

**BERKELEY UNIFIED SCHOOL DISTRICT**

**COUNTY OF ALAMEDA**

**BERKELEY, CALIFORNIA**

**FINANCIAL STATEMENTS**

**WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2010**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**BERKELEY UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2010**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances - Governmental Funds - to the Statement of Activities	16-17
Statement of Fund Net Assets - Proprietary Fund - Internal Service Fund	18
Statement of Revenues, Expenses and Change in Fund Net Assets - Proprietary Fund - Internal Service Fund	19
Statement of Cash Flows - Proprietary Fund - Internal Service Fund	20
Statement of Fiduciary Net Assets - All Agency Funds	21
Notes to Basic Financial Statements	22-38
Required Supplementary Information:	
General Fund Budgetary Comparison Schedule	39
Schedule of Other Postemployment Benefits (OPEB) Funding Progress	40

**BERKELEY UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**For the Year Ended June 30, 2010**

**TABLE OF CONTENTS**

(Continued)

	<b><u>Page</u></b>
Supplementary Information:	
Combining Balance Sheet - All All Non-Major Funds	41
Combining Statement of Revenues, Expenditures and Change in Fund Balances - All Non-Major Funds	42
Organization	43
Schedule of Average Daily Attendance	44
Schedule of Instructional Time	45
Schedule of Expenditure of Federal Awards	46-48
Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements	49
Schedule of Financial Trends and Analysis	50
Schedule of Charter Schools	51
Notes to Supplementary Information	52-53
Independent Auditor's Report on Compliance with State Laws and Regulations	54-56
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 <i>Government Auditing Standards</i>	57-58
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	59-60
Findings and Recommendations:	
Schedule of Audit Findings and Questioned Costs	61-68
Status of Prior Year Findings and Recommendations	69

## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
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 Berkeley Unified School District, as of and for the year ended June 30, 2010, which collectively comprise Berkeley Unified School 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinion.

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 Berkeley Unified School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, 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 January 12, 2011 on our consideration of Berkeley Unified School District's internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

## INDEPENDENT AUDITOR'S REPORT

(Continued)

Management's Discussion and Analysis and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule and the Schedule of Other Postemployment Benefits Funding Progress, are not required parts of the basic financial statements, but are supplementary information required by 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 purposes of forming an opinion on the financial statements that collectively comprise Berkeley Unified School District's basic financial statements. The accompanying financial and statistical information listed in the Table of Contents, including the Schedule of Expenditure of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Berkeley Unified School District. 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.

*Perry - Smith LLP*

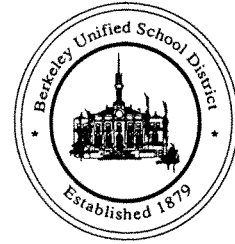
Sacramento, California  
January 12, 2011



# BERKELEY UNIFIED SCHOOL DISTRICT

2134 Martin Luther King Jr. Way, Berkeley, California 94704-1180

www.berkeley.k12.ca.us



## Management's Discussion & Analysis

The Management's Discussion and Analysis Section of the audit report is District management's view of the District's financial condition, and provides an opportunity to discuss important fiscal issues with the board and the public. New accounting rules require this discussion and analysis, which makes reporting of finances similar to that of private business.

### Financial Reports

Two financial reports, the Statement of Net Assets and the Statement of Activities, which begin on page 11, report the District-wide financial condition and activities. The individual fund statements which focus on reporting the District's operations in more detail begin on page 13.

### Overview of the Financial Statements

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short- and long-term* financial information about the activities the District operates *like businesses*, such as food services.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. This overview section is the Management's Discussion and Analysis and highlights the structure and contents of each of the statements.

## District-wide Statements

The District-wide statements report information about the District's financial position as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets is the difference between the District's assets and liabilities and is one way to measure the District's financial health or position.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-wide	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district, except fiduciary activities	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• statement of net assets	• balance sheet	• statement of net assets	• statement of fiduciary net assets
	• statement of activities	• statement of revenues, expenditures & changes in fund balances	• statement of revenues, expenses & changes in fund net assets • statement of cash flows	• statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; Standard's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements the District's activities are divided into two categories:

- *Governmental activities*—Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*—The District charges fees to help it cover the costs of certain services it provides. The District's student care center activity is included here.

## Statement of Net Assets

	Governmental Activities		Change 2009-2010
	2009	2010	
Current and other assets	\$ 116,341,251	\$ 110,400,330	
Capital assets	219,070,842	221,814,018	
Total assets	335,412,093	332,214,348	-1%
Long-term debt outstanding	227,141,291	216,696,199	
Other liabilities	33,676,215	32,536,889	
Total liabilities	260,817,506	249,233,088	-4%
Invested in capital assets, net of	46,063,417	50,574,848	
Restricted	19,929,519	28,984,587	
Unrestricted	8,601,651	3,421,825	
Total net assets	\$ 74,594,587	\$ 82,981,260	11%

## Statement of Activities

Governmental Activities		
	<u>2009</u>	<u>2010</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 994,994	\$ 858,681
Operating Grants	32,383,854	32,548,001
Capital Grants and Contributions	679,138	0
General Revenues		
Property Taxes	71,558,164	74,800,713
Federal and State Aid	27,215,684	34,527,454
Other	15,126,873	2,946,900
Total Revenues	<u>147,958,707</u>	<u>145,681,749</u>
<b>Program Expenses</b>		
Instruction	81,549,084	77,745,632
Instruction Related Services	15,896,305	15,010,365
Pupil Services	12,097,418	11,220,118
Ancillary Services	242,996	250,293
Community Services	209,690	196,996
General Administration	9,054,491	8,352,166
Plant Services	14,100,756	14,112,098
Enterprise Services	2,615,348	622,050
Interest	9,678,889	8,099,218
Other	8,559	1,686,140
Total Expenses	<u>145,453,536</u>	<u>137,295,076</u>
Increase in Net Assets	2,505,171	8,386,673
Net Assets - Beginning	<u>72,089,416</u>	<u>74,594,587</u>
Net Assets - Ending	<u>\$ 74,594,587</u>	<u>\$ 82,981,260</u>

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).



The District has three kinds of funds:

- *Governmental funds*— The District's General Operating, Special Revenue, Capital Projects and Debt Service Funds are included in the governmental funds. Special Revenue Funds include the Adult Education, Child Development, Cafeteria, Deferred Maintenance, Pupil Transportations Equipment and Special Reserve Funds. The Capital Projects Funds include the Building and County School Facilities Funds. Debt Service Funds include the Bond Interest and Redemption and Tax Override Funds. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the District funds by making a contribution based on a percentage of payroll expenditures are reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's Self Insurance Fund used to account for the District's Workers' Compensation program transactions is a proprietary fund.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for assets that belong to others, such as the Warrant Pass-Through fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

### Financial Condition of the General Fund

Berkeley Unified School District is striving to maintain its solid financial position. Revenues increased despite state budget reductions due to the legislative change making adult education funds a part of the unrestricted general fund and an increase in average daily attendance in 2009-2010. The District receives the majority of its revenue based on a formula applied to average daily attendance. Additionally parcel tax revenue increased due to a cost of living adjustment (COLA). Other financing uses increased due to the transfer of a majority adult education funds that are now unrestricted to the adult education fund to sustain most of its programs. General Fund expenditures for 2009-2010 are much less than 2008-2009 largely due to a one-time retroactive salary increase paid out in 2008-2009 and a few staff reductions made in 2009-2010. The deficit spending of \$1.3 million in 2008-2009 was largely due to the retroactive salary adjustment which was planned and maintained in the reserves in prior year 2007-2008. No salary increases (COLA) was paid to employees in fiscal year 2009-2010. The following table summarizes General Fund financial statements:

	General Fund		Percentage
	<u>2009</u>	<u>2010</u>	<u>2009-2010</u>
Total Revenues	\$ 111,267,835	\$ 113,159,392	1.7%
Expenses	112,418,251	108,594,121	-3.4%
Other financing sources	(218,013)	(3,209,468)	1372.1%
Change in fund balance	\$ (1,368,429)	\$ 1,355,803	-199.1%

## Capital Assets

At year-end, the District's capital assets had an increase of \$2.74 million over the prior year. This represents a 1.3% increase over last year's total capital assets.

	All funds		Percentage Change <u>2009-2010</u>
	<u>2009</u>	<u>2010</u>	
Land	\$ 6,919,100	\$ 6,919,100	
Improvement of sites	6,509,075	6,033,306	
Buildings	189,467,398	186,479,708	
Equipment	1,972,982	1,458,777	
Work - in process	14,202,287	20,923,127	
Total	<u>\$ 219,070,842</u>	<u>\$ 221,814,018</u>	1.3%

Land is accounted for at purchase value, not market value, and is not depreciated. Many of our school sites have low values for today's market because the District acquired the land many decades ago. We have determined the value of school buildings to be the depreciated cost of modernization unless the building is less than 25 years old. The decrease in the value of Buildings and Equipment was due to depreciation. Increase in work-in process represents increased in cost for projects that are starting, on-going and not yet completed. Once these projects are completed these costs are transferred to Improvement of Sites or Building costs.

## District Indebtedness

At year-end, the District has incurred \$216.7 million of long-term debt. Of that, \$213.1 million is General Obligation Bonds secured by property tax increases voted on by local residents. The District issues General Obligation Bonds which is a long term obligation in order to borrow up front funds for bond measures until property tax proceeds are received from Berkeley residents. There were no new General Obligation Bonds issued in 2009-2010. However, in November 2009, the District issued \$25.4 million general obligation bond refunding which restructured its debt for existing bonds and decreased interest expense. Payments on the principal of the General Obligation bonds decreased the amount owed between years.

