

1/28/09

**BERKELEY UNIFIED  
SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2008**



**Vavrinek, Trine, Day & Co., LLP**  
Certified Public Accountants

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**OF ALAMEDA COUNTY**  
**BERKELEY, CALIFORNIA**  
**JUNE 30, 2008**

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**GOVERNING BOARD**

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
John T Selawsky	President	2008
Nancy Riddle	Vice President	2010
Shirley Issel	Member	2010
Joaquin J. Rivera	Member	2008
Karen Hemphill	Member	2010

**ADMINISTRATION**

William Huyett	Superintendent
Javetta Cleveland	Deputy Superintendent, Business



# BERKELEY UNIFIED SCHOOL DISTRICT

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JUNE 30, 2008

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Berkeley Unified School District  
Berkeley, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Berkeley Unified School District (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08* issued by the California Education Audit Appeals Panel as regulations. 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Berkeley Unified School District, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2008, 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 the 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 conjunction with this report in considering the results of our audit.



The required supplementary information, such as management's discussion and analysis on pages 3 through 11 and budgetary comparison information on page 45, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Vavrinek, Trine, Day & Co. LLP*

Palo Alto, California  
December 15, 2008

# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008**

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This section of Berkeley Unified School District's (The District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

#### **The Financial Statements**

The financial statements presented herein include all of the activities of the District using the integrated approach as prescribed by GASB Statement Number 34 (the Statement).

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the Statement in regards to interfund activity, payables and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Proprietary Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Activities* are agency funds, which only report a balance sheet and do not have a measurement focus.

The Primary unit of the government is the Berkeley Unified School District.

# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2008**

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### ***FINANCIAL HIGHLIGHTS OF THE PAST YEAR***

#### ***REPORTING THE DISTRICT AS A WHOLE***

##### **The Statement of Net Assets and the Statement of Activities**

The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between assets and liabilities, one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The difference between revenues and expenses is the District's operating results. Since the board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Assets* and the *Statement of Activities*, we include the District activities as follows:

**Governmental activities** - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

#### ***REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS***

##### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2008**

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***Governmental funds*** - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

***Proprietary funds*** - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service fund is reported with governmental activities in the government-wide financial statements.

### ***THE DISTRICT AS TRUSTEE***

#### **Reporting the District's Fiduciary Responsibilities**

The District is the trustee, or fiduciary, for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits and pensions. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### ***THE DISTRICT AS A WHOLE***

#### **Net Assets**

The District's net assets were \$72.1 million and \$63.8 million for the fiscal years ended June 30, 2008 and 2007, respectively. The District has an unrestricted fund balance of \$10.1 million at June 30, 2008. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the school board's ability to use those net assets for day-to-day operations. The following analyses focus on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

# BERKELEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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**Table 1**

	Governmental Activities 2008	Governmental Activities 2007
Current and other assets	\$ 120,839,401	\$ 121,045,269
Capital assets, net of depreciation	209,808,566	203,840,204
<b>Total Assets</b>	<b>330,647,967</b>	<b>324,885,473</b>
Current liabilities	41,998,869	36,945,757
Long-term debt	216,559,682	224,168,231
<b>Total Liabilities</b>	<b>258,558,551</b>	<b>261,113,988</b>
Net assets		
Invested in capital assets, net of related debt	40,321,813	35,690,210
Restricted	21,708,690	19,632,104
Unrestricted	10,058,913	8,449,171
<b>Total Net Assets</b>	<b>\$ 72,089,416</b>	<b>\$ 63,771,485</b>

### Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 13. Table 2 takes the information from the Statement, and rearranges them slightly so you can see our total revenues for the year.

# BERKELEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

**Table 2**

	Governmental Activities 2008	Governmental Activities 2007
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 899,108	\$ 611,578
Operating grants and contributions	33,150,852	26,738,806
General revenues:		
Federal and state sources	30,655,862	34,700,589
Property taxes	68,001,271	65,384,966
Other general revenues	13,339,363	16,158,207
<b>Total Revenues</b>	<b>146,046,456</b>	<b>143,594,146</b>
<b>Expenses</b>		
Instruction related	94,998,417	88,439,102
Student support services	11,403,812	11,075,152
Administration	7,071,381	7,547,615
Maintenance and operations	13,294,811	14,096,902
Interest, depreciation and other	10,960,104	11,123,444
<b>Total Expenses</b>	<b>137,728,525</b>	<b>132,282,215</b>
<b>Change in Net Assets</b>	<b>\$ 8,317,931</b>	<b>\$ 11,311,931</b>

### Governmental Activities

As reported in the Statement of Activities on page 13, the cost of all of our governmental activities this year was \$137.7 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes and other sources of revenue was only \$68.0 million because the cost was paid by those who benefited from the programs or by other governments and organizations who subsidized certain programs with grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with \$30.7 million in State and Federal funds and other revenues, like interest and general entitlements.

# BERKELEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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In Table 3, we have presented the net cost of each of the District's five largest functions - (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table 3**

	Net Cost of Services 2008	Net Cost of Services 2007
Instruction and instruction related	\$ 68,004,093	\$ 66,650,381
Pupil services	6,865,272	6,830,046
General Administration	5,722,472	6,340,791
Maintenance and operations	13,095,360	11,650,164
Other	9,991,368	13,460,449
<b>Totals</b>	<b>\$ 103,678,565</b>	<b>\$ 104,931,831</b>

### ***THE DISTRICT'S FUNDS***

As the District completed this year, our government funds reported a combined fund balance of \$80,349,008, which is a decrease of \$6,157,741 from last year.

The primary reasons for the decrease are net increases in expenditures in the Building Fund in the amount of \$8,995,826 which was partially offset by an increase in Nonmajor Governmental Funds and Bond Interest and Redemption Fund in the amounts of \$980,182 and \$494,903 respectively.

### **General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final working budget was adopted on June 27, 2008. (A schedule showing the District's original and final budget amounts compared to actual revenues and expenditures is provided in our annual report on page 45 –Budgetary Comparison Schedule).

The \$2,794,625 unfavorable variance in revenues of 2007-08 Actual over Final Budget was mostly due to a decrease in federal state and local revenues. This unfavorable variance excludes state on-behalf payments which are included in the budgetary comparison schedule as additional state revenues.

The \$8,235,559 favorable variance in expenditures, again, net of on- behalf payments, was mostly due to conservative spending on instruction, instruction related activities plant and pupil services, carry over for books and supplies not being spent down and unspent contingency funds.

# BERKELEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2008

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### *CAPITAL ASSET & DEBT ADMINISTRATION*

#### Capital Assets

At June 30, 2008 and 2007, the District had \$209.8 million and \$203.8 million, respectively, in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$6.0 million, or 3.0 percent, from last year.

**Table 4**

	Governmental Activities	
	2008	2007
Land	\$ 6,919,100	\$ 6,919,100
Construction in progress	24,587,515	14,879,418
Improvements of sites	10,057,739	8,514,883
Buildings	233,332,094	233,326,760
Equipment	8,760,061	8,303,454
Accumulated depreciation	(73,847,943)	(68,103,411)
<b>Totals</b>	<b>\$ 209,808,566</b>	<b>\$ 203,840,204</b>

Several capital projects are planned for the 2008-09 year. We anticipate capital additions to be \$24 million for the 2008-09 year. These funds are to complete ongoing new construction, modernization and bond projects. We present more detailed information about our Capital Assets in Note 4 to the financial statements. Upcoming projects include the construction of new classrooms, portables and various projects at Berkeley High School in the amount of \$4.0 million, a new CDC in the amount of \$4.3 million a new transportation yard in the amount of \$7.8 million and a new kitchen at Jefferson with a projected construction cost of \$1.3 million.



# BERKELEY UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2008

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### Long-Term Obligations

At the end of this year, the District had \$216.6 million in bonds outstanding. The District's long-term obligations are summarized below.

**Table 5**

<i>Years ending</i>	2008	2007
General obligation bonds	\$ 215,570,000	\$ 221,605,000
Capital appreciation bonds	-	1,695,000
Unamortized bond defeasance cost	(2,316,699)	(2,461,493)
Unamortized bond premium	1,455,253	1,529,114
Accumulated vacation - net	1,851,128	1,800,610
<b>Totals</b>	<b>\$ 216,559,682</b>	<b>\$ 224,168,231</b>

The State limits the amount of general obligation debt that District's can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries.

Other obligations include compensated absences payable and other long-term debt. We present more detailed information regarding our long-term liabilities in Note 9 of the financial statements.

### ***SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2007-2008 ARE NOTED BELOW:***

The District produces a balanced budget which was approved by the Alameda County Office of Education for the third year in a row. The District also certified positive for both the First and Second Interim Financial Reports and curtailed a deficit spending pattern that had existed for more than four years.

The special local tax, *Berkeley Public Schools Educational Excellence Act*, approved by Berkeley voters in November, 2006 (Measure A of 2006) generates revenues to be used to improve the educational achievement of Berkeley's public school students. Measure A generated \$20,804,472 in fiscal year 2007-08 and supports the District missions with regard to class size reduction, enrichment programs, and library staff. The District also has another voter approved parcel tax, Measure BB to provide building maintenance and safety and generated \$4,549,254 for the 2007-08 fiscal year.

