects.
 - D) The budgets that were submitted to the Board included sufficient detailed information about the different projects by site.
- 7) The general ledger reporting mechanism has the capability to report expenditures on per project basis.

Results and Conclusions

1) Measure AA Bond Proceeds

All proceeds from the sale of Bonds of the Measure in the amount of \$116,000,000 were deposited and accounted for separately in the Building fund. The District anticipates receiving an additional \$500,000 for the remaining authorized amount in the subsequent fiscal year.

2) Interest Revenue of the Measure

Interest revenues of the Measure were deposited and accounted for separately in the Building fund. We examined the supporting documentation from the County of Alameda Treasurer and confirmed that these amounts were properly recorded.

3) Contract and Transfer Expenditures Testing

As noted below we examined a total of 178 invoices which represented \$71,841,480 in expenditures or 63% of the total contract expenditures of \$114,312,512.

Below is a summary of the total invoice related expenditures that were tested for the years examined:

| Fiscal years ending June 30, | 2001 | 2002 | 2003 | 2004 | |
|-------------------------------------|---------------|---------------|---------------|---------------|----------------|
| Total costs expended | \$ 16,174,577 | \$ 25,438,612 | \$ 21,357,237 | \$ 17,739,775 | |
| Total costs tested | \$ 9,122,686 | \$ 13,472,072 | \$ 13,801,350 | \$ 13,129,605 | |
| Number of invoices selected | 27 | 17 | 25 | 22 | |
| Percentage coverage | 56% | 53% | 65% | 74% | |
| For the years ended June 30, | 2005 | 2006 | 2007 | 2008 | Total |
| Total costs expended | \$ 10,152,350 | \$ 9,165,147 | \$ 4,164,956 | \$ 10,675,362 | \$ 114,868,016 |
| Total costs tested | \$ 5,790,189 | \$ 6,787,751 | \$ 2,370,520 | \$ 7,367,308 | \$ 71,841,480 |
| Number of invoices selected | 25 | 21 | 24 | 17 | 178 |
| Percentage coverage | 57% | 74% | 57% | 69% | 63% |

The total transfers out expenditures to other funds for the years examined were \$4,035,322 which included \$2.67 million of deferred maintenance match for Board approved projects. We validated the transfers out expenditures to the other funds and noted they were paid to support approved bond projects that were paid for by other funds.

Below is a summary of the total transfers out related expenditures that were tested for the years examined:

| Fiscal years ending June 30, | 2001 | 2002 | 2003 | 2004 |
|-------------------------------------|--------------|-------------|-------------|-------------|
| Transfers out | \$ 1,355,506 | \$ - | \$ 343,395 | \$ 204,696 |
| Total transfers out tested | \$ 1,355,506 | \$ - | \$ 343,395 | \$ 204,696 |
| Percentage coverage | 100% | - | 100% | 100% |

| Fiscal years ending June 30, | 2005 | 2006 | 2007 | 2008 | Total |
|-------------------------------------|-------------|-------------|-------------|-------------|--------------|
| Transfers out | \$ 404,208 | \$ 389,969 | \$ 507,747 | \$ 829,801 | \$ 4,035,322 |
| Total transfers out tested | \$ 404,208 | \$ 389,969 | \$ 507,747 | \$ 829,801 | \$ 4,035,322 |
| Percentage coverage | 100% | 100% | 100% | 100% | 100% |

The results of our testing disclosed no instances where the selected items for testing represented a non compliant use of Measure proceeds. In addition, the results of our testing disclosed no instances where the selected items for testing exceeded the Board's approved budget amount during the periods tested.

4) Bid Testing

The results of our testing disclosed no instances where the selected items were not in compliance with the District's established procurement policies.

5) Payroll and Benefit Testing

As noted below, we examined the payroll and benefit expenditure compliance with the Measure requirements as well as Board approved budgets. The results of our testing disclosed no instances where the tested payroll expenditures were not a valid use of Measure proceeds.

Below is a summary of the extent of the payroll expenditure tested for the years examined:

| Fiscal years ending June 30, | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Salary | \$ 184,673 | \$ 185,161 | \$ 159,933 | \$ 181,472 |
| Benefit | 27,867 | 32,008 | 54,893 | 67,969 |
| Total Salary and Benefit Expenditure | <u>\$ 212,540</u> | <u>\$ 217,169</u> | <u>\$ 214,826</u> | <u>\$ 249,441</u> |
| Total payroll tested | \$ 212,540 | \$ 217,169 | \$ 214,826 | \$ 249,441 |
| Percent coverage | 100% | 100% | 100% | 100% |

| Fiscal years ending June 30, | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>Total</u> |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| Salary | \$ 158,217 | \$ 142,768 | \$ 145,771 | \$ 173,953 | \$ 1,331,948 |
| Benefit | 62,390 | 61,024 | 60,637 | 67,000 | \$ 433,788 |
| Total Salary and Benefit Expenditure | <u>\$ 220,607</u> | <u>\$ 203,792</u> | <u>\$ 206,408</u> | <u>\$ 240,953</u> | <u>\$ 1,765,736</u> |
| Total payroll tested | \$ 220,607 | \$ 203,792 | \$ 206,408 | \$ 240,953 | \$ 1,765,736 |
| Percent coverage | 100% | 100% | 100% | 100% | 100% |

6) *Project Accounting Testing*

We selected 7 major projects to verify the accounting and reporting that was submitted to the Board. The results of our testing noted that project accounting and reporting of the expenditure amounts for the each selected project reconciled to the general ledger, both on a period to date and cumulative basis.

Further, we noted that all budget changes selected were properly approved by the Board and the submitted budgets contained sufficient project detail information to allow for informed decision making.

Below is a summary of the selected projects that were tested:

Measure AA Bond Approved Projects Testing

| Site | Projects |
|----------------------|--|
| Berkeley High School | New Building / Rehab Ground |
| Berkeley High School | Communication system |
| Berkeley High School | Modernize C & Theater |
| Berkeley High School | Old Gym Seismic Retrofit |
| Willard Middle | Modernization of other building |
| Child Development | Franklin PN replacement & King CDC Replacement |
| Martin Luther King | Grounds Improvement |

7) *General Ledger Reporting Mechanism*

The general ledger was structured to comply with the State defined Standard Account Code Structure. These codes in the general ledger had the ability to identify the sites but did not have the ability to identify the projects within those sites. Although the recorded expenditure was coded by the site location, we relied on inquiries of the Director of Facilities and spreadsheets provided by Director in order to satisfy ourselves that the expenditures that were within the scope of these projects. We noted no discrepancies.

It is recommended the District add additional codes within the general ledger to provide for enhanced granularity with respect to facilities project accounting. Such information would enhance a user's ability to compare budgets to actual expenditures on per site and project basis.