	Governmental Activities		Percentage Change <u>2009-2010</u>
	<u>2009</u>	<u>2010</u>	
Compensated absences	\$ 1,792,027	\$ 2,372,442	
General obligation bonds	223,077,788	213,109,693	
Post-employment medical benefits	932,560	1,214,064	
Total	<u>\$ 225,802,375</u>	<u>\$ 216,696,199</u>	-2.9%

Post-employment medical benefits represent the annual unfunded portion that has not yet reserved for future payments. The accumulated liability balance of \$1.2 million for post-employment medical benefits is based on an actuarial study. Compensated absences represent the amount of liability the District owes for vacation that has been earned but not yet taken or paid out.

## Cost of General Fund Operations (Funds 01-08)

At year-end, the District's cost of operation was \$108.6 million. Total District expenditures were \$4.6 million less than the previous year due to budget reductions and a one-time retroactive salary adjustment that was paid out in fiscal year 2008-2009.

	General Fund		Percentage Change
	<u>2009</u>	<u>2010</u>	<u>2009-2010</u>
Certificated salaries	\$ 49,253,206	\$ 45,821,448	-7.0%
Classified salaries	20,779,780	20,386,122	-1.9%
Employee benefits	20,008,171	20,193,923	0.9%
Books and supplies	4,120,585	3,383,571	-17.9%
Contract services and operating expenditures	18,649,602	18,597,625	-0.3%
Capital outlay	408,152	211,432	-48.2%
Other outgo	8,559	-	-100.0%
Total	<u>\$ 113,228,055</u>	<u>\$ 108,594,121</u>	-4.1%

## Budget to Actual Analysis

The District develops its budget pursuant to the Governor's proposals. Throughout the year the budget is adjusted primarily due to new or adjusted funding levels. A comparison of the General Fund Budget to Actual Revenues and Expenditures is as follows:

	Final Budget <u>2010</u>	Actual <u>2010</u>	Percentage Variance
<b>Revenues</b>			
Revenue Limit	\$ 45,168,220	\$ 45,218,129	
Federal Revenues	9,198,373	7,578,635	
State Revenues	21,915,022	22,274,801	
Local Revenues	38,096,954	38,087,827	
Total Revenues	114,378,569	113,159,392	-1.1%
<b>Expenditures</b>			
Salaries & Benefits	87,127,122	86,401,493	
Books & Supplies	7,497,962	3,383,571	
Services & Other Operating	20,413,782	18,597,625	
Capital Outlay Other Outgo	227,938	211,432	
Total Expenditures	<u>\$ 115,266,804</u>	<u>\$ 108,594,121</u>	5.8%

Total budgeted revenues were \$1.2 million higher than actual revenues received. Actual federal revenue was lower than budgeted due to the deferral of unexpended revenue to the following year. Total expenditures were \$6.7 million less than budgeted due to unexpended budgets that resulted in carryover in parcel tax, federal and state grants to the next fiscal year and salary and non-salary savings generated from budget reductions.

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

In considering the District Budget for the 2010-2011 year, the Governing Board and management used the following criteria:

### **2010-11 ADOPTED BUDGET ASSUMPTIONS**

The 2010-11 Adopted Budget has been compiled using the Governor's May Revise and School Services of California (SSC) Dartboard.

School district budgets are not static documents and must be revised as often as necessary in order to respond to the changing politics at the State and Federal level, as well as to the changing goals and needs of the District. In order to project the budget, a series of assumptions are determined and inserted into State and District formulas. The 2010-11 Adopted Budget is based on the following assumptions, as appropriate with conservative estimate for both revenues and expenditures:

### **GENERAL FUND REVENUES**

#### Revenue Limit

- Revenue Limit COLA of -.39%
- Projected regular ADA of 8,754. This projection is based on the 2009-10 P-2 ADA.
- 18.355% Deficit Reduction for Revenue Limit
- \$244.70 Per-ADA Reduction
- No Equalization budgeted.
- Other Revenue Limit sources have been calculated to reflect amounts to be received based on SSC Dartboard estimates, grant letters, and other reliable sources.

#### Federal Revenues

- Federal funding includes balance of new federal stimulus ARRA funds.
- Projections based on entitlements and grant award letters.

#### Lottery Revenues

- Projected on estimated funding of \$111 per ADA for unrestricted and \$14.50 for restricted lottery funding (Prop. 20).

#### Mandated Costs

- Mandated costs were not included in budget.

#### State Revenues

- -.39% COLA for State Categorical programs.
- Supplemental hourly programs adjusted for deficits.
- Projections based on entitlements and grant award letters

#### Parcel Tax Revenue

- There was no COLA in budget for Measure A/BSEP since there was no State funded COLA.
- A COLA of 4.25% was included in budget for Measure BB since COLA is based on prior year State funded COLA.

## GENERAL FUND EXPENDITURES

### Certificated and Classified Salaries

- Salaries were based on projected staffing costs, step and column increases
- Reductions in positions were made based on board approved budget cuts.
- There was no COLA or salary increase included in the budget for all bargaining units.

### Employee Benefits

- Benefit rates reflect current available rates at time budget was prepared. Health Benefit costs were increased to reflect premium increases that are below the District's cap. The employees that have plans that exceed the District's cap bear the costs of any increased premiums. This is the case for all health benefit tiers for the Berkeley Federation of Teachers. Therefore, the majority of increased premium costs are passed on to the employee.

### Books, Supplies and Other Materials

- Prior year budgets were rolled over
- Reductions were made to central office budgets based on board approved reductions.
- Restricted resources adjusted to balance grant totals.

### Services/Other Operating Expenses

- Prior year budgets were rolled over.
- Reductions were made to central office budgets based on board approved reductions.
- Restricted resources adjusted to balance grant totals.

### Reserve for Economic Uncertainties

- The District's Reserve for Economic Uncertainties meets the State minimum requirement of 3%.

### Other Significant Expenditures

- There are no other significant expenditure adjustments.

### Multi-Year Projections

**Revenues for the multi-year projections follow the 2010 SSC's dashboard May Revise Edition. Changes in the revenue limit represent projected changes in ADA, deficit funding and projected COLAs.**

Expenditures have been adjusted to reflect any necessary reductions required to maintain an adequate reserve. However, given the State's fiscal condition and pending Governor's funding guarantees, it's difficult to predict with certainty even one year into the future. Thus, we have chosen to use current law in addition to conservative estimates to prepare these multi-year projections.

## ***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 any additional financial information please feel free to contact Javetta Cleveland, Deputy Superintendent or Pauline Follansbee, Director of Fiscal Services at 510-644-8593.

## **BASIC FINANCIAL STATEMENTS**

BERKELEY UNIFIED SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2010

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$ 94,097,884
Accounts receivable	16,152,427
Stores inventory	150,019
Capital assets, net of accumulated depreciation (Note 4)	<u>221,814,018</u>
Total assets	<u>332,214,348</u>
<b>LIABILITIES</b>	
Accounts payable	16,504,108
Tax and Revenue Anticipation Notes payable (Note 2)	11,300,000
Claims payable (Note 9)	3,411,463
Deferred revenue	1,321,318
Long-term liabilities (Note 5):	10,320,284
Due within one year	<u>206,375,915</u>
Due after one year	
Total liabilities	<u>249,233,088</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	50,574,848
Restricted (Note 6)	28,984,587
Unrestricted	<u>3,421,825</u>
Total net assets	<u>\$ 82,981,260</u>

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

**BERKELEY UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2010**

		<u>Program Revenues</u>			<u>Net (Expense) Revenues and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities (Note 4):	\$ 77,745,632	\$ 105,970	\$ 23,220,010		\$ (54,419,652)
Instruction					
Instruction-related services:	6,198,229	9,589	3,185,060		(3,003,580)
Supervision of instruction					
Instructional library, media and technology	1,977,854		154,787		(1,823,067)
School site administration	6,834,282	107	78,847		(6,755,328)
Pupil services:					
Home-to-school transportation	3,663,621	260,737	1,071,926		(2,330,958)
Food services	3,138,685	400,570	2,281,958		(456,157)
All other pupil services	4,417,812		986,909		(3,430,903)
General administration:					
Data processing	1,324,931				(1,324,931)
All other general administration	7,027,235	33,248	1,148,512		(5,845,475)
Plant services	14,112,098	48,460	279,569		(13,784,069)
Ancillary services	250,293		4,273		(246,020)
Community services	196,996		120,703		(76,293)
Enterprise services	622,050				(622,050)
Interest on long-term liabilities	8,099,218				(8,099,218)
Other outgo	1,686,140		15,447		(1,670,693)
<b>Total governmental activities</b>	<b>\$ 137,295,076</b>	<b>\$ 858,681</b>	<b>\$ 32,548,001</b>	<b>\$ -</b>	<b>(103,888,394)</b>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					26,961,154
Taxes levied for debt service					19,538,971
Taxes levied for other specific purposes					28,300,588
Federal and state aid not restricted to specific purposes					34,527,454
Interest and investment earnings					813,134
Miscellaneous					2,133,766
<b>Total general revenues</b>					<b>112,275,067</b>
<b>Change in net assets</b>					<b>8,386,673</b>
<b>Net assets, July 1, 2009</b>					<b>74,594,587</b>
<b>Net assets, June 30, 2010</b>					<b>\$ 82,981,260</b>