The District issued a Tax and Revenue Anticipation Note in the amount of \$15,860,000 and received a rating of SP-1+ from Standard and Poors on the issuance of the notes. Through aggressive management, the District eradicated a historical negative fund balance in the Self Insurance Fund and established fiscal solvency in the fund for the first time in five years.

The District continues to work with their Audit Committee to review financial information and to prevent management from eroding internal controls. The Audit Committee is a "Brown Act" Committee and is comprised of both community and Board members.

# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2008**

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### ***ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES***

In considering the District Budget for the 2008/2009 year, the board and management approved the following key budget development assumptions:

The key assumptions in the District's General Fund unrestricted revenue forecast are:

1. Total Revenue Limit Income with a COLA Of 4.53% to arrive at \$47,910,251 in revenue limit sources
2. Prior Year P-2 (on which Revenues are calculated) Average Daily Attendance – ADA of 8224

The district has been in a subtle enrollment decline over the past four years but it is our expectation that enrollment will stabilize in the 2008-2009 fiscal year and remain relatively constant over the short term.

In Fiscal Year 2008, the District spent approximately \$11.7 million on its facility program. Major projects included \$2.0 million for the purchase of King dinning equipment, \$2.3 Franklin parent nursery projects and King Child development center project.

In Fiscal Year 2009, the District is planning to spend \$2.1 million for equipment at the King Dining Commons as well \$2.5 million on other capital projects district-wide.

### ***CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact:

Javetta Cleveland, CPA, Deputy Superintendent, Business Services  
2134 Martin Luther King, Jr. Way, Berkeley, CA 94704

Pauline Follansbee, CPA, Director of Fiscal Services  
2134 Martin Luther King, Jr. Way, Berkeley, CA 94704

# BERKELEY UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET ASSETS JUNE 30, 2008

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 106,972,853
Receivables	13,165,441
Deferred charges	580,224
Stores inventories	120,883
Capital assets not depreciated	29,813,644
Capital assets depreciated	253,842,865
Less: Accumulated depreciation	(73,847,943)
<b>Total assets</b>	<b>330,647,967</b>
<b>LIABILITIES</b>	
Accounts payable	18,131,309
Interest payable	4,254,004
Deferred revenue	1,830,121
Claims liability	1,923,435
Current loan	15,860,000
Current portion of long-term obligations, net of defeasance cost	8,654,367
Noncurrent portion of long-term obligations	207,905,315
<b>Total liabilities</b>	<b>258,558,551</b>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	40,321,813
Restricted for:	
Legally restricted	5,827,084
Debt service	10,336,999
Capital projects	977
Special revenue	3,466,869
Self insurance	2,076,761
Unrestricted	10,058,913
<b>Total net assets</b>	<b>\$ 72,089,416</b>

The accompanying notes are an integral part of these financial statements.

# BERKELEY UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction	\$ 79,168,769	\$ 234,871	\$ 21,418,067	\$ (57,515,831)
Instruction related activities:				
Supervision of instruction	6,033,147	9,672	3,645,396	(2,378,079)
Instructional library and technology	2,285,020	172	207,809	(2,077,039)
School site administration	7,511,481	55,991	1,422,346	(6,033,144)
Pupil services:				
Home-to-school transportation	3,985,676	214,195	1,025,689	(2,745,792)
Food services	3,311,258	262,364	1,916,995	(1,131,899)
All other pupil services	4,106,878	3,779	1,115,518	(2,987,581)
General administration:				
Data processing	851,299	-	-	(851,299)
All other general administration	6,220,082	33,775	1,315,134	(4,871,173)
Plant services	13,294,811	74,873	550,694	(12,669,244)
Ancillary services	190,804	-	-	(190,804)
Community services	195,585	615	52,830	(142,140)
Enterprise services	93,172	-	-	(93,172)
Interest on long-term obligations	10,303,808	-	-	(10,303,808)
Other (outgo)	176,735	8,801	480,374	312,440
<b>Total governmental-type activities</b>	<b>\$137,728,525</b>	<b>\$ 899,108</b>	<b>\$ 33,150,852</b>	<b>(103,678,565)</b>
General revenues and subventions:				
Property taxes, levied for general purposes				25,748,513
Property taxes, levied for debt service				16,932,605
Taxes levied for other specific purposes				25,320,153
Federal and State aid not restricted to specific purposes				30,655,862
Interest and investment earnings				4,452,075
Miscellaneous				8,887,288
<b>Subtotal, general revenues</b>				<b>111,996,496</b>
<b>Change in net assets</b>				<b>8,317,931</b>
Net assets - beginning				63,771,485
Net assets - ending				<b>\$ 72,089,416</b>

The accompanying notes are an integral part of these financial statements.

# BERKELEY UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### BALANCE SHEET

JUNE 30, 2008

	General Fund	Building Fund	Bond Interest and Redemption Fund
<b>ASSETS</b>			
Deposits and investments	\$ 34,192,630	\$ 48,396,871	\$ 13,914,326
Receivables	10,025,136	414,568	614,341
Due from other funds	667,152	1,350,000	-
Stores inventories	-	-	-
<b>Total assets</b>	<b>\$ 44,884,918</b>	<b>\$ 50,161,439</b>	<b>\$ 14,528,667</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 12,172,415	\$ 4,909,640	\$ -
Due to other funds	703,667	29,998	-
Other current liabilities	15,860,000	-	-
Deferred revenue	1,643,600	-	-
<b>Total liabilities</b>	<b>30,379,682</b>	<b>4,939,638</b>	<b>-</b>
<b>Fund Balances:</b>			
Reserved for:			
Revolving cash	100,000	-	-
Stores inventories	-	-	-
Grant reservations	5,025,977	-	-
Unreserved:			
Designated	9,379,259	-	-
Undesignated, reported in:			
Special revenue funds	-	-	-
Debt service funds	-	-	14,528,667
Capital projects funds	-	45,221,801	-
<b>Total fund balance</b>	<b>14,505,236</b>	<b>45,221,801</b>	<b>14,528,667</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 44,884,918</b>	<b>\$ 50,161,439</b>	<b>\$ 14,528,667</b>

The accompanying notes are an integral part of these financial statements.

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<b>Non Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 6,394,938	\$ 102,898,765
1,994,854	13,048,899
675,874	2,693,026
120,883	120,883
<u>\$ 9,186,549</u>	<u>\$ 118,761,573</u>

\$ 889,572	\$ 17,971,627
2,017,152	2,750,817
-	15,860,000
186,521	1,830,121
<u>3,093,245</u>	<u>38,412,565</u>

-	100,000
120,883	120,883
-	5,025,977
-	9,379,259
5,909,108	5,909,108
62,336	14,591,003
977	45,222,778
<u>6,093,304</u>	<u>80,349,008</u>

<u>\$ 9,186,549</u>	<u>\$ 118,761,573</u>
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# BERKELEY UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2008

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### Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 80,349,008</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 283,656,509	
Accumulated depreciation is	<u>(73,847,943)</u>	209,808,566
Deferred charges relating to issuance of debt is expensed over the life of the debt on the government-wide financial statements, but were recorded as an expenditure in the governmental fund statements when the debt was issued.		580,224
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is paid. On the government-wide statements, unmatured interest on long-term debt is recognized as it accrues.		(4,254,004)
In the governmental funds, the receipt of the special education mandate settlement is reported as revenue in the year received. On the statement of net assets, the settlement amount is recorded as a receivable and payments received in the current year reduce the receivable amount.		88,543
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		2,076,761
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable	215,570,000	
Bond premium	1,455,253	
Defeasance cost	(2,316,699)	
Compensated absences (vacations)	<u>1,851,128</u>	<u>(216,559,682)</u>
<b>Total Net Assets - Governmental Activities</b>		<b><u>\$ 72,089,416</u></b>

The accompanying notes are an integral part of these financial statements.

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# BERKELEY UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	Building Fund	Bond Interest and Redemption Fund
<b>REVENUES</b>			
Revenue limit sources	\$50,988,820	\$ -	\$ -
Federal sources	4,337,613	-	-
Other state sources	21,253,716	-	174,302
Other local sources	34,230,275	2,194,786	17,118,793
<b>Total Revenues</b>	<u>110,810,424</u>	<u>2,194,786</u>	<u>17,293,095</u>
<b>EXPENDITURES</b>			
Current			
Instruction	67,366,054	-	-
Instruction related activities:			
Supervision of instruction	5,305,086	-	-
Instructional library and technology	2,180,141	-	-
School site administration	5,734,430	-	-
Pupil Services:			
Home-to school transportation	3,517,846	-	-
Food services	51,575	-	-
All other pupil services	3,635,217	-	-
General administration:			
Data processing	807,220	-	-
All other general administration	5,885,487	-	-
Plant services	11,880,052	-	-
Facility acquisition and construction	489,719	10,360,811	-
Ancillary services	179,468	-	-
Community services	184,625	-	-
Other outgo	10,735	-	-
Debt service			
Principal	-	-	7,069,526
Interest and other	767,782	-	9,728,666
<b>Total Expenditures</b>	<u>107,995,437</u>	<u>10,360,811</u>	<u>16,798,192</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>2,814,987</u>	<u>(8,166,025)</u>	<u>494,903</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	55,227	-	-
Transfers out	(1,507,214)	(829,801)	-
<b>Net Financing Sources (Uses)</b>	<u>(1,451,987)</u>	<u>(829,801)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>1,363,000</u>	<u>(8,995,826)</u>	<u>494,903</u>
<b>Fund Balance - Beginning</b>	<u>13,142,236</u>	<u>54,217,627</u>	<u>14,033,764</u>
<b>Fund Balance - Ending</b>	<u><u>\$14,505,236</u></u>	<u><u>\$45,221,801</u></u>	<u><u>\$ 14,528,667</u></u>

The accompanying notes are an integral part of these financial statements.

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<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 847,952	\$ 51,836,772
2,703,307	7,040,920
10,822,495	32,250,513
1,307,125	54,850,979
<u>15,680,879</u>	<u>145,979,184</u>
8,350,871	75,716,925
475,464	5,780,550
-	2,180,141
1,422,727	7,157,157
261,934	3,779,780
3,110,772	3,162,347
293,583	3,928,800
-	807,220
780,445	6,665,932
530,171	12,410,223
1,177,532	12,028,062
-	179,468
-	184,625
166,000	176,735
-	7,069,526
986	10,497,434
<u>16,570,485</u>	<u>151,724,925</u>
<u>(889,606)</u>	<u>(5,745,741)</u>
1,925,015	1,980,242
(55,227)	(2,392,242)
<u>1,869,788</u>	<u>(412,000)</u>
980,182	(6,157,741)
5,113,122	86,506,749
<u>\$ 6,093,304</u>	<u>\$ 80,349,008</u>

# BERKELEY UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2008

---

**Amounts Reported for Governmental Activities in the Statement of Activities  
are Different Because:**

**Total Net Change in Fund Balances - Governmental Funds**

**\$ (6,157,741)**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are capitalized in the statement of net assets and depreciated over their estimated useful lives as an expenses in the statement of activities.

This is the amount by which capital outlays exceeds depreciation in the period.

Depreciation expense

**\$(5,744,532)**

Capital outlays

11,712,894

**5,968,362**

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned exceeded the amounts used by \$50,518.

**(50,518)**

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

**7,730,000**

Amortization of premium on long-term debt is not recognized in the governmental funds. In the government-wide statements, it is deferred and amortized over the life of the related debt.

**73,861**

Amortization of debt defeasance cost is not recognized in the governmental funds. In the government-wide statements, it is capitalized and amortized over the life of the related bond.

**(144,794)**

Amortization of issuance cost is not recorded in the governmental funds, but is amortized over the life of the related bond on the government-wide statements.

**(27,801)**

In the governmental funds, the receipt of the special education mandate settlement is reported as revenue in the year received. On the statement of net assets, the settlement amount is recorded as a receivable and payment received in the current year reduces the receivable amount.

**(41,422)**

The accompanying notes are an integral part of these financial statements.

# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - CONTINUED FOR THE YEAR ENDED JUNE 30, 2008**

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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

(368,114)

An internal service fund is used by the District's management to charge the costs of the unemployment compensation insurance program to the individual funds. The net revenue of the internal service fund is reported with governmental activities.

1,336,098

**Change in Net Assets of Governmental Activities**

\$ 8,317,931

The accompanying notes are an integral part of these financial statements.

**BERKELEY UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUND  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
<b>Current Assets</b>	
Deposits and investments	\$ 4,074,088
Receivables	27,999
<b>Total Current Assets</b>	<u>4,102,087</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	101,891
Claim Liabilities	1,923,435
<b>Total Current Liabilities</b>	<u>2,025,326</u>
<b>NET ASSETS</b>	
Restricted	2,076,761
<b>Total Net Assets</b>	<u><u>\$ 2,076,761</u></u>

The accompanying notes are an integral part of these financial statements.

**BERKELEY UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES**

**IN FUND NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2008**

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	<b>Governmental Activities - Internal Service Fund</b>
	<hr/>
<b>OPERATING REVENUES</b>	
Indistrict contributions	\$ 3,173,037
	<hr/>
<b>OPERATING EXPENSES</b>	
Payroll costs	165,647
Supplies and materials	2,322
Claims expense	2,189,665
<b>Total Operating Expenses</b>	<hr/> 2,357,634 <hr/>
<b>Operating Income</b>	<hr/> 815,403 <hr/>
<b>NONOPERATING REVENUES</b>	
Interest revenue	108,695
Transfers in	412,000
<b>Total Nonoperating Revenues</b>	<hr/> 520,695 <hr/>
Change in net assets	1,336,098
<b>Total Net Assets - Beginning</b>	<hr/> 740,663 <hr/>
<b>Total Net Assets - Ending</b>	<hr/> \$ 2,076,761 <hr/>

The accompanying notes are an integral part of these financial statements.

**BERKELEY UNIFIED SCHOOL DISTRICT**

**PROPRIETARY FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008**

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	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from user charges	\$ 3,173,037
Cash received from assessments made to other funds	102,271
Cash payments to employees for services	(165,647)
Cash payments for insurance claims	(1,721,863)
Cash payments to suppliers for goods and services	(3,035)
Net Cash Provided by Operating Activities	<u>1,384,763</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	412,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest revenue	<u>104,940</u>
Net increase in cash and cash equivalents	1,901,703
Cash and cash equivalents - Beginning	2,172,385
Cash and cash equivalents - Ending	<u><u>\$ 4,074,088</u></u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 815,403
Changes in assets and liabilities:	
Accrued liabilities	467,385
Due to/from other fund	101,975
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 1,384,763</u></u>

The accompanying notes are an integral part of these financial statements.

**BERKELEY UNIFIED SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS  
JUNE 30, 2008**

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	<b>Warrant Pass Through Agency Fund</b>	<b>Student Body Agency Funds</b>
<b>ASSETS</b>		
Deposits and investments	\$ 305,330	\$ 467,280
Receivables	121	-
Due from other funds	57,791	-
<b>Total assets</b>	<u><u>\$ 363,242</u></u>	<u><u>\$ 467,280</u></u>
<b>LIABILITIES</b>		
Due to statutory agencies	\$ 363,242	\$ -
Due to student groups	-	467,280
<b>Total liabilities</b>	<u><u>\$ 363,242</u></u>	<u><u>\$ 467,280</u></u>

The accompanying notes are an integral part of these financial statements.



# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Financial Reporting Entity**

The Berkeley Unified School District was unified in 1879 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K- 12 as mandated by the State and/or Federal agencies. The District operates 11 elementary, 3 middle, 1 high schools, one adult, and one continuation program.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For, this District the reporting entity includes general operations, food service, and student related activities of the District.

**Joint Powers Agencies and Public Entity Risk Pools** The District is associated with the School Excess Liability Fund public entity risk pool. The organization does not meet the criteria for inclusion as component unit of the District.

#### **Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

#### **Major Governmental Funds**

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of a district. All transactions except those required or permitted by law to be in another fund are accounted for in this fund.

**Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* sections 15125-15262).

# BERKELEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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### Other Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue Funds are established to account for the proceeds from specific revenue sources (other than trusts or for major capital projects) that are restricted to the financing of particular activities:

**Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

**Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

**Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* sections 38091 and 38100).

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

**Pupil Transportation Equipment Fund** The Pupil Transportation Equipment Fund is used to account separately for State and local revenues specifically for the acquisition, rehabilitation, or replacement of equipment used to transport students (*Education Code* Section 41852[b]).

**Special Reserve Fund for Other Than Capital Outlay Projects** The Special Reserve Fund for Other Than Capital Outlay Projects is used primarily to provide for the accumulation of General Fund monies for general operating purposes other than for capital outlay (*Education Code* Section 42840).

**Debt Service Funds** The Debt Service Funds are established to account for the accumulation of resources for and the payment of principal and interest on long-term obligations.

**Tax Override Fund** The Tax Override Fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies.

**Capital Project Funds** The Capital Project funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

**County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

# BERKELEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

**Internal Service Fund** Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a workers compensation insurance program that is accounted for in an internal service fund.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The District operates only agency fund types. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB) and the cash revolving/warrant pass through fund.

### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each governmental program, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

# BERKELEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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**Governmental Funds** All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

**Proprietary Funds** Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Deferred Revenue** Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on general long-term obligations, which have not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

### **Investments**

Investments held at June 30, 2008, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

### **Restricted Assets**

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

### **Prepaid Expenditures**

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures over the benefiting period.

### **Stores Inventories**

Inventories consist of expendable food and supplies held for consumption and unused donated commodities. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. In general, capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 50 years; improvement to sites, 20 years; equipment, 5 to 15 years.

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental columns of the statement of net assets

### **Compensated Absences**

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net assets. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as a liability on the fund financial statements when due.

# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **Deferred Issuance Costs, Premiums and Discounts and Defeasance Costs**

In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts and defeasance costs, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method.

### **Fund Balance Reserves and Designations**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for revolving cash accounts, stores inventories, prepaid expenditures (expenses), and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties and other purposes.

### **Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

### **Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the statement of activities, except for the net residual amounts transferred between governmental and business-type activities.

### **Estimates**

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **Budgetary Data**

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

### **Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Alameda bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

### **New Accounting Pronouncements**

In July 2004, GASB issued GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.



# BERKELEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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*GASB Statement No. 48* – In September 2006, the GASB issued Statement No. 49, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement addresses accounting and financial reporting standards for transactions where governments exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. This statement establishes criteria and reporting standards regarding the exchange as either a sale or collateralized borrowing, resulting in a liability. This statement is effective June 30, 2008. The adoption of this statement did not have any impact on the financial statements of the District.