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



**BERKELEY UNIFIED SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

June 30, 2010

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and investments:					
Cash in County Treasury	\$ 12,839,380	\$ 43,358,879	\$ 15,577,119	\$ 5,483,784	\$ 77,259,162
Cash with Fiscal Agent, restricted for repayment of Tax and Revenue Anticipation Notes	11,175,610			188,832	11,175,610
Cash on hand and in banks	22,610				211,442
Cash in revolving fund	100,000				100,000
Accounts receivable	14,983,824	70,851	23,037	1,066,137	16,143,849
Due from other funds	2,994,647	1,007,580		628,584	4,630,811
Stores inventory				150,019	150,019
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 42,116,071</u>	<u>\$ 44,437,310</u>	<u>\$ 15,600,156</u>	<u>\$ 7,517,356</u>	<u>\$ 109,670,893</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 11,800,638	\$ 145,282		\$ 607,985	\$ 12,553,905
Tax and Revenue Anticipation Note payable	11,300,000				11,300,000
Deferred revenue	969,283			352,035	1,321,318
Due to other funds	<u>3,553,540</u>			<u>1,614,708</u>	<u>5,168,248</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>27,623,461</u>	<u>145,282</u>	<u>                    </u>	<u>2,574,728</u>	<u>30,343,471</u>
Fund balances:					
Reserved for:					
Revolving fund	100,000				100,000
Stores inventory				150,019	150,019
Unspent categorical revenue	5,154,078				5,154,078
Unreserved, reported in:					
General Fund	9,238,532				9,238,532
Special Revenue Funds				4,469,480	4,469,480
Capital Projects Funds		44,292,028		261,765	44,553,793
Debt Service Funds			<u>\$ 15,600,156</u>	<u>61,364</u>	<u>15,661,520</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>14,492,610</u>	<u>44,292,028</u>	<u>15,600,156</u>	<u>4,942,628</u>	<u>79,327,422</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities and fund balances	<u>\$ 42,116,071</u>	<u>\$ 44,437,310</u>	<u>\$ 15,600,156</u>	<u>\$ 7,517,356</u>	<u>\$ 109,670,893</u>

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

**BERKELEY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

**June 30, 2010**

Total fund balances - Governmental Funds \$ 79,327,422

Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used for governmental activities are not  
financial resources and, therefore, are not reported as  
assets in governmental funds. The cost of the assets  
is \$306,911,785 and the accumulated depreciation is  
\$85,097,767 (Note 4). 221,814,018

Long-term liabilities are not due and payable in the  
current period and, therefore, are not reported as  
liabilities in the funds. Long-term liabilities at  
June 30, 2010 consisted of (Note 5):

General Obligation Bonds	\$ (213,759,222)	
Unamortized Bond Premiums	(3,291,095)	
Deferred Defeasance Costs	2,452,268	
Deferred Bond Issuance Costs	1,488,356	
Other Postemployment Benefits (Note 8)	(1,214,064)	
Compensated absences	<u>(2,372,442)</u>	(216,696,199)

Internal service funds are used to conduct certain activities  
for which costs are charged to other funds on a full cost-  
recovery basis. Because internal service funds are pre-  
sumed to operate for the benefit of governmental activities,  
assets and liabilities of internal service funds are reported  
with governmental activities in the statement of net assets.

2,254,576

In governmental funds, interest on long-term liabilities is  
not recognized until the period in which it matures and is  
paid. In the government-wide statement of activities, it is  
recognized in the period that it is incurred.

(3,718,557)

Total net assets - governmental activities

\$ 82,981,260

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

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGE IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2010

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Revenue limit sources:					
State apportionment	\$ 19,133,594				\$ 19,133,594
Local sources	<u>26,084,535</u>			\$ 876,619	<u>26,961,154</u>
Total revenue limit	<u>45,218,129</u>			<u>876,619</u>	<u>46,094,748</u>
Federal sources	7,578,635			4,035,217	11,613,852
Other state sources	22,274,801		\$ 182,949	5,175,881	27,633,631
Other local sources	<u>38,087,827</u>	\$ 1,800,837	<u>19,440,403</u>	<u>1,477,617</u>	<u>60,806,684</u>
Total revenues	<u>113,159,392</u>	<u>1,800,837</u>	<u>19,623,352</u>	<u>11,565,334</u>	<u>146,148,915</u>
Expenditures:					
Certificated salaries	45,821,448			4,296,475	50,117,923
Classified salaries	20,386,122	205,563		3,740,061	24,331,746
Employee benefits	20,193,923	69,662		2,524,882	22,788,467
Books and supplies	3,383,571	120,330		1,594,480	5,098,381
Contract services and operating expenditures	18,597,625	71,575		540,440	19,209,640
Capital outlay	211,432	7,128,769		374,686	7,714,887
Debt service:					
Principal retirement		26,305,000	10,455,000		36,760,000
Interest		<u>457,189</u>	<u>8,502,389</u>		<u>8,959,578</u>
Total expenditures	<u>108,594,121</u>	<u>34,358,088</u>	<u>18,957,389</u>	<u>13,071,024</u>	<u>174,980,622</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,565,271</u>	<u>(32,557,251)</u>	<u>665,963</u>	<u>(1,505,690)</u>	<u>(28,831,707)</u>
Other financing sources (uses):					
Operating transfers in	645,841			3,443,309	4,089,150
Operating transfers out	(3,855,309)			(645,841)	(4,501,150)
Proceeds from issuance of debt		<u>25,440,000</u>			<u>25,440,000</u>
Total other financing sources (uses)	<u>(3,209,468)</u>	<u>25,440,000</u>		<u>2,797,468</u>	<u>25,028,000</u>
Net change in fund balances	1,355,803	(7,117,251)	665,963	1,291,778	(3,803,707)
Fund balances, July 1, 2009	<u>13,136,807</u>	<u>51,409,279</u>	<u>14,934,193</u>	<u>3,650,850</u>	<u>83,131,129</u>
Fund balances, June 30, 2010	<u>\$ 14,492,610</u>	<u>\$ 44,292,028</u>	<u>\$ 15,600,156</u>	<u>\$ 4,942,628</u>	<u>\$ 79,327,422</u>

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

BERKELEY UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -  
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2010

Net change in fund balances - Total Governmental Funds \$ (3,803,707)

Amounts reported for governmental activities in the statement  
of activities are different because:

Acquisition of capital assets is an expenditure in the  
governmental funds, but increases capital assets in  
the statement of net assets (Note 4). \$ 8,602,602

Depreciation of capital assets is an expense that is not  
recorded in the governmental funds (Note 4). (5,859,426)

Issuance on long-term liabilities is a revenue in the  
governmental funds, but increases long-term liabilities  
in the statement of net assets (Note 5). (25,440,000)

Repayment of principal on long-term liabilities is an expend-  
iture in the governmental funds, but decreases the long-  
term liabilities in the statement of net assets (Note 5). 36,760,000

In governmental funds, premiums on the issuance of debt  
is recognized as revenue, and issuance costs are recognized  
as expenditures. In government-wide statements, premiums  
and issuance costs are reported as adjustments to the  
related debt (Note 5). (1,322,189)

Amortization of debt premiums, issuance costs and defeasance  
costs are not recorded in the governmental funds but  
are reported in the government-wide statements (Note 5). (29,716)

Unmatured interest is not recognized until it is due and,  
therefore, is not accrued as a payable in governmental  
funds. 403,172

In 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. (47,121)

Internal service funds are used to conduct certain activities  
for which costs are charged to other funds on a full cost-  
recovery basis. Because internal service funds are presumed  
to operate for the benefit of governmental activities, internal  
service activities are reported with governmental  
activities in the statement of activities. (15,023)

(Continued)

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -**  
**TO THE STATEMENT OF ACTIVITIES**  
(Continued)  
**For the Year Ended June 30, 2010**

In the statement of activities, expenses related to post-retirement employee benefits and compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).

\$ (861,919)    \$ 12,190,380

Change in net assets of governmental activities

\$ 8,386,673

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

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND**  
**INTERNAL SERVICE FUND**

June 30, 2010

**ASSETS**

Cash in County Treasury	\$ 5,351,670
Accounts receivable	8,578
Due from other funds	<u>412,000</u>
Total assets	<u>5,772,248</u>

**LIABILITIES**

Accounts payable	103,618
Claims liability	3,411,463
Due to other funds	<u>2,591</u>
Total liabilities	<u>3,517,672</u>

**NET ASSETS**

Net assets - restricted	<u><u>\$ 2,254,576</u></u>
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The accompanying notes are an integral  
part of these financial statements.

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN**  
**FUND NET ASSETS - PROPRIETARY FUND**

**INTERNAL SERVICE FUND**

**For the Year Ended June 30, 2010**

Operating revenues:	
In-district contributions	<u>\$ 1,835,668</u>
Operating expenses:	
Classified salaries	156,738
Employee benefits	60,655
Books and supplies	5,672
Claims expense	<u>2,077,592</u>
Total operating expenses	<u>2,300,657</u>
Operating loss	<u>(464,989)</u>
Non-operating income:	
Interest income	37,966
Transfers from other funds	<u>412,000</u>
Total non-operating income	<u>449,966</u>
Change in net assets	(15,023)
Net assets, July 1, 2009	<u>2,269,599</u>
Net assets, June 30, 2010	<u><u>\$ 2,254,576</u></u>

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

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**INTERNAL SERVICE FUND**

**For the Year Ended June 30, 2010**

Cash flows from operating activities:	
Cash received from user charges	\$ 1,835,668
Cash paid to employees for services	(217,393)
Cash paid for insurance claims	(1,683,880)
Cash paid for books and supplies	<u>(9,421)</u>
Net cash used in operating activities	<u>(75,026)</u>
Cash flows provided by financing activities:	
Transfer from other funds	<u>412,000</u>
Cash flows provided by investing activities:	
Interest income	<u>50,550</u>
Change in cash and cash equivalents	387,524
Cash and cash equivalents, July 1, 2009	<u>4,964,146</u>
Cash and cash equivalents, June 30, 2010	<u><u>\$ 5,351,670</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ <u>(464,989)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
(Decrease) increase in:	
Accounts payable	(6,340)
Claims liability	393,712
Due to other funds	<u>2,591</u>
Total adjustments	<u>389,963</u>
Net cash used in operating activities	<u><u>\$ (75,026)</u></u>

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



**BERKELEY UNIFIED SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**ALL AGENCY FUNDS**

June 30, 2010

	<u>Warrant Pass Through Fund</u>	<u>Student Body Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash in County Treasury	\$ (44,728)		\$ (44,728)
Cash on hand and in banks		\$ 384,993	384,993
Due from statutory agencies	121		121
Due from other funds	<u>132,082</u>		<u>132,082</u>
Total assets	<u>\$ 87,475</u>	<u>\$ 384,993</u>	<u>\$ 472,468</u>
<b>LIABILITIES</b>			
Due to statutory agencies	\$ 83,421		\$ 83,421
Due to other funds	4,054		4,054
Due to student groups		<u>\$ 384,993</u>	<u>384,993</u>
Total liabilities	<u>\$ 87,475</u>	<u>\$ 384,993</u>	<u>\$ 472,468</u>

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

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Berkeley Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

Reporting Entity

The Board of Trustees is the level of government which has governance responsibilities over all activities related to public elementary school education in Berkeley Unified School District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Basis of Presentation - Financial Statements

The financial statements include a Management Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets.