*GASB Statement No. 49* – In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. This statement is not effective until June 30, 2009. The District has not determined its effect on the financial statements.

In May 2007, GASB issued GASBS No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting a surrogate funded status and funding progress of plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later. Early implementation is encouraged. The adoption of this statement did not have any impact on the District's financial statements.

In June 2007, GASB issued GASBS No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively. For governments that were classified as phase 1 or phase 2 governments for the purpose of implementing Statement No. 34, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated. The District has not determined its effect on the financial statements.

# BERKELEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

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In November 2007, GASB issued GASBS No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The guidance in this Statement is effective for financial statements for reporting periods beginning after June 15, 2008, with earlier application encouraged. The District has not determined its effect on the financial statements.

In June 2008, GASB issued GASBS No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement is intended to improve how State and local governments report information about derivative instruments—financial arrangements used by governments to manage specific risks or make investments—in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements and is effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged. The District has not determined its effect on the financial statements.

### NOTE 2 – DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2008, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 102,898,765
Proprietary	4,074,088
Fiduciary funds	772,610
Total Deposits and Investments	<u>\$ 107,745,463</u>

Deposits and investments as of June 30, 2008, consist of the following:

Cash on hand and in banks	\$ 1,232,894
Cash in revolving	100,000
Investments	106,412,569
Total Deposits and Investments	<u>\$ 107,745,463</u>

#### Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

# BERKELEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

### General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury Pool and Federal Home Loan.

Investment Type	Cost	Fair Value	Maturity in years
County Pool	\$ 90,472,148	\$ 90,924,509	0.915
Money Market Mutual Funds	15,940,421	15,940,421	-
Total	<u>\$ 106,412,569</u>	<u>\$ 106,864,930</u>	

# BERKELEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the county pool and money market mutual funds are not required to be rated.

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. As of June 30, 2008, District bank balances of \$1,062,603 were exposed to custodial credit risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General	Building	Bond Interest and Redemption	Nonmajor Funds	Total	Proprietary	Fiduciary Funds
Federal Government							
Categorical aid	\$ 1,108,928	\$ -	\$ -	\$ 780,815	\$ 1,889,743	\$ -	\$ -
State Government							
Apportionment	532,875	-	-	539,032	1,071,907	-	-
Categorical aid	3,952,955	-	-	355,654	4,308,609	-	-
Lottery	656,745	-	-	-	656,745	-	-
Local Government							
Interest	229,994	414,568	103,976	42,860	791,398	27,999	-
Other Local Sources	3,543,639	-	510,365	276,493	4,330,497	-	121
Total	<u>\$10,025,136</u>	<u>\$414,568</u>	<u>\$614,341</u>	<u>\$1,994,854</u>	<u>\$13,048,899</u>	<u>\$ 27,999</u>	<u>\$ 121</u>

The District also had \$88,543 in mandated special education long-term receivables recorded in the government-wide statements.

# BERKELEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
<b>Governmental Activities</b>				
Capital Assets not being depreciated:				
Land	\$ 6,919,100	\$ -	\$ -	\$ 6,919,100
Construction in Progress	14,879,418	11,401,068	1,692,971	24,587,515
Total Capital Assets not being depreciated	21,798,518	11,401,068	1,692,971	31,506,615
Capital Assets being depreciated:				
Improvements of sites	8,514,883	1,542,856	-	10,057,739
Buildings	233,326,760	5,334	-	233,332,094
Equipment	8,303,454	456,607	-	8,760,061
Total Capital Assets being depreciated	250,145,097	2,004,797	-	252,149,894
Total Capital Assets	271,943,615	13,405,865	1,692,971	283,656,509
Less Accumulated Depreciation:				
Improvements of sites	3,252,821	488,476	-	3,741,297
Buildings	59,029,283	4,536,248	-	63,565,531
Equipment	5,821,307	719,808	-	6,541,115
Total Accumulated Depreciation	68,103,411	5,744,532	-	73,847,943
Governmental Activities Capital Assets, Net	\$203,840,204	\$ 7,661,333	\$ 1,692,971	\$ 209,808,566

Depreciation expense was charged as a direct expense to governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 3,451,844
Supervision of Instruction	252,597
Instructional Library Media and Technology	104,879
School Administration	354,324
Pupil Transportation	205,896
Food Services	148,911
Other Pupil Services	178,078
Ancillary Services	11,336
Community Services	10,960
Enterprise	93,173
Other General Administration	319,035
Data Processing Services	44,079
Plant Maintenance and Operations	569,420
Total Depreciation Expense Governmental Activities	\$ 5,744,532

# BERKELEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### NOTE 5 – INTERFUND TRANSACTIONS

#### Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2008, between major and non-major governmental funds, internal service funds, and fiduciary funds are as follows:

		Due From				
		Nonmajor				Total
		General	Building	Governmental	Fiduciary	
Due To	General	\$ -	\$ -	\$ 645,876	\$ 57,791	\$ 703,667
	Building	-	-	29,998	-	29,998
	Nonmajor governmental	667,152	1,350,000	-	-	2,017,152
	Total	\$ 667,152	\$ 1,350,000	\$ 675,874	\$ 57,791	\$ 2,750,817

All balance resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

# BERKELEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### Operating Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Transfer Out	Transfer In			Total
	General Fund	Nonmajor Governmental	Internal Service	
General	\$ -	\$ 1,095,214	\$ 412,000	\$ 1,507,214
Building	-	829,801	-	829,801
Nonmajor Governmental	55,227	-	-	55,227
Total	\$ 55,227	\$ 1,925,015	\$ 412,000	\$ 2,392,242

The General Fund transferred to the Adult Education Fund for support.	\$ 150,000
The General Fund transferred to the Cafeteria Fund for cafeteria encroachment.	217,723
The Building Fund transferred to the Deferred Maintenance Fund for the District Match.	531,801
The General Fund transferred to the Pupil Transportation fund for bus purchases.	5,145
The Building Fund transferred to the Pupil Transportation fund for bus purchases.	298,000
The General Fund transferred to the Special Reserve - Other than Capital Outlay for economic uncertainties to meet the 3% requirement.	722,346
The General Fund transferred to the Self-Insurance fund for claims payments.	412,000
The Pupil Transportation Fund transferred to the General Fund for indirect cost reimbursements.	55,227
Total	<u>\$ 2,392,242</u>

### NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2008, consisted of the following:

	General	Building	Nonmajor Governmental	Total	Proprietary
Vendor payables	\$ 3,665,844	\$ 4,228,870	\$ 414,831	\$ 8,309,545	\$ 101,891
State apportionment	238,177	-	-	238,177	-
Salaries and benefits	8,265,510	-	474,654	8,740,164	-
Other significant payables	-	680,770	-	680,770	-
Other	2,884	-	87	2,971	-
Total	<u>\$ 12,172,415</u>	<u>\$ 4,909,640</u>	<u>\$ 889,572</u>	<u>\$ 17,971,627</u>	<u>\$ 101,891</u>

# BERKELEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2008, consists of the following:

	General	Nonmajor Governmental	Total
Federal financial assistance	\$ 418,986	\$ -	\$ 418,986
State categorical aid	138,224	38,640	176,864
Other local	1,086,390	147,881	1,234,271
Total	<u>\$ 1,643,600</u>	<u>\$ 186,521</u>	<u>\$ 1,830,121</u>

### NOTE 8 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On November 29, 2007, the District issued \$15,860,000 Tax and Revenue Anticipation Notes bearing interest at 4.0 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on November 28, 2008. By June 30, 2008, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

Changes in the outstanding liabilities for the Tax and Revenue Anticipation Notes is as follows:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2007	Additions	Payments	Outstanding June 30, 2008
11/15/2006	4.5%	11/28/2007	\$ 16,015,000	\$ -	\$ 16,015,000	\$ -
11/29/2007	4.0%	11/28/2008	-	15,860,000	-	15,860,000
Total			<u>\$ 16,015,000</u>	<u>\$ 15,860,000</u>	<u>\$ 16,015,000</u>	<u>\$ 15,860,000</u>

### NOTE 9 – LONG-TERM OBLIGATIONS

#### Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Due in One Year
General obligation bonds	\$ 221,605,000	\$ -	\$ 6,035,000	\$ 215,570,000	\$ 8,725,000
Capital appreciation bonds	1,695,000	-	1,695,000	-	-
Bond premium	1,529,114	-	73,861	1,455,253	73,861
Defeasance cost	(2,461,493)	-	(144,794)	(2,316,699)	(144,494)
Sub Total	222,367,621	-	7,659,067	214,708,554	8,654,367
Accumulated vacation - net	1,800,610	50,518	-	1,851,128	-
	<u>\$ 224,168,231</u>	<u>\$ 50,518</u>	<u>\$ 7,659,067</u>	<u>\$ 216,559,682</u>	<u>\$ 8,654,367</u>



# BERKELEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2007	Issued/ Accreted	Redeemed	Bonds Outstanding June 30, 2008
<b>General Obligation Bonds</b>							
5/20/98	2023	4.4%-7.4%	\$ 18,000,000	\$ 14,330,000	\$ -	\$ 610,000	\$ 13,720,000
4/27/99	2024	4.2%-5.3%	20,000,000	16,655,000	-	660,000	15,995,000
5/23/00	2025	5.0%-8.0%	21,000,000	1,265,000	-	610,000	655,000
9/1/99	2021	4.4%-5.0%	38,945,000	31,910,000	-	1,780,000	30,130,000
5/29/01	2026	4.0%-7.0%	17,000,000	15,240,000	-	500,000	14,740,000
5/14/03	2028	2.0%-4.8%	50,000,000	45,980,000	-	1,450,000	44,530,000
10/21/04	2024	3.2%-4.3%	28,950,000	28,695,000	-	260,000	28,435,000
5/19/05	2025	3.0%-4.3%	19,090,000	18,530,000	-	165,000	18,365,000
7/28/05	2030	3.35%-7.0%	24,500,000	24,500,000	-	-	24,500,000
6/28/07	2032	4.75%-5.0%	24,500,000	24,500,000	-	-	24,500,000
Subtotal				221,605,000	-	6,035,000	215,570,000
<b>Capital Appreciation Bonds</b>							
6/11/97	2022	3.9%-5.8%	19,000,777	1,695,000	-	1,695,000	-
Total General Obligation Bonds				\$ 223,300,000	\$ -	\$ 7,730,000	\$ 215,570,000

### Debt Service Requirements to Maturity

The bonds mature through 2032 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2009	\$ 8,725,000	\$ 9,240,282	\$ 17,965,282
2010	9,725,000	8,860,926	18,585,926
2011	10,135,000	8,448,345	18,583,345
2012	10,545,000	8,019,518	18,564,518
2013	10,995,000	7,574,389	18,569,389
2014-2018	62,645,000	30,479,804	93,124,804
2019-2023	57,375,000	16,765,627	74,140,627
2024-2028	36,010,000	6,110,386	42,120,386
2029-2032	9,415,000	775,600	10,190,600
Total	\$ 215,570,000	\$ 96,274,877	\$ 311,844,877

# BERKELEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

### NOTE 10 – FUND BALANCES

Fund balances are with reservations/designations composed of the following elements:

	General	Building	Bond Interest and Redemption	Nonmajor Governmental	Total
<b>Reserved</b>					
Revolving cash	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Stores inventory	-	-	-	120,883	120,883
Restricted programs	5,025,977	-	-	-	5,025,977
Total Reserved	5,125,977	-	-	120,883	5,246,860
<b>Unreserved</b>					
Designated					
Economic uncertainties	768,764	-	-	-	768,764
Other designation	8,610,495	-	-	-	8,610,495
Total Designated	9,379,259	-	-	-	9,379,259
Undesignated	-	45,221,801	14,528,667	5,972,421	65,722,889
Total Unreserved	9,379,259	45,221,801	14,528,667	5,972,421	75,102,148
Total	\$14,505,236	\$ 45,221,801	\$ 14,528,667	\$ 6,093,304	\$ 80,349,008

### NOTE 11 - RISK MANAGEMENT

#### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2008, the District contracted with School Excess Liability Fund (SELF) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

# BERKELEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

### Workers' Compensation

The District's worker's compensation activities are recorded in the Internal Service Fund. The purpose of the fund is to administer employee's compensation on a cost reimbursement basis. The program accounts for the risk financing activities of the District, but does not constitute a transfer or risk from the District.

Coverage provided by the Schools Excess Liability Fund and the Berkeley Unified School District Worker's Compensation Self-Insurance Program is as follows:

Insurance Program / Company Name	Type of Coverage	Limits
Berkeley Unified School District Workers Compensation Insurance Program	Workers' Compensation	Statutory limit
Berkeley Unified School District	Property & Liability	\$1,000,000
School Excess Liability Fund	Excess Property and Liability	Limits vary depending on type of loss

### Claims Liabilities

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

### Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The self insurance program was initiated in January 1, 2004. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2007 to June 30, 2008:

	Self Insurance Programs
Liability Balance, June 30, 2006	\$ 1,178,791
Claims and changes in estimates	2,023,183
Claims payments	(1,713,735)
Liability Balance, June 30, 2007	1,488,239
Claims and changes in estimates	2,613,348
Claims payments	(2,178,152)
Liability Balance, June 30, 2008	1,923,435
Assets available to pay claims at June 30, 2008	\$ 4,000,196

# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

#### **CalSTRS**

##### **Plan Description**

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

##### **Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2007-2008 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$3,786,085, \$3,486,111, and \$3,310,677, respectively, and equal 100 percent of the required contributions for each year.

#### **CalPERS**

##### **Plan Description**

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008**

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### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-2008 was 9.306 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2007, and 2006, were \$1,904,162, \$1,771,891, and \$1,707,269, respectively, and equal 100 percent of the required contributions for each year.

### **Other Information**

Under CalSTRS law, certain early retirement incentives require the employer to pay the present value of the additional benefit which may be paid on either a current or deferred basis. The District has no obligations to CalSTRS.

### **On Behalf Payments**

The State of California makes a 4.517 percent of salaries subject to CalSTRS contributions to CalSTRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$2,071,109, \$1,904,479 and \$1,811,562 for fiscal years ending June 30, 2008, 2007 and 2006. No contributions were made for CalPERS for the year ended June 30, 2008. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements, but they are not included in the budgeted revenues and expenditures of the District. These amounts have been excluded from the computation of the available reserves percentage.

## **NOTE 13 - COMMITMENTS AND CONTINGENCIES**

### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

### **Litigation**

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the district at June 30, 2008.

# BERKELEY UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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### Construction Commitments

As of June 30, 2008, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Berkeley High School - 10 Classrooms	\$ 1,620,000	01/31/09
Berkeley High School New Classroom Project	2,724,000	06/30/13
Berkeley High School Old Gym Demolition	3,776,000	11/30/13
Berkeley High School Stadium Building	10,303,000	07/31/11
Franklin Parent Nursery	1,530,000	12/31/08
John Muir Paint/Floor	595,000	01/31/09
King CDC	1,531,000	12/31/08
King Dinning Equipment	96,000	11/30/08
King Gym	922,000	01/31/09
King MediaPaint Floor	190,000	01/31/09
King Track	19,000	01/31/09
LeConte Paint Floor	770,000	01/31/09
Transportation Yard	8,241,000	11/30/09
Washington Solar	451,000	01/31/09
West Campus	14,751,000	09/30/11
	<u>\$ 47,519,000</u>	

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# BERKELEY UNIFIED SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2008

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Favorable (Unfavorable) Final to Actual
	Original	Final		
<b>REVENUES</b>				
Revenue limit sources	\$ 50,043,874	\$50,848,416	\$ 50,988,820	\$ 140,404
Federal sources	4,128,768	5,255,878	4,337,613	(918,265)
Other state sources	19,753,588	20,094,191	19,182,607	(911,584)
Other local sources	33,244,954	35,335,455	34,230,275	(1,105,180)
<b>Total Revenues<sup>1</sup></b>	<b>107,171,184</b>	<b>111,533,940</b>	<b>108,739,315</b>	<b>(2,794,625)</b>
<b>EXPENDITURES</b>				
Current				
Instruction	63,587,436	69,907,352	65,294,945	4,612,407
Instruction related activities:				
Supervision of instruction	5,392,524	5,665,773	5,305,086	360,687
Instructional library, media, and technology	2,193,541	2,716,293	2,180,141	536,152
School site administration	6,133,617	6,067,334	5,734,430	332,904
Pupil services:				
Home-to-school transportation	3,573,798	3,743,833	3,517,846	225,987
Food services	-	51,549	51,575	(26)
All other pupil services	3,914,772	3,860,188	3,635,217	224,971
General administration:				
Data processing	959,473	858,784	807,220	51,564
All other general administration	6,116,798	6,551,877	5,885,487	666,390
Plant services	12,650,263	12,722,081	11,880,052	842,029
Facility acquisition and construction	662,573	767,432	489,719	277,713
Ancillary services	214,709	214,709	179,468	35,241
Community services	198,087	239,703	184,625	55,078
Other outgo	-	-	10,735	(10,735)
Debt service				
Interest	792,979	792,979	767,782	25,197
<b>Total Expenditures<sup>1</sup></b>	<b>106,390,570</b>	<b>114,159,887</b>	<b>105,924,328</b>	<b>8,235,559</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>780,614</b>	<b>(2,625,947)</b>	<b>2,814,987</b>	<b>5,440,934</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	55,227	55,227	-
Transfers out	(1,577,730)	(1,302,792)	(1,507,214)	(204,422)
<b>Net Financing Sources (Uses)</b>	<b>(1,577,730)</b>	<b>(1,247,565)</b>	<b>(1,451,987)</b>	<b>(204,422)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(797,116)</b>	<b>(3,873,512)</b>	<b>1,363,000</b>	<b>5,236,512</b>
Fund Balance - Beginning	13,142,236	13,142,236	13,142,236	-
Fund Balance - Ending	<u>\$ 12,345,120</u>	<u>\$ 9,268,724</u>	<u>\$ 14,505,236</u>	<u>\$ 5,236,512</u>

<sup>1</sup> On behalf payments of \$2,071,109 were not included in this schedule.