The Statement of Net Assets and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

*Program revenues:* Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

**BERKELEY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Presentation - Government-Wide Financial Statements (Continued)

*Allocation of indirect expenses:* The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into three broad categories which, in aggregate, include six fund types as follows:

A - Governmental Fund Types

1 - General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

2 - Special Revenue Funds:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. This classification includes the Adult Education, Child Development, Cafeteria, Deferred Maintenance, Pupil Transportation Equipment and Special Reserve for Other than Capital Projects Funds.

3 - Capital Projects Funds:

The Capital Projects Funds are used to account for resources used for the acquisition of capital facilities by the District. This classification includes the Building and County School Facilities Funds.

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)**

Basis of Presentation - Fund Accounting (Continued)

A - Governmental Fund Types (Continued)

4 - Debt Service Funds:

The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term liabilities principal, interest and related costs. This classification includes the Bond Interest and Redemption and Tax Override Funds.

B - Proprietary Fund Type

1 - Self-Insurance Fund:

The Self-Insurance Fund is an internal service fund which is used to account for the District's workers compensation claims.

C - Fiduciary Fund Type

1 - Agency Funds:

Agency Funds are used to account for assets of others for which the District has an agency relationship with the activity of the fund. This classification consists of the Warrant/Pass-Through and the Student Body Funds.

Basis of Accounting

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

Accrual

Governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)**

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting

By state law, the Board of Trustees must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Trustees complied with these requirements.

The District employs budgetary control by major object code and by individual appropriation account. Expenditures cannot legally exceed appropriations by major object code. The budgets are revised during the year by the Board of Trustees to provide for unanticipated revenues and expenditures. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information.

Capital Assets

Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 50 years depending on asset types.

Compensated Absences

Compensated absences in the amount of \$2,372,442 is recorded as a liability of the District. The liability is for earned but unused benefits.

Accumulated Sick Leave

Sick leave benefits are not recorded as liabilities on the books of the District. The District's policy is to record amounts as operating expenditures in the period sick leave is taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for all STRS and CalPERS employees, when the employee retires.

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)**

Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

Stores Inventory

Stores inventory is recorded using the consumption method, in that inventory acquisitions are initially recorded in the inventory asset account, and then charged to expenditure when used. Inventory reserves are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net assets.

Deferred Revenue

Revenues from federal, state, and local special projects and programs are recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as deferred revenue until earned.

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriable for expenditure or amounts legally segregated for a specific future use. The restrictions for revolving cash fund and stores inventory reflect the portion of net assets represented by revolving fund cash and stores inventory, respectively. These amounts are not available for appropriation and expenditure at the balance sheet date. The restriction for unspent categorical program revenues represents the portion of net assets restricted to specific program expenditures. The restrictions for special revenues, capital projects and debt repayment represents the portion of net assets restricted for special purposes, capital projects and the retirement of debt.

Property Taxes

Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Placer bills and collects taxes for the District. Tax revenues are recognized by the District when received.

BERKELEY UNIFIED SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2010 consisted of the following:

	Governmental Funds	Fiduciary Funds
Pooled Funds:		
Cash in County Treasury	\$ 82,610,832	\$ (44,728)
Cash with Fiscal Agent, restricted for TRANS	11,175,610	
Deposits:		
Cash on hand and in banks	211,442	384,993
Cash in revolving fund	<u>100,000</u>	
Total	<u>\$ 94,097,884</u>	<u>\$ 340,265</u>

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Alameda County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**2. CASH AND INVESTMENTS (Continued)**

Pooled Funds (Continued)

In accordance with applicable state laws, the Alameda County Treasurer may invest in derivative securities. However, at June 30, 2010, the Alameda County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Cash with Fiscal Agent

On November 12, 2009 the District issued \$11,300,000 of Tax and Revenue Anticipation Notes (TRANS), maturing on November 23, 2010 with an interest rate of 1.75% to provide for anticipated cash flow deficits from operations. The TRANS are a general obligation of the District and are payable from revenues and cash receipts generated by the District during the fiscal year ended June 30, 2010.

Repayment terms require the entire TRANS principal and accrued interest to be set aside. As of June 30, 2010, funds totaling \$11,175,610 held in the General Fund were pledged to repay the principal and accrued interest.

Deposits - Custodial Credit Risk

Cash balances held in banks and revolving funds are insured up to \$100,000 by the Federal Depository Insurance Corporation (FDIC). At June 30, 2010, the carrying amount of the District's accounts was \$696,435 and the bank balances were \$1,706,504. Of the bank balances, \$528,845 was covered by FDIC insurance and \$1,177,659 was uninsured but collateralized.

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2010, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

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

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2010, the District had no concentration of credit risk.



**BERKELEY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

(Continued)

**3. INTERFUND TRANSACTIONS**

Interfund Activity

Transactions between funds of the District for goods and services are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and from other funds.

Interfund Receivables/Payables

Interfund receivable and payable balances at June 30, 2010 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 2,994,647	\$ 3,553,540
Building	1,007,580	
Non-Major Funds:		
Adult Education	561,035	166,592
Child Development		319,615
Cafeteria	67,549	1,128,501
Agency Funds:		
Warrant/Pass Through	132,082	4,054
Proprietary Fund:		
Self Insurance	<u>412,000</u>	<u>2,591</u>
Totals	<u>\$ 5,174,893</u>	<u>\$ 5,174,893</u>

Interfund Transfers

Interfund transfers consist of transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2009-2010 fiscal year were as follows:

Transfer from the General Fund to the Adult Education Fund to supplement budget shortfalls as Adult Education is now a Tier III program.	\$ 3,403,309
Transfer from the General Fund to the Self Insurance Fund for coverage premiums.	412,000
Transfer from the Child Development Fund to the General Fund for indirect cost.	312,179
Transfer from the Cafeteria Fund to the General Fund for indirect cost.	173,011
Transfer from the Adult Education Fund to the General Fund for indirect cost	160,651

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**3. INTERFUND TRANSACTIONS (Continued)**

Interfund Transfers (Continued)

Transfer from the General Fund to the Child Development Fund to supplement budget shortfalls as Adult Education is now a Tier III program.

\$ 40,000

\$ 4,501,150

**4. CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2010, is shown below:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Non-depreciable:				
Land	\$ 6,919,100			\$ 6,919,100
Work-in-process	14,202,287	\$ 6,720,840		20,923,127
Depreciable:				
Improvement of sites	10,708,905	15,307		10,724,212
Buildings	257,367,482	1,818,409		259,185,891
Equipment	9,111,409	48,046		9,159,455
Totals, at cost	<u>298,309,183</u>	<u>8,602,602</u>		<u>306,911,785</u>
Less accumulated depreciation:				
Improvement of sites	(4,199,830)	(491,076)		(4,690,906)
Buildings	(67,900,084)	(4,806,099)		(72,706,183)
Equipment	(7,138,427)	(562,251)		(7,700,678)
Total accumulated depreciation	<u>(79,238,341)</u>	<u>(5,859,426)</u>		<u>(85,097,767)</u>
Capital assets, net	<u>\$219,070,842</u>	<u>\$ 2,743,176</u>	<u>\$ -</u>	<u>\$221,814,018</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 3,477,376
Instructional supervision and administration	281,242
Instructional library, media and technology	83,087
School site administration	332,268
Home-to-school transportation	168,214
Food services	150,285
All other pupil services	211,626
Ancillary services	10,648
Community services	9,189
Enterprise activities	114,608
All other general administration	343,645
Centralized data processing	55,725
Plant services	<u>621,513</u>
Total depreciation expense	<u>\$ 5,859,426</u>

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**5. LONG-TERM LIABILITIES**

General Obligation Bonds

The District's outstanding General Obligation bonded debt is as follows:

Issue Date	Original Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2009	Bonds Issued	Bonds Redeemed	Bonds Outstanding June 30, 2010
09/01/98	2021	4.40 - 5.00%	\$ 38,945,000	\$ 28,265,000		\$ 28,265,000	
05/14/03	2028	2.00 - 4.80%	50,000,000	43,020,000		1,570,000	\$ 41,450,000
10/21/04	2024	3.20 - 4.30%	28,950,000	26,450,000		2,050,000	24,400,000
05/19/05	2025	2.00 - 4.30%	19,090,000	18,195,000		865,000	17,330,000
07/28/05	2030	3.35 - 7.00%	24,500,000	23,815,000		720,000	23,095,000
06/28/07	2031	4.75 - 5.00%	24,500,000	24,500,000		620,000	23,880,000
07/30/08	2025	3.20 - 4.00%	43,300,000	43,060,000		2,195,000	40,865,000
05/26/09	2034	3.35 - 4.00%	17,774,222	17,774,222			17,774,222
11/10/09	2021	2.00 - 5.00%	25,440,000		\$ 25,440,000	475,000	24,965,000
			<u>\$272,499,222</u>	<u>\$225,079,222</u>	<u>\$ 25,440,000</u>	<u>\$ 36,760,000</u>	<u>\$213,759,222</u>

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**5. LONG-TERM LIABILITIES (Continued)**

General Obligation Bonds (Continued)

On November 10, 2009, the District issued \$25,440,000 in General Obligation Refunding Bonds to advance refund the remaining \$26,305,000 of the District's 1998 General Obligation Refunding Bonds. As a result, the refunded bonds are considered defeased and have been removed from the District's financial statements.

General Obligation Bonds mature as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 10,350,000	\$ 8,683,048	\$ 19,033,048
2012	10,720,000	8,298,478	19,018,478
2013	11,125,000	7,891,763	19,016,763
2014	11,550,000	7,475,130	19,025,130
2015	12,049,222	7,023,932	19,073,154
2016-2020	67,350,000	27,227,662	94,577,662
2021-2025	53,130,000	14,513,905	67,643,905
2026-2030	29,050,000	5,221,662	34,271,662
2031-2035	8,435,000	700,875	9,135,875
	<u>\$213,759,222</u>	<u>\$ 87,036,455</u>	<u>\$300,795,677</u>

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2010, is shown below:

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Amounts Due Within One Year
General Obligation Bonds	\$ 225,079,222	\$ 25,440,000	\$ 36,760,000	\$ 213,759,222	\$ 10,350,000
Unamortized Bond Premiums	1,962,888	1,558,261	230,054	3,291,095	230,054
Deferred defeasance costs	(2,625,406)		(173,138)	(2,452,268)	(173,138)
Deferred Bond issuance costs	(1,338,916)	(236,072)	(86,632)	(1,488,356)	(86,632)
Other postemployment benefits (Note 8)	932,560	2,206,092	1,924,588	1,214,064	
Compensated absences	1,792,027	580,415		2,372,442	
	<u>\$ 225,802,375</u>	<u>\$ 29,548,696</u>	<u>\$ 38,654,872</u>	<u>\$ 216,696,199</u>	<u>\$ 10,320,284</u>

Payments on the General Obligation Bonds were made from the Building and Bond Interest and Redemption Funds. Payments on the other postemployment benefits and compensated absences are made from the fund for which the related employee worked.

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**6. RESTRICTED NET ASSETS**

The restricted net assets as of June 30, 2010 consisted of the following:

	<u>Governmental Activities</u>
Restricted for:	
Revolving cash fund	\$ 100,000
Stores inventory	150,019
Unspent categorical program revenues	5,154,078
Special revenue funds	4,469,480
Capital projects funds	1,194,914
Debt repayment	15,661,520
Self insurance	<u>2,254,576</u>
	<u><u>\$ 28,984,587</u></u>

**7. EMPLOYEE RETIREMENT SYSTEMS**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS).

Plan Description and Provisions

California Public Employees' Retirement System (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 Law. 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, California 95814.

*Funding Policy*

Active plan members are required to contribute 7% 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 2009-2010 was 9.709% 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, 2009 and 2010 were \$1,904,162, \$2,102,928 and \$2,031,859, respectively, and equal 100% of the required contributions for each year.

**BERKELEY UNIFIED SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**7. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS)

*Plan Description*

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

*Funding Policy*

Active plan members are required to contribute 8% of their salary. The required employer contribution rate for fiscal year 2009-2010 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2008, 2009 and 2010 were \$3,786,085, \$4,010,628 and \$3,952,384, respectively, and equal 100% of the required contributions for each year.

**8. OTHER POSTEMPLOYMENT BENEFITS**

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Berkeley Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 141 retirees and 155 beneficiaries currently receiving benefits, and 1,099 active plan members.

Funding Policy

The contribution requirements of plan members of the District are established and may be amended by the District and the California Teachers Association (CTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, CTA, CSEA and the unrepresented groups. For the fiscal year ended June 30, 2010, the District contributed \$1,924,588 to the plan.

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**8. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Funding Policy (Continued)

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 2,206,092
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	2,206,092
Contributions made	<u>(1,924,588)</u>
Increase in net OPEB obligation	281,504
Net OPEB obligation - beginning of year	<u>932,560</u>
Net OPEB obligation - end of year	<u><u>\$ 1,214,064</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2009 and 2010 was as follows (dollar amounts in thousands):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 2,206,092	57.7%	\$ 932,560
June 30, 2010	\$ 2,206,092	87.2%	\$ 1,214,064

As of May 1, 2009, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$16.3 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$77.9 million, and the ratio of the UAAL to the covered payroll was 21.0 percent.

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**8. OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Funding Policy (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the May 1, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.5 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4 percent initially, reduced by decrements to an ultimate rate of 3 percent. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was 29 years.

**9. RISK MANAGEMENT**

Workers' Compensation

The District's workers' 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 of risk from the District.

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



**BERKELEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**9. RISK MANAGEMENT (Continued)**

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 represents the changes in approximate aggregate liabilities for the District from July 1, 2008 to June 30, 2010:

	<u>Self Insurance Programs</u>
Liability balance, June 30, 2008	\$ 1,923,435
Claims and changes in estimates	2,327,071
Claims payments	<u>(1,232,755)</u>
Liability balance, June 30, 2009	3,017,751
Claims and changes in estimates	2,077,592
Claims payments	<u>(1,683,880)</u>
Liability balance, June 30, 2010	<u>\$ 3,411,463</u>

**10. JOINT POWERS AGREEMENT**

The District is a member with other school districts of a Joint Powers Authority, Schools Excess Liability Fund (SELF), for the operation of a common risk management and insurance program for property and liability coverage. SELF is governed by a Governing Board consisting of representatives from member districts. The Board controls the operations of SELF, including selections of management and approval of operating budgets.

The following is a summary of financial information for SELF at June 30, 2009 (the most recent information available):

Total assets	\$209,217,000
Total liabilities	\$161,555,000
Net assets	\$ 47,662,000
Total revenues	\$ 26,645,000
Total expenses	\$ 27,701,000
Change in net assets	\$ (1,056,000)

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**10. JOINT POWERS AGREEMENT (Continued)**

The relationship between the District and SELF is such that SELF is not a component unit of the District for financial reporting purposes.

**11. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Excess of expenditures over appropriations for the year ended June 30, 2010 were as follows:

General Fund:	
Classified salaries	\$ 54,926

Budget revisions for expenditures in excess of budgeted amounts were not made at the end of the fiscal year.

**12. CONTINGENCIES**

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

Also, the District has received state and federal funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

**13. SUBSEQUENT EVENTS**

On November 18, 2010 the District issued \$11,500,000 of Tax and Revenue Anticipation Notes (TRANs), maturing on June 1, 2011 with an interest rate of 1.50% to provide for anticipated cash flow deficits from operations. The TRANs are a general obligation of the District and are payable from revenues and cash receipts generated by the District during the fiscal year ended June 30, 2011.

The District has reviewed all events occurring from June 30, 2010 through January 12, 2011, the date the financial statements were issued. No other subsequent events occurred requiring accrual or disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BERKELEY UNIFIED SCHOOL DISTRICT**

**GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE**

**For the Year Ended June 30, 2010**

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Revenue limit sources:				
State apportionment	\$ 21,110,290	\$ 19,490,547	\$ 19,133,594	\$ (356,953)
Local sources	<u>25,677,673</u>	<u>25,677,673</u>	<u>26,084,535</u>	<u>406,862</u>
Total revenue limit	<u>46,787,963</u>	<u>45,168,220</u>	<u>45,218,129</u>	<u>49,909</u>
Federal sources	8,453,143	9,198,373	7,578,635	(1,619,738)
Other state sources	20,624,595	21,915,022	22,274,801	359,779
Other local sources	<u>36,949,368</u>	<u>38,096,954</u>	<u>38,087,827</u>	<u>(9,127)</u>
Total revenues	<u>112,815,069</u>	<u>114,378,569</u>	<u>113,159,392</u>	<u>(1,219,177)</u>
Expenditures:				
Certificated salaries	45,882,761	46,300,830	45,821,448	479,382
Classified salaries	20,328,540	20,331,196	20,386,122	(54,926)
Employee benefits	20,958,747	20,495,096	20,193,923	301,173
Books and supplies	5,424,083	7,497,962	3,383,571	4,114,391
Contract services and operating expenditures	17,793,159	20,413,782	18,597,625	1,816,157
Capital outlay	<u>191,459</u>	<u>227,938</u>	<u>211,432</u>	<u>16,506</u>
Total expenditures	<u>110,578,749</u>	<u>115,266,804</u>	<u>108,594,121</u>	<u>6,672,683</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,236,320</u>	<u>(888,235)</u>	<u>4,565,271</u>	<u>5,453,506</u>
Other financing sources (uses):				
Operating transfers in	715,699	659,497	645,841	(13,656)
Operating transfers out	<u>(3,863,785)</u>	<u>(3,863,785)</u>	<u>(3,855,309)</u>	<u>8,476</u>
Total other financing sources (uses)	<u>(3,148,086)</u>	<u>(3,204,288)</u>	<u>(3,209,468)</u>	<u>(5,180)</u>
Net change in fund balance	(911,766)	(4,092,523)	1,355,803	5,448,326
Fund balance, July 1, 2009	<u>13,136,807</u>	<u>13,136,807</u>	<u>13,136,807</u>	
Fund balance, June 30, 2010	<u>\$ 12,225,041</u>	<u>\$ 9,044,284</u>	<u>\$ 14,492,610</u>	<u>\$ 5,448,326</u>

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

BERKELEY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
FUNDING PROGRESS

For the Year Ended June 30, 2010

Schedule of Funding Progress							
<u>Fiscal Year Ended</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/2009	May 1, 2009	\$ -	\$ 16,344,627	\$ 16,344,627	0%	\$ 77,894,196	20.98%
6/30/2010	May 1, 2009	\$ -	\$ 16,344,627	\$ 16,344,627	0%	\$ 77,894,196	20.98%