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***SUPPLEMENTARY INFORMATION***

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# BERKELEY UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
No Child Left Behind Act:			
Title I, Part A, Basic Grants	84.010	14329	\$ 1,140,228
Title II, Part A, Teacher Quality	84.367	14341	439,506
Title II, Part D, Education Technology	84.318	14368	227,942
Title III, Immigrant Education Program	84.365	14346	30,823
Title III, Limited English Proficiency Student Program	84.365	10084	78,951
Title IV, 21st Century Community Centers	84.287	14349	617,900
Title IV, Part A, Drug-Free Schools	84.186	14347	16,175
Title V, Part A, Innovative Education Strategies	84.298A	14354	10,066
Title X, McKinney - Vento Homeless Assistance Grants	84.196	14332	79,947
Special Education (PL94-142)			
Basic Local Assistance Entitlement, Part B	84.027	13379	1,530,665
Preschool Grants, Part B	84.173	13430	30,337
Preschool Local Entitlement, Part B	84.027A	13682	46,574
Local Staff Development Grant, Part B	84.027A	13613	389
Low-Incidence Entitlement, Part B	84.027A	13459	5,104
Workability II, Transition Partnership	84.158	10006	161,345
Carl Perkins Act:			
Vocational & Applied Technology, Secondary	84.048	13924	57,253
Vocational & Applied Technology, Postsecondary	84.048	13923	85,864
Adult Education			
Priority 1-3, English as a Second Language	84.002A	14508	298,172
Priority 5, Adult Secondary Education	84.002	13978	13,127
English Literacy & Civics Education	84.002A	14109	98,701
Medi-Cal Billing Option	93.778	10013	13,626
Smaller Learning Communities	84.215L	<sup>1</sup>	12,125
Subtotal			<u>4,994,820</u>

See accompanying note to supplementary information.

**BERKELEY UNIFIED SCHOOL DISTRICT****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2008**

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**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## Passed through CDE:

## Child Development

Federal Child Care, Center-based	93.596	13609	267,787
Quality Improvement Activities	93.575	13979	39,270
School-Age Child Care Resource Contracts	93.575	13941	3,466
Infant and Toddler Child Care Resource Contracts	93.575	13942	2,535
Subtotal			<u>313,058</u>

**U.S. DEPARTMENT OF AGRICULTURE**

## Passed through CDE:

## Child Nutrition Clusters

Child Care Food Program	10.558	23165	237,611
Lunch	10.555	13391	697,170
Needy Breakfast	10.553	13526	703,784
Supplement	10.553	13390	94,477
Fair Market Value of Commodities	10.555	13391	62,886
Subtotal			<u>1,795,928</u>

**Total Expenditures of Federal Awards**\$ 7,103,806

1 District funded programs; PCA number not applicable.

See accompanying note to supplementary information.

# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE**

**JUNE 30, 2008**

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### **ORGANIZATION**

The Berkeley Unified School District was unified in 1879 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K- 12 as mandated by the State and/or Federal agencies. The District operates 11 elementary, 3 middle, 1 high schools, one adult, and one continuation schools site.

### **GOVERNING BOARD**

MEMBER	OFFICE	TERM EXPIRES
John T. Selawsky	President	2008
Nancy Riddle	Vice President	2010
Shirley Issel	Member	2010
Joaquin J. Rivera	Member	2008
Karen Hemphill	Member	2010

### **ADMINISTRATION**

William Huyett	Superintendent
Javetta Cleveland	Deputy Superintendent, Business

See accompanying note to supplementary information.

# BERKELEY UNIFIED SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2008

	Amended Second Period Report	Annual Report
<b>ELEMENTARY</b>		
Kindergarten	606	608
First through third	1,711	1,709
Fourth through sixth	1,616	1,633
Seventh and eighth	1,156	1,158
Home and hospital	3	3
Special education	94	97
Total Elementary	5,186	5,208
<b>SECONDARY</b>		
Regular classes	3,031	3,005
Continuation education	106	105
Home and hospital	16	15
Special education	75	75
Total Secondary	3,228	3,200
Total K-12	8,414	8,408
<b>CLASSES FOR ADULTS</b>		
Concurrently enrolled	9	10
Not concurrently enrolled	1,718	1,846
Total Classes for Adults	1,727	1,856
Grand Total	10,141	10,264
		Hours of Attendance
<b>SUMMER SCHOOL</b>		
Elementary		51,152
High school		50,475
Total Hours		101,627

See accompanying note to supplementary information.

**BERKELEY UNIFIED SCHOOL DISTRICT****SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2007-08 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	28,875	36,000	45,660	180	In Compliance
Grades 1 - 3					
Grade 1	42,875	50,400	50,920	180	In Compliance
Grade 2	42,875	50,400	50,920	180	In Compliance
Grade 3	42,875	50,400	50,920	180	In Compliance
Grades 4 - 6					
Grade 4	46,905	54,000	54,520	180	In Compliance
Grade 5	46,905	54,000	54,520	180	In Compliance
Grade 6	46,905	54,000	54,540	180	In Compliance
Grades 7 - 8					
Grade 7	46,905	54,000	54,540	180	In Compliance
Grade 8	46,905	54,000	54,540	180	In Compliance
Grades 9 - 12					
Grade 9	60,180	64,800	64,808	180	In Compliance
Grade 10	60,180	64,800	64,808	180	In Compliance
Grade 11	60,180	64,800	64,808	180	In Compliance
Grade 12	60,180	64,800	64,808	180	In Compliance

See accompanying note to supplementary information.

**BERKELEY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statement at June 30, 2008.

See accompanying note to supplementary information.

# BERKELEY UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008

	(Budget) 2009 <sup>1</sup>	2008	2007	2006
GENERAL FUND				
Revenues	\$ 108,096,356	\$ 110,810,424	\$ 109,865,314	\$ 98,455,750
Other sources	-	55,227	-	370,366
Total Revenues and Other Sources	108,096,356	110,865,651	109,865,314	98,826,116
Expenditures	108,047,320	107,995,437	100,684,941	94,011,765
Other uses and transfers out	781,275	1,507,214	3,493,613	1,125,352
Total Expenditures and Other Uses	108,828,595	109,502,651	104,178,554	95,137,117
INCREASE (DECREASE) IN FUND BALANCE	\$ (732,239)	\$ 1,363,000	\$ 5,686,760	\$ 3,688,999
ENDING FUND BALANCE	\$ 13,772,997	\$ 14,505,236	\$ 13,142,236	\$ 7,455,476
AVAILABLE RESERVES <sup>4</sup>	\$ 3,587,224	\$ 3,264,699	\$ 3,068,222	\$ 3,006,021
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>2</sup>	3.3%	3.0%	3.0%	3.1%
LONG-TERM OBLIGATIONS	\$ 207,905,315	\$ 216,559,682	\$ 224,168,231	\$ 204,772,764
AVERAGE DAILY ATTENDANCE AT P-2 <sup>3</sup>	8,414	8,414	8,224	8,274

The General Fund balance has increased by \$7,049,760 over the past two years. The fiscal year 2008-2009 budget projects a decrease of \$732,239. For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in one of the past three years and anticipates incurring an operating deficit during the 2008-2009 fiscal year. Total long-term obligations have increased by \$11,786,918 over the past two years.

Average daily attendance has increased by 140 over the past two years. The District does not anticipate any change in ADA during fiscal year 2008-2009.

<sup>1</sup> Budget 2009 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> On-behalf payments of \$2,071,109, \$1,904,479 and \$1,811,562 have been excluded from the calculation of available reserves percentage for fiscal year ending June 30, 2008, 2007 and 2006.

<sup>3</sup> Excludes adult education ADA.

<sup>4</sup> \$53,696 in designated BSEP funds have been used to meet the 3% available reserves requirement for the year ended June 30, 2008. The District has a total of \$6.3 million in BSEP funds classified as designated fund balance.

See accompanying note to supplementary information.



# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **EXCESS SICK LEAVE JUNE 30, 2008**

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### **Section 19833.5 (a)(3)(c) Disclosure**

Berkeley Unified School District allowed the employees of the Union of Berkeley Administrators (AFSA, Local 81, AFL-CIO) accrue excess sick leave as defined in Education Code Section 22170.5. The sick leave accrual allowance is as indicated below:

<u>Work Year</u>	<u>Sick Day Earned</u>
Less than 190 days	16 days
191 to 199 days	17 days
200 to 209 days	18 days
More than 210 days	19 days

In addition, the superintendent of the Berkeley Unified School District has accrued 16 sick leave days in the fiscal year of 2006-2007 and 2007-2008.

See accompanying note to supplementary information.

# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION**

**JUNE 30, 2008**

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

#### **Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

#### **Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionment's of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

#### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 46201.

#### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report, to the audited financial statements.

#### **Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

#### **Excess Sick Leave**

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers Retirement System (CalSTRS).

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***SUPPLEMENTARY INFORMATION -  
UNAUDITED***

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**BERKELEY UNIFIED SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET - UNAUDITED  
JUNE 30, 2008**

	<b>Adult Education Fund</b>	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 690,914	\$ 612,777	\$ 794,165
Receivables	878,495	532,192	556,264
Due from other funds	-	808	289,432
Stores inventories	-	-	120,883
<b>Total assets</b>	<b>\$ 1,569,409</b>	<b>\$ 1,145,777</b>	<b>\$ 1,760,744</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 355,782	\$ 289,920	\$ 74,587
Due to other funds	256,128	193,551	1,565,273
Deferred revenue	37,192	149,329	-
<b>Total liabilities</b>	<b>649,102</b>	<b>632,800</b>	<b>1,639,860</b>
<b>Fund Balances:</b>			
Reserved for:			
Stores inventories			120,883
Unreserved:			
Undesignated, reported in:			
Special revenue funds	920,307	512,977	1
Debt service funds	-	-	-
Capital projects funds	-	-	-
<b>Total fund balance</b>	<b>920,307</b>	<b>512,977</b>	<b>120,884</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,569,409</b>	<b>\$ 1,145,777</b>	<b>\$ 1,760,744</b>

See accompanying note to unaudited supplementary information.

<b>Deferred Maintenance Fund</b>	<b>Pupil Transportation Fund</b>	<b>Special Reserve Non-Capital Fund</b>	<b>County School Facilities Fund</b>	<b>Tax Override Fund</b>	<b>Non Major Governmental Funds</b>
\$ 2,176,058	\$ (5,534)	\$ 2,078,043	\$ (16,021)	\$ 64,536	\$ 6,394,938
13,809	389	13,705	-	-	1,994,854
-	5,145	350,491	29,998	-	675,874
-	-	-	-	-	120,883
<u>\$ 2,189,867</u>	<u>\$ -</u>	<u>\$ 2,442,239</u>	<u>\$ 13,977</u>	<u>\$ 64,536</u>	<u>\$ 9,186,549</u>
\$ 156,283	\$ -	\$ -	\$ 13,000	\$ -	\$ 889,572
-	-	-	-	2,200	2,017,152
-	-	-	-	-	186,521
<u>156,283</u>	<u>-</u>	<u>-</u>	<u>13,000</u>	<u>2,200</u>	<u>3,093,245</u>
					120,883
2,033,584	-	2,442,239	-	-	5,909,108
-	-	-	-	62,336	62,336
-	-	-	977	-	977
<u>2,033,584</u>	<u>-</u>	<u>2,442,239</u>	<u>977</u>	<u>62,336</u>	<u>6,093,304</u>
<u>\$ 2,189,867</u>	<u>\$ -</u>	<u>\$ 2,442,239</u>	<u>\$ 13,977</u>	<u>\$ 64,536</u>	<u>\$ 9,186,549</u>

# BERKELEY UNIFIED SCHOOL DISTRICT

## NON-MAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2008

	Adult Education Fund	Child Development Fund	Cafeteria Fund
<b>REVENUES</b>			
Revenue limit sources	\$ -	\$ -	\$ 847,952
Federal sources	657,209	550,669	1,495,429
Other state sources	5,013,174	5,261,182	153,835
Other local sources	333,788	399,594	439,394
<b>Total Revenues</b>	<b>6,004,171</b>	<b>6,211,445</b>	<b>2,936,610</b>
<b>EXPENDITURES</b>			
Current			
Instruction	3,782,900	4,567,971	-
Instruction related activities:			
Supervision of instruction	37,443	438,021	-
School site administration	1,395,219	27,508	-
Pupil Services:			
Home-to school transportation	-	-	-
Food services	-	249,523	2,861,249
All other pupil services	293,583	-	-
General administration:			
All other general administration	233,335	366,162	180,948
Plant services	458,281	11,200	60,690
Facility acquisition and construction	103,684	39,270	-
Other outgo	-	-	-
Debt service			
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>6,304,445</b>	<b>5,699,655</b>	<b>3,102,887</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(300,274)</b>	<b>511,790</b>	<b>(166,277)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	150,000	-	217,723
Transfers out	-	-	-
<b>Net Financing Sources (Uses)</b>	<b>150,000</b>	<b>-</b>	<b>217,723</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(150,274)</b>	<b>511,790</b>	<b>51,446</b>
<b>Fund Balance - Beginning</b>	<b>1,070,581</b>	<b>1,187</b>	<b>69,438</b>
<b>Fund Balance - Ending</b>	<b>\$ 920,307</b>	<b>\$ 512,977</b>	<b>\$ 120,884</b>

See accompanying note to unaudited supplementary information.

<b>Deferred Maintenance Fund</b>	<b>Pupil Transportation Fund</b>	<b>Special Reserve Non-Capital Fund</b>	<b>County School Facilities Fund</b>	<b>Tax Override Fund</b>	<b>Non Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 847,952
-	-	-	-	-	2,703,307
394,304	-	-	-	-	10,822,495
68,713	(6,455)	71,114	977	-	1,307,125
463,017	(6,455)	71,114	977	-	15,680,879
-	-	-	-	-	8,350,871
-	-	-	-	-	475,464
-	-	-	-	-	1,422,727
-	261,934	-	-	-	261,934
-	-	-	-	-	3,110,772
-	-	-	-	-	293,583
-	-	-	-	-	780,445
-	-	-	-	-	530,171
1,034,578	-	-	-	-	1,177,532
-	-	166,000	-	-	166,000
-	-	-	-	986	986
1,034,578	261,934	166,000	-	986	16,570,485
(571,561)	(268,389)	(94,886)	977	(986)	(889,606)
531,801	303,145	722,346	-	-	1,925,015
-	(55,227)	-	-	-	(55,227)
531,801	247,918	722,346	-	-	1,869,788
(39,760)	(20,471)	627,460	977	(986)	980,182
2,073,344	20,471	1,814,779	-	63,322	5,113,122
\$ 2,033,584	\$ -	\$ 2,442,239	\$ 977	\$ 62,336	\$ 6,093,304



**BERKELEY UNIFIED SCHOOL DISTRICT  
GOVERNMENTAL FUNDS  
SCHEDULE OF SELECTIVE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>General Fund</b>	<b>Adult Education Fund</b>	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Pupil Transportation Fund</b>
<b>REVENUES</b>						
Revenue limit sources	\$50,988,820	\$ -	\$ -	\$ 847,952	\$ -	\$ -
Federal sources	4,337,613	657,209	550,669	1,495,429	-	-
Other state sources	21,253,716	5,013,174	5,261,182	153,835	394,304	-
Other local sources	34,230,275	333,788	399,594	439,394	68,713	(6,455)
<b>Total Revenues</b>	<b>110,810,424</b>	<b>6,004,171</b>	<b>6,211,445</b>	<b>2,936,610</b>	<b>463,017</b>	<b>(6,455)</b>
<b>EXPENDITURES <sup>1</sup></b>						
Current						
Certificated salaries	46,470,244	3,468,040	1,868,449	-	-	-
Classified salaries	19,213,569	910,637	1,385,167	1,357,330	-	-
Employee benefits	20,958,254	1,003,826	1,187,628	523,893	-	-
Books and supplies	4,457,360	253,936	90,047	1,345,089	-	-
Services & other operating expenditures	17,013,027	330,986	802,202	(304,373)	-	-
Capital outlay	652,694	103,684	-	-	1,034,578	261,934
Other outgo	10,735	-	-	-	-	-
Transfer of indirect	(780,446)	233,336	366,162	180,948	-	-
<b>Total Expenditures</b>	<b>107,995,437</b>	<b>6,304,445</b>	<b>5,699,655</b>	<b>3,102,887</b>	<b>1,034,578</b>	<b>261,934</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,814,987</b>	<b>(300,274)</b>	<b>511,790</b>	<b>(166,277)</b>	<b>(571,561)</b>	<b>(268,389)</b>
<b>Other Financing Sources (Uses):</b>						
Transfers in	55,227	150,000	486,352	217,723	531,801	303,145
Transfers out	(1,507,214)	-	(486,352)	-	-	(55,227)
<b>Net Financing Sources (Uses)</b>	<b>(1,451,987)</b>	<b>150,000</b>	<b>-</b>	<b>217,723</b>	<b>531,801</b>	<b>247,918</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,363,000</b>	<b>(150,274)</b>	<b>511,790</b>	<b>51,446</b>	<b>(39,760)</b>	<b>(20,471)</b>
<b>Fund Balance - Beginning</b>	<b>13,142,236</b>	<b>1,070,581</b>	<b>1,187</b>	<b>69,438</b>	<b>2,073,344</b>	<b>20,471</b>
<b>Fund Balance - Ending</b>	<b>\$14,505,236</b>	<b>\$ 920,307</b>	<b>\$ 512,977</b>	<b>\$ 120,884</b>	<b>\$ 2,033,584</b>	<b>\$ -</b>

See accompanying note to unaudited supplementary information.

Special Reserve Non-Capital Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Tax Override Fund	Self Insurance Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$51,836,772
-	-	-	-	-	-	7,040,920
-	-	-	174,302	-	-	32,250,513
71,114	2,194,786	977	17,118,793	-	3,281,732	58,132,711
71,114	2,194,786	977	17,293,095	-	3,281,732	149,260,916
-	-	-	-	-	-	51,806,733
-	173,953	-	-	-	117,942	23,158,598
-	66,999	-	-	-	47,705	23,788,305
-	71,579	-	-	-	2,322	6,220,333
-	33,157	-	-	-	2,189,665	20,064,664
-	10,015,123	-	-	-	-	12,068,013
166,000	-	-	16,798,192	986	-	16,975,913
-	-	-	-	-	-	-
166,000	10,360,811	-	16,798,192	986	2,357,634	154,082,559
(94,886)	(8,166,025)	977	494,903	(986)	924,098	(4,821,643)
722,346	-	-	-	-	412,000	2,878,594
-	(829,801)	-	-	-	-	(2,878,594)
722,346	(829,801)	-	-	-	412,000	-
627,460	(8,995,826)	977	494,903	(986)	1,336,098	(4,821,643)
1,814,779	54,217,627	-	14,033,764	63,322	740,663	87,247,412
\$ 2,442,239	\$45,221,801	\$ 977	\$ 14,528,667	\$62,336	\$ 2,076,761	\$82,425,769

# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **NOTE TO UNAUDITED SUPPLEMENTARY INFORMATION JUNE 30, 2008**

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### **NOTE 1 - PURPOSE OF SCHEDULES**

#### **Non-major Governmental Funds – Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance**

The Combining Non-major Governmental Funds Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balance is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds columns on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance.