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

## **SUPPLEMENTARY INFORMATION**

BERKELEY UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2010

ASSETS

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Pupil Trans- portation Equipment Fund	Special Reserve for Other Than Capital Projects Fund	County School Facilities Fund	Tax Override Fund	Total
Cash in County Treasury	\$ (408,505)	\$ 1,499,127	\$ 1,162,238	\$ 389,840	\$ 8,065	\$ 2,509,314	\$ 262,341	\$ 61,364	\$ 5,483,784
Cash on hand and in banks	65,077	14,989	108,766						188,832
Accounts receivable	419,018	270,126	370,720	630	13	4,053	1,577		1,086,137
Due from other funds	561,035		67,549						628,584
Stores inventory			150,019						150,019
Total assets	<u>\$ 636,625</u>	<u>\$ 1,784,242</u>	<u>\$ 1,859,292</u>	<u>\$ 390,470</u>	<u>\$ 8,078</u>	<u>\$ 2,513,367</u>	<u>\$ 263,918</u>	<u>\$ 61,364</u>	<u>\$ 7,517,356</u>

LIABILITIES AND  
FUND BALANCES

Liabilities:									
Accounts payable	\$ 352,994	\$ 198,084	\$ 54,754				\$ 2,153		\$ 607,985
Deferred revenue		352,035							352,035
Due to other funds	<u>166,592</u>	<u>319,615</u>	<u>1,128,501</u>						<u>1,614,708</u>
Total liabilities	519,586	869,734	1,183,255				2,153		2,574,728
Fund balances	<u>117,039</u>	<u>914,508</u>	<u>676,037</u>	<u>\$ 390,470</u>	<u>\$ 8,078</u>	<u>\$ 2,513,367</u>	<u>261,765</u>	<u>\$ 61,364</u>	<u>4,942,628</u>
Total liabilities and fund balances	<u>\$ 636,625</u>	<u>\$ 1,784,242</u>	<u>\$ 1,859,292</u>	<u>\$ 390,470</u>	<u>\$ 8,078</u>	<u>\$ 2,513,367</u>	<u>\$ 263,918</u>	<u>\$ 61,364</u>	<u>\$ 7,517,356</u>

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

BERKELEY UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

ALL NON-MAJOR FUNDS

For the Year Ended June 30, 2010

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Pupil Trans- portation Equipment Fund	Special Reserve for Other Than Capital Projects Fund	County School Facilities Fund	Tax Override Fund	Total
Revenues:									
Revenue limit			\$ 876,619						\$ 876,619
Federal sources	\$ 630,747	\$ 1,526,056	1,878,414						4,035,217
Other state sources	168,515	4,824,464	182,902						5,175,881
Other local sources	439,153	480,539	532,758	\$ 4,335	\$ 557	\$ 18,349	\$ 1,926		1,477,617
Total revenues	1,238,415	6,831,059	3,470,693	4,335	557	18,349	1,926		11,565,334
Expenditures:									
Certificated salaries	2,244,262	2,052,213							4,296,475
Classified salaries	745,213	1,712,223	1,282,625						3,740,061
Employee benefits	743,193	1,288,269	493,420						2,524,882
Books and supplies	192,748	83,785	1,317,947						1,594,480
Contract services and operating expenditures	267,856	651,033	(378,449)	321,880			550		540,440
Capital outlay		52,256							374,686
Total expenditures	4,193,272	5,839,779	2,715,543	321,880			550		13,071,024
(Deficiency) excess of revenues (under) over expenditures	(2,954,857)	991,280	755,150	(317,545)	557	18,349	1,376		(1,505,690)
Other financing sources (uses):									
Operating transfers in	3,403,309	40,000							3,443,309
Operating transfers out	(160,651)	(312,179)	(173,011)						(645,841)
Total other financing sources (uses)	3,242,658	(272,179)	(173,011)						2,797,468
Net change in fund balances	287,801	719,101	582,139	(317,545)	557	18,349	1,376		1,291,778
Fund balances, July 1, 2009	(170,762)	195,407	93,898	708,015	7,521	2,495,018	\$ 260,389	\$ 61,364	3,650,850
Fund balances, June 30, 2010	\$ 117,039	\$ 914,508	\$ 676,037	\$ 390,470	\$ 8,078	\$ 2,513,367	\$ 261,765	\$ 61,364	\$ 4,942,628

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



# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **ORGANIZATION**

**June 30, 2010**

Berkeley Unified School District was established in 1879 and is comprised of an area of approximately 19 square miles located in Alameda County. The District was unified in 1936 with the combining of the elementary and high school districts then in existence in the area of the current district boundaries. There were no changes in the District's boundaries in the current year. The District is currently operating eleven elementary schools and three intermediate schools, one high school, one continuation school, and an independent study program. In addition, the District operates an adult school program.

### **GOVERNING BOARD**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Karen Hemphill	President	2010
Beatriz Leyva-Cutler	Vice President	2012
Nancy Riddle	Director	2010
John T. Swlawsky	Director	2012
Shirley Issel	Director	2010

### **ADMINISTRATION**

William Huyett  
Superintendent

Javetta Cleveland, CPA  
Deputy Superintendent, Business

Neil Smith  
Assistant Superintendent, Educational Services

Delia Ruiz  
Assistant Superintendent, Human Resources

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AVERAGE DAILY ATTENDANCE**  
**For the Year Ended June 30, 2010**

	<u>Original Second Period Report</u>	<u>Audited Second Period Report</u>	<u>Original Annual Report</u>	<u>Audited Annual Report</u>
Elementary:				
Kindergarten	670	669	670	669
First through Third	1,833	1,822	1,847	1,836
Fourth through Sixth	1,733	1,733	1,730	1,730
Seventh and Eighth	1,157	1,157	1,137	1,137
Opportunity Schools	2	2	2	2
Special Education	<u>77</u>	<u>77</u>	<u>77</u>	<u>77</u>
Subtotal Elementary	<u>5,472</u>	<u>5,460</u>	<u>5,463</u>	<u>5,451</u>
Secondary:				
Regular Classes	3,076	3,076	3,048	3,048
Special Education	73	73	71	71
Compulsory Continuation Education	63	63	60	60
Home and Hospital	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>
Subtotal Secondary	<u>3,221</u>	<u>3,221</u>	<u>3,188</u>	<u>3,188</u>
District Totals	<u><u>8,693</u></u>	<u><u>8,681</u></u>	<u><u>8,651</u></u>	<u><u>8,639</u></u>

See accompanying notes to  
supplementary information.

**BERKELEY UNIFIED SCHOOL DISTRICT****SCHEDULE OF INSTRUCTIONAL TIME****For the Year Ended June 30, 2010**

<b><u>Grade Level</u></b>	<b><u>1986-87 Minutes Require- ment</u></b>	<b><u>1982-83 Actual Minutes</u></b>	<b><u>2009-10 Actual Minutes</u></b>	<b><u>Number of Days Traditional Calendar</u></b>	<b><u>Status</u></b>
Kindergarten	36,000	28,875	45,660	180	In Compliance
Grade 1	50,400	42,875	50,970	180	In Compliance
Grade 2	50,400	42,875	50,970	180	In Compliance
Grade 3	50,400	42,875	50,970	180	In Compliance
Grade 4	54,000	46,905	54,480	180	In Compliance
Grade 5	54,000	46,905	54,480	180	In Compliance
Grade 6	54,000	46,905	54,323	180	In Compliance
Grade 7	54,000	46,905	54,323	180	In Compliance
Grade 8	54,000	46,905	54,323	180	In Compliance
Grade 9	64,800	54,560	65,700	180	In Compliance
Grade 10	64,800	54,560	65,700	180	In Compliance
Grade 11	64,800	54,560	65,700	180	In Compliance
Grade 12	64,800	54,560	65,700	180	In Compliance

See accompanying notes to  
supplementary information.

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**

**For the Year Ended June 30, 2010**

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	NCLB: Title I Cluster:		
84.010	NCLB: Title I, Part A, Basic Grants	14329	\$ 1,044,638
84.389	NCLB: ARRA Part A, Basic Grants Low Income and Neglected	15005	222,065
84.010	NCLB: Title I, Part A, Program Improvement LEA Corrective Action	14955	<u>28,038</u>
	Subtotal NCLB: Title I Cluster		<u>1,294,741</u>
	Special Education Cluster:		
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B	13379	1,295,753
84.173	Special Education: IDEA Preschool Grants, Part B, Sec. 619	13430	30,517
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B	13682	52,037
84.027	Special Education: IDEA Local Assistance, Part B, Section 611, Private School ISPs	10115	4,494
84.027	Special Education: IDEA Local Assistance, Part B, Early Intervening Services	10119	243,984
84.391	Special Education: ARRA IDEA Part B, Section 611, Basic Local Assistance	15003	701,981
84.391	Special Education: ARRA IDEA Part B, Section 611, Local Assistance Private School ISPs	10123	4,893
84.391	Special Education: ARRA IDEA Part B, Local Assistance Early Intervening Services	10124	126,119
84.391	Special Education: ARRA IDEA Part B, Section 611, Preschool Local Entitlement	15002	29,629
84.392	Special Education: ARRA IDEA Part B, Section 619, Preschool Grants	15000	<u>22,357</u>
	Subtotal Special Education Cluster		<u>2,511,764</u>
84.318	NCLB: Title II Part D, Education Technology, Competitive Grants	14335	57,762
84.318	NCLB: Title II Part D, Education Technology, Formula Grant	14334	2,769
84.365A	NCLB: Title III, Immigrant Education Program	14346	52,701
84.365	NCLB: Title III, Limited English Proficiency Student Program	10084	107,753
84.287	NCLB: Title IV, Part B, 21st Century Community Centers-Core	14349	184,498

(Continued)

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
(Continued)  
**For the Year Ended June 30, 2010**

<b>Federal Catalog Number</b>	<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.287	NCLB: Title IV, Part B, 21st Century Community Centers-Equitable Access	14765	\$ 61,497
84.287	NCLB: Title IV, Part B, 21st Century Community Centers-Assets	14535	172,685
84.287	NCLB: Title IV, Part B, 21st Century Community Centers-Family Literacy	14604	32,868
84.181	SE: IDEA Early Intervention Grants, Part C	23761	8,417
84.048	Vocational & Applied Technology, Secondary	14894	63,271
84.048	Vocational & Applied Technology, Postsecondary	14893	63,093
84.002	AE: Adult Secondary Education	13978	23,813
84.002A	AE: Adult Basic Education & ESL	14508	305,169
84.002A	AE: English Literacy & Civics Education	14109	123,100
84.126A	Department of Rehabilitation: Workability II, Transition Partnership	10006	114,572
84.186	NCLB: Title IV, Part A Drug-Free Schools	14347	69,774
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	217,789
84.298A	NCLB: Title V, Part A, Innovative Education Strategies	14354	4,355
84.196	NCLB: Title X McKinney-Vento Homeless Children Assistance Grants	14332	68,511
84.387	NCLB: ARRA Title X, McKinney-Vento Homeless Assistance	15007	21,088
84.184E	Readiness and Emergency Management for Schools	N/A	63,544
84.215L	Smaller Learning Communities	N/A	197,678
84.394	ARRA: State Fiscal Stabilization Fund	25008	<u>2,322,582</u>
Total U.S. Department of Education			<u>8,145,794</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.596	Child Development: Federal General Child Care, & Development	13609	1,224,309
93.575	Child Development: Quality Improvement Activities	13942	1,781
93.778	Department of Health Care Services: Medi-Cal Billing Option	10013	<u>24,194</u>
Total U.S. Department of Health and Human Services			<u>1,250,284</u>

(Continued)

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS**  
(Continued)  
**For the Year Ended June 30, 2010**

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.558	Child Nutrition: Child Care Food Program	13393	\$ 330,641
10.555	Child Nutrition: National School Lunch	13391	<u>2,888,553</u>
	Total U.S. Department of Agriculture		<u>3,219,194</u>
	Total Federal		<u>\$ 12,615,272</u>

See accompanying notes to  
supplementary information.

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT**  
**WITH AUDITED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2010**

	<u><b>Building Fund</b></u>
June 30, 2010 Unaudited Actual Financial Report Ending Fund Balance	\$ 43,665,041
Adjustment for overstatement of accounts payable	<u>626,987</u>
June 30, 2010 audited Financial Statements Ending Fund Balance	<u><u>\$ 44,292,028</u></u>

There were no audit adjustments proposed to any other funds of the District.

See accompanying notes to  
supplementary information.

**REVISED FEB. 22, 2011**

**BERKELEY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**

**For the Year Ended June 30, 2010**

	<u>(Budget)</u> <u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b><u>General Fund</u></b>				
Revenues and other financing sources	\$ 110,643,201	\$ 113,805,233	\$ 111,635,777	\$ 110,865,651
Expenditures	110,039,803	108,594,121	112,418,251	107,995,437
Other uses and transfers out	<u>3,624,773</u>	<u>3,855,309</u>	<u>585,955</u>	<u>1,507,214</u>
Total outgo	<u>113,664,576</u>	<u>112,449,430</u>	<u>113,004,206</u>	<u>109,502,651</u>
Change in fund balance	<u>\$ (3,021,375)</u>	<u>\$ 1,355,803</u>	<u>\$ (1,368,429)</u>	<u>\$ 1,363,000</u>
Ending fund balance	<u>\$ 11,471,235</u>	<u>\$ 14,492,610</u>	<u>\$ 13,136,807</u>	<u>\$ 14,505,236</u>
Available reserves	<u>\$ 6,093,405</u>	<u>\$ 5,013,851</u>	<u>\$ 5,819,277</u>	<u>\$ 5,706,937</u>
Designated for economic uncertainties	<u>\$ 2,528,367</u>	<u>\$ 2,513,367</u>	<u>\$ 2,495,018</u>	<u>\$ 2,442,238</u>
Undesignated fund balance	<u>\$ 3,565,038</u>	<u>\$ 2,500,484</u>	<u>\$ 3,324,259</u>	<u>\$ 3,264,699</u>
Available reserves as a percentage of total outgo	<u>5.4%</u>	<u>4.5%</u>	<u>5.1%</u>	<u>5.2%</u>
<b><u>All Funds</u></b>				
Total long-term liabilities	<u>\$ 206,375,915</u>	<u>\$ 216,696,199</u>	<u>\$ 227,141,291</u>	<u>\$ 216,559,682</u>
Average daily attendance at P-2	<u>8,757</u>	<u>8,681</u>	<u>8,454</u>	<u>8,414</u>

The General Fund fund balance has increased by \$1,350,374 over the past three fiscal years. The District projects a decrease of \$3,021,375 for the year ending June 30, 2011. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses be maintained. For the year ended June 30, 2010, the District has met this requirement. For purposes of the calculation of the available reserves, the District includes the ending fund balance of the Special Reserve for Other Than Capital Projects Fund as designated for economic uncertainties.

The District has incurred operating surpluses in two of the past three years, and anticipates incurring an operating deficit during the 2010-2011 fiscal year.

Total long-term liabilities have increased by \$136,517 over the past two years.

Average daily attendance has increased by 267 over the past two years. The District anticipates an increase of 76 ADA during the fiscal year ending June 30, 2011.

See accompanying notes to  
supplementary information.



**BERKELEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF CHARTER SCHOOLS**  
**For the Year Ended June 30, 2010**

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
Currently, there are no charter schools operating under the District.	

See accompanying notes to  
supplementary information.

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**

**1. PURPOSE OF SCHEDULES**

**A - Schedule of Average Daily Attendance**

Average daily attendance 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 apportionments 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.

**B - Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This 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 46201 through 46206.

**C - Schedule of Expenditure of Federal Awards**

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with OMB Circular A-133 requirements, and is presented on the modified accrual basis of accounting.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2010.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 11,613,852
Add: State Fiscal Stabilization Funds spent from prior year awards	84.394	70,076
Less: Unreimbursed Child Nutrition expenditures	10.555	1,067,948
Medi-Cal Billing Funds not spent	93.778	<u>(136,604)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 12,615,272</u>

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
(Continued)

**1. PURPOSE OF SCHEDULES (Continued)**

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

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

E - Schedule of Financial Trends and Analysis

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2010-2011 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

**2. EARLY RETIREMENT INCENTIVE PROGRAM**

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2010, the District did not adopt such a program.

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Board of Trustees  
Berkeley Unified School District  
Berkeley, California

We have audited the compliance of Berkeley Unified School District with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2010. Compliance with the requirements of state laws and regulations 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 the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below 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.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Regular and Special Day Classes	8	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Instructional Materials:		
General requirements	8	Yes
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	No, see below
Public Hearing Requirements - Receipt of Funds	1	Yes
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below
After School Education and Safety Program:		
General requirements	4	Yes
After school	4	Yes
Before school	5	Yes

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**  
(Continued)

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Contemporaneous Records of Attendance, for charter schools	1	No, see below
Mode of Instruction, for charter schools	1	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	3	No, see below

We did not perform any procedures related to Instructional Time for County Offices of Education because the District is not a County Office of Education.

We did not perform any procedures related to Early Retirement Incentive Program because the District did not offer this program in the current year.

The 2009-2010 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2010. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2009-2010 Audit Guide relating to the comparison of tested data from the 2009-2010 fiscal year to the 2009-2010 School Accountability Report Cards.

We did not perform any procedures related to Class Size Reduction Program - Option Two classes and Districts with only one school serving K-3 because the District does not offer Option Two, and has more than one school serving K-3.

The District does not have any charter schools, therefore we did not perform any of the procedures required by Article 4 of the Audit Guide.

In our opinion, Berkeley Unified School District complied with the state laws and regulations referred to above for the year ended June 30, 2010, except as described in the Schedule of Audit Findings and Questioned Costs. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Berkeley Unified School District had not complied with the state laws and regulations.

Berkeley Unified School District's responses to the findings identified in our audit are included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's responses and, accordingly, express no opinion on them.

**INDEPENDENT AUDITOR'S REPORT**  
**ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**  
(Continued)

This report is intended solely for the information of the Board of Trustees, management, the State Controller's Office, the California Department of Education and the California Department of Finance, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Perry - Smith LLP*

Sacramento, California  
January 12, 2011

**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**

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Board of Trustees  
Berkeley Unified School District  
Berkeley, California

We have audited the financial statements of Berkeley Unified School District as of and for the year ended June 30, 2010, and have issued our report thereon dated January 12, 2011. 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Berkeley Unified School District's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Berkeley Unified School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We identified a deficiency in internal control over financial reporting that we consider to be a material weakness, as described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding #1.

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*.

Berkeley Unified School District's responses to the findings identified in our audit are included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's responses and, accordingly, express no opinion on them.

**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**

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(Continued)

This report is intended solely for the information of the Board of Trustees, management, the California Department of Education, the California State Controller's Office and 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. However, this report is a matter of public record and its distribution is not limited.

*Patty - Smith UP*

Sacramento, California  
January 12, 2011



**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**

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Board of Trustees  
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, 2010. Berkeley Unified School District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements 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 on 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, 2010, except as described in the Schedule of Audit Findings and Questioned Costs.

Internal Control Over Compliance

The management of Berkeley Unified School District is responsible for establishing and maintaining effective internal control over compliance with 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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Berkeley Unified School District's internal control over compliance.

**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**

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(Continued)

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 over compliance that might be deficiencies, 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.

Berkeley Unified School District's response to the finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. We did not audit the District's response and, accordingly, express no opinion on it.

This report is intended solely for the information of the Board of Trustees, management, the California Department of Education, the California State Controller's Office and 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. However, this report is a matter of public record and its distribution is not limited.

*Perry-Smith LLP*

Sacramento, California  
January 12, 2011

## **FINDINGS AND RECOMMENDATIONS**

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2010

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?   X   Yes        No

Significant deficiency(ies) identified not considered to be material weakness(es)?        Yes   X   None reported

Noncompliance material to financial statements noted?        Yes   X   No

**FEDERAL AWARDS**

Internal control over major programs:

Material weakness(es) identified?        Yes   X   No

Significant deficiency(ies) identified not considered to be material weakness(es)?        Yes   X   None reported

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?   X   Yes        No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010, 84.389	Title I, Part A Cluster (including ARRA)
84.027, 84.173, 84.391, 84.392	Special Education Cluster (including ARRA)
84.367	NCLB: Title II, Part A, Improving Teacher Quality
84.394	ARRA: State Fiscal Stabilization Fund
93.575, 93.596, 93.778	Child Development Federal Cluster
10.558, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 378,458

Auditee qualified as low-risk auditee?   X   Yes        No

**STATE AWARDS**

Internal control over state programs:

Material weakness(es) identified?        Yes   X   No

Significant deficiency(ies) identified not considered to be material weaknesses?        Yes   X   None reported

Type of auditor's report issued on compliance for state programs: Qualified

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
**Year Ended June 30, 2010**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**1. MATERIAL WEAKNESS - INTERNAL CONTROL (30000)**

Criteria

Internal Controls - Financial Reporting

Condition

Purchase orders for construction contracts were established as liabilities in the Building Fund, with subsequent payments applied against the purchase order balance, resulting in an overstatement of accounts payable.

Effect

The accounts payable balance in the Building Fund was overstated at June 30, 2010 by \$626,987. Therefore, the ending fund balance in the Building Fund will increase by \$626,987 after the audit adjustment is made.

Cause

Purchase orders were established as liabilities, instead of using actual invoices to establish the liability.

Fiscal Impact

The accounts payable balance in the Building Fund was overstated at June 30, 2010 by \$626,987.

Recommendation

The District should only use valid invoices received from vendors to establish accounts payables balances. The District should also review all purchase orders throughout the year, and specifically at year end to determine the status of projects and to verify receipt of all applicable invoices.

Corrective Action Plan

The process of using purchase orders and not invoices to establish liabilities at year end was discontinued two years ago. However, the accounts payable balances that were overstated due to the past practice were never cleared. This process will be changed and written procedures for accruing construction related costs will be implemented. In the future, all prior year accruals will be reviewed in April to determine if amounts are bona fide payables.

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
**Year Ended June 30, 2010**

**SECTION II - FINANCIAL STATEMENT FINDINGS**  
(Continued)

**2. INTERNAL CONTROLS - ASSOCIATED STUDENT BODY (30000)**

Criteria

Education Code Section 48930 (and California Department of Education's "Accounting Procedures for Student Organizations" handbook) requires Student Body organizations to follow the regulations set forth by the Governing Board of the District.

Condition

At Berkeley High School:

- . Bank reconciliations have no evidence of review.

At Longfellow Middle School:

- . Cash is not counted when turned into the school secretary and there is no evidence of a written receipt.
- . Deposits are not made in a timely manner.
- . Funds for individual activities are not tracked separately.
- . There are no bank account reconciliations over ASB money being performed.

Effect

There exists the risk that Associated Student Body funds could be misappropriated.

Cause

Adequate internal controls over Associated Student Body funds are not being followed.

Fiscal Impact

Not determinable.

Recommendation

The schools should perform timely reconciliations which should be reviewed and approved by the school principal.

Cash should be counted in dual custody when turned in to the secretary and receipts should be completed upon the collection of cash. Individual funds should be tracked separately in order to prevent expenditures in excess of funds available for a particular activity.

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
**Year Ended June 30, 2010**

**SECTION II - FINANCIAL STATEMENT FINDINGS**  
(Continued)

**2. INTERNAL CONTROLS - ASSOCIATED STUDENT BODY (30000) (Continued)**

Corrective Action Plan

The Fiscal Services staff will provide training and development for middle school sites on student body accounting and assist these sites with establishing an appropriate accounting system. The District will require all middle schools and the high schools to submit quarterly financial statements and bank reconciliations to Fiscal Services for review.

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
**Year Ended June 30, 2010**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**3. FEDERAL COMPLIANCE - TIME CERTIFICATIONS (50000)**

Criteria

OMB Circular A-133 and OMB Circular A-87 contain documentation requirements for federally-funded employees.

Condition

Semi-annual time certifications were not performed for certain Federally Funded employees. Certifications were not performed for all selected employees for the Child Care program. For the Special Education programs, certifications were not performed for four employees out of six selected for testing.

Effect

Potential loss of funding from the federal government, or possible return of funds.

Cause

An appropriate certification process for Child Development program was not implemented because program staff were unaware that semi-annual certifications should be performed for federally funded employees. For Special Education programs certain employee's certifications were missing due to lack of strong internal control over the certification process.

Fiscal Impact

Federal payroll expenditures in the Child Care program totaled \$770,390; and in the Special Education programs they totaled \$2,511,764.

Recommendation

All federally-funded employees should perform the semi-annual time certifications.

Corrective Action Plan

The District has a process to ensure that all federally funded employees that are funded by categorical or federal stimulus funds are in compliance with time reporting requirements. Fiscal Services staff will work with Special Education staff to ensure that they implement a similar process. Child Development staff already implemented the auditor's recommendation.



**BERKELEY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
(Continued)  
**Year Ended June 30, 2010**

**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

**4. STATE COMPLIANCE - ATTENDANCE (10000)**

Criteria

Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Sections 401 and 421 (b), and Education Code Section 44809 – Each LEA must develop and maintain accurate and adequate records to support the attendance reported to the State.

Condition

At John Muir Elementary, six students were improperly counted as present for a total of eight days. Also, there was no evidence of a call log and attendance notes were not being kept. At Rosa Parks Elementary, three students were improperly counted as present for a total of three days.

Effect

The extrapolated effect of this finding for John Muir Elementary is an overstatement of 8.97 ADA. The extrapolated effect of this finding for Rosa Parks Elementary is an overstatement of 2.65 ADA.

Cause

The six John Muir students each had an absence verification note indicating they were absent, however they were marked present on the site's Detailed Attendance Period Report. The three Rosa Parks Students were reported absent based off of the call log extracted from Power School, but was then manually overwritten as code 370, which indicates present.

Fiscal Impact

The extrapolated effect of these errors at John Muir is a total overstatement of 8.97 ADA representing approximately \$56,653 in apportionment. The extrapolated effect of these errors at Rosa Parks is a total overstatement of ADA of 2.65 ADA representing approximately \$16,750 in apportionment.

Recommendation

The District should revise and resubmit the Second Period and Annual Reports of Attendance, removing the disallowed ADA. The site secretary at John Muir should verify that students are properly marked absent in the attendance system once the absence is verified upon receipt of a note. She should also keep a phone record of the parents who call in absences. The school secretary at Rosa Parks should verify that the correct code is being used. Also, the District should revisit the proper attendance procedures with the attendance clerk/school secretary of Rosa Parks and John Muir.

BERKELEY UNIFIED SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2010

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

(Continued)

4. **STATE COMPLIANCE - ATTENDANCE (10000)** (Continued)

Corrective Action Plan

The District will revise and resubmit the Second Period and Annual Reports of Attendance. The District will provide staff development on absence tracking and the appropriate procedures for use of call logs. Fiscal Services staff will make site visits and perform regular review of monthly attendance reports to ensure that attendance is properly being taken at all school sites.

Staff will follow up with principals and staff at Rosa Parks and John Muir to ensure that all attendance is being accurately reported.

5. **STATE COMPLIANCE - RATIO OF ADMINISTRATIVE EMPLOYEES TO TEACHERS (40000)**

Criteria

Education Code Section 41403 establishes the maximum ratio of Administrators to Teachers.

Condition

The District prepared the calculation indicating that the District was in compliance with the required ratio; however, there was no review by a supervisor or manager to ensure that it was in compliance. Staff could not provide assurance that the calculation was performed properly and traced to supporting documentation.

Effect

The ratio of Administrators to Teachers could not be verified by the auditors.

Cause

Staff could not assure that the calculation was prepared in compliance with the Education Code.

Fiscal Impact

Not determinable.

Recommendation

The District should maintain contemporaneous schedules to support the Administrator to Teacher ratio calculation.

**BERKELEY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

(Continued)

**Year Ended June 30, 2010**

**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

(Continued)

**5. STATE COMPLIANCE - RATIO OF ADMINISTRATIVE EMPLOYEES TO TEACHERS  
(40000) (Continued)**

Corrective Action Plan

The administrative ratio calculation is prepared by staff in Human Resources. Staff in Human Resources will submit the documentation to the Fiscal Services staff for review. Fiscal Services staff will ensure that the calculation is performed in compliance with the Education Code.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

**BERKELEY UNIFIED SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

**Year Ended June 30, 2010**

	<u><b>Current Status</b></u>	<u><b>District Explanation If Not Implemented</b></u>
<p>2009-1</p> <p>No revenue potential forms were completed for fundraising activities at Berkeley High School. The absence of these forms prevents the District from being able to track overages and shortages in money received from fundraising activities. The District should prepared revenue potential forms for all fundraising activities.</p>	Not implemented.	See current year finding #2.
<p>2009-2</p> <p>The bank account at Longfellow Middle School is not reconciled on a regular basis and a general ledger of activities for the bank account is not maintained. The lack of an accounting system to track activities within the account and periodic reconciliation prevents the District from tracking account balances, allowable activities, and increases their susceptibility to fraud. The District should maintain a general ledger of student body activities and reconcile the general ledger to bank balances.</p>	Not implemented.	See current year finding #2.