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***INDEPENDENT AUDITOR'S REPORTS***

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**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 the governmental activities, each major fund and the aggregate remaining fund information of Berkeley Unified School District as of and for the year ended June 30, 2008, which collectively comprise Berkeley Unified School District's basic financial statements and have issued our report thereon dated December 15, 2008. 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, we considered Berkeley Unified School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Berkeley Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Berkeley Unified School District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Berkeley Unified School District's financial statements are free of material misstatement, we performed tests of its 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*.

This report is intended solely for the information and use of the governing board, audit committee, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities, 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  
December 15, 2008



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Berkeley Unified School District  
Berkeley, California

**Compliance**

We have audited the compliance of Berkeley Unified School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2008. Berkeley Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Berkeley Unified School District's management. Our responsibility is to express an opinion on Berkeley Unified School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Berkeley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Berkeley Unified School District's compliance with those requirements.

In our opinion, Berkeley Unified School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2008.



## Internal Control Over Compliance

The management of Berkeley Unified School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Berkeley Unified School District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Berkeley Unified School District's internal control over compliance.

A *control deficiency* in a district's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing board, audit committee, management, the California Department of Education, the State Controller's Office, Federal awarding agencies, and pass-through entities 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  
December 15, 2008



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education  
Berkeley Unified School District  
Berkeley, California

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Berkeley Unified School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08*, issued by the California Education Audit Appeals Panel as regulations. 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Berkeley Unified School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Berkeley Unified School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Yes
Independent study	23	No
Continuation education	10	Yes
Adult education	9	Not Applicable
Regional occupational centers and programs	6	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	9	Not Applicable
Morgan-Hart Class Size Reduction	7	Not Applicable
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Yes
9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes

	Procedures in Audit Guide	Procedures Performed
Classroom Teacher Salaries	1	Yes
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Construction Funds:		
School District bonds	3	Yes
State school facilities funds	1	Yes
Excess sick leave	3	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Yes
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not Applicable
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
After School Education and Safety Program		
General requirements	4	Yes
After school	4	Yes
Before school	5	Yes
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

We did not perform testing of the Independent Study program because the ADA reported was below the State requirement for auditing this program.

Based on our audit, we found that for the items tested, the Berkeley Unified School District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Berkeley Unified School District had not complied with the laws and regulations, except as described in the Schedule of State Award Findings and Questioned Costs included in this report. Our audit does not provide a legal determination on Berkeley Unified School District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the governing board, audit committee, management, the California Department of Education, the State Controller's Office, the California Department of Finance, Federal awarding agencies, and pass-through entities 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  
December 15, 2008

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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# BERKELEY UNIFIED SCHOOL DISTRICT

## SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2008

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### FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

### FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>No</u>

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027/84.173</u>	<u>Individuals with Disabilities Act (IDEA) Special Education PL 94-142</u>
<u>10.553/10.555</u>	<u>National School Lunch Program Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

### STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

# BERKELEY UNIFIED SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008

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The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

### 2008-1 ASB - 30000

#### Criteria or Specific Requirements

The associated student body (ASB) must support expenditures with purchase requisitions forms, invoices and receiving documents, all with proof of approval from the appropriate person(s). Additionally these expenditures should have been preapproved by the ASB as evidenced by the ASB meeting minutes. In addition, sound internal controls require adequate record keeping for cash collected related to fund raising activities.

#### Condition

We noted certain payments made out of the Berkeley High School ASB bank account where proper documentation was not evident. In some instances, there were payments that we were unable to conclude if they were allowable due to the fact that the invoices were not maintained or otherwise available. We also noted that the Berkeley High School ASB did not prepare revenue potential forms to better control their cash collections and properly account for them.

#### Questioned costs

None

#### Context

Controls related to the cash disbursement process at the ASB and controls related to cash collections for fund raising activities.

#### Effect

Improper documentation of the Student Body expenditures could lead to a potential misstatement as well as promoting possible fraudulent activity. Documentation of the expenditures by having the invoice payment, receiving documents as well as the authorization from the Student Body would provide evidence that the ASB did, in fact, expend Student Body funds appropriately. In addition, not having proper controls over the cash collected from fund raising activities is essential to validating that the ASB received all of the cash it was entitled to.

# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008**

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### **Cause**

Unknown

### **Recommendation**

It is recommended that the District provide training to the Student Body clerks on the record keeping requirements necessary to have sound internal controls over the student body funds. Training should include record maintenance of the authorization over the expenditures by the ASB minutes and proper purchase orders, invoice record keeping and receiving documents indicating that items purchased were received. It is also recommended that the ASB maintain specific revenue potential forms to calculate expected cash collections from fund raising activities and reconcile them against the deposit into the bank.

### **District Response**

The District provided training to District personnel who handle student body funds in FY 2007-08 that covered all the recommended topics. We will continue to train and monitor personnel on an on-going basis.

## **2008-2 ASB - 30000**

### **Criteria or Specific Requirements**

Sound internal controls requires the centralization of the cash receiving process in order for the District to collect their cash, account for it and properly deposit it into their clearing bank account.

### **Condition**

We noted that the Berkeley High School received grant funds that were deposited into the student body bank account and the District Office was not being made aware of the fact that such amounts were collected and deposited. The cash deposit into the ASB account was only discovered after District staff investigated their receivables that were overdue.

### **Questioned Costs**

None

### **Context**

Cash receipt process at the Berkeley High School

### **Effect**

In common with other school districts, Student Body accounts are typically decentralized. However, these accounts should only be used to process receipts and disbursements of the student body transactions and should not be comingled with District funds. Comingling District transactions with

# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008**

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ASB transactions could lead to misstatement in District revenues and noncompliance with grantors requirements

### **Cause**

Unknown

### **Recommendation**

It is recommended that the District provide the Student Body personnel and the clerks at the Berkeley High School with proper training to properly notify the District with cash receipts belonging to the District.

### **District Response**

The District provided training to District personnel who handle student body funds in FY 2007-08 that covered all the recommended topics. We will continue to train and monitor personnel on an on-going basis.



**BERKELEY UNIFIED SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008**

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**None Reported**

# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008**

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### **2008-3 AFTER SCHOOL EDUCATION AND SAFETY PROGRAM - 60000**

#### **Criteria or Specific Requirements**

The District must report the number of students being served through the After School Education and Safety (ASES) program.

#### **Condition**

We noted that the District did not properly report the total number of students on their State attendance reports for the ASES program. It was noted in several instances that the total number of students served were less than the actual number reported to the State.

#### **Questioned Costs**

We selected two attendance weeks from six school sites for attendance testing. For 5 out of the 6 sites tested the amount of student days served by the program, as evidenced by attendance source documents maintained by the District was less than the amount actually reported to the State. A total of 18,270 student days was reported in those two weeks and we were able to verify only 16,658 student days, resulting in an 8.82% error rate. Projecting that error rate to the total amount of funding received yields a potential dollar error of \$203,965.

#### **Context**

All the After School Education and Safety program revenues.

#### **Effect**

As a condition to receiving the funds from the State, the District must be in compliance with the requirements of the program reporting requirements. The District could potentially lose funding from the State and could be subject to penalty due to the noncompliance noted above.

# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2008**

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### **Cause**

The District started the operation of the program in the second half of fiscal year ending June 30, 2007. The program is fairly new and guidelines were not readily available for District staff at the beginning of the process leading to the reporting inconsistencies.

### **Recommendation**

It is recommended that the District maintain accurate recording keeping of the attendance record. It is also recommended that the District provide training to the operators of the program whom many of which are contracted in order to provide accurate attendance keep records.

### **District Response**

The District is currently in the process of collecting 07/08 attendance reports from all teachers in an attempt to determine the students served. The District has been granted an extension to generate revised attendance reports. It is probable that less than all of the original records can be recovered, thus the revised reports will likely understate actual students served which may cause a reduction in future funding

# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2008**

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

### ***Financial Statement Findings***

**2007-1      Code 30000**

#### ***Cash Clearing***

#### **Finding**

The District did not prepare bank reconciliations for the revolving cash and cash clearing accounts in the general fund.

#### **Recommendation**

Perform monthly reconciliations for both the revolving and cash clearing accounts and have them reviewed by management. This might mean that the District will need to hire part-time staff.

#### **Current Status**

Implemented

**2007-2      Code 30000**

#### ***ASB***

#### **Finding**

No revenue potential forms completed for fundraising activities.

#### **Recommendation**

Prepare revenue potentials forms for all fund raising activities.

#### **Current Status**

Not implemented

### ***Federal Award Findings***

None reported.

### ***State Award Findings***

None reported.

