

BERKELEY UNIFIED SCHOOL DISTRICT

**MEASURE E1 OF 2016
“BERKELEY PUBLIC SCHOOLS EDUCATIONAL EXCELLENCE ACT”
FINANCIAL STATEMENTS
June 30, 2018**

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE E1 OF 2016
“BERKELEY PUBLIC SCHOOLS EDUCATIONAL EXCELLENCE ACT”
FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Berkeley Unified School District
Berkeley, California

Report on the Financial Statements

We have audited the accompanying financial statements of Berkeley Unified School District (the "District") Measure E1, also referred to as "Berkeley Public Schools Educational Excellence Act" activity included in the General Fund of the District ("Measure E1"), as of and for the year ended June 30, 2018, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Berkeley Unified School District's Measure E1 activity included in the General Fund of the District as of June 30, 2018, and the changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial activity and balances of Measure E1 only, and do not purport to, and do not, present fairly the financial position of Berkeley Unified School District as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the Measure E1 financial statements as a whole. The combining resource information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the Measure E1 activity. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance for the Measure E1 activity. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance for the Measure E1 activity.


Crowe LLP

Sacramento, California
February 6, 2019

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE E1 OF 2016
BALANCE SHEET
June 30, 2018

Supplementary Combining Information

	Unrestricted 0700	High Quality Instruction 0741	School Site Programs 0752	School Libraries 0761	Visual & Performing Arts Programs 0753	Instructional Technology 0762	Public Information Planning & Oversight Committee 0754	Effective Student Support 0757/0763/ 0764	Total Measure E1 of 2016
ASSETS									
Cash in County Treasury (Note 2)	\$ 253,508	\$ 3,099,622	\$ 823,881	\$ 359,170	\$ 475,365	\$ 162,179	\$ 15,996	\$ 471,857	\$ 5,661,578
Receivables	648,313	357,356	55,498	39,255	33,841	17,597	11,050	37,901	1,200,811
Due From General Fund	-	-	45,611	-	-	-	-	-	45,611
Total assets	<u>\$ 901,821</u>	<u>\$ 3,456,978</u>	<u>\$ 924,990</u>	<u>\$ 398,425</u>	<u>\$ 509,206</u>	<u>\$ 179,776</u>	<u>\$ 27,046</u>	<u>\$ 509,758</u>	<u>\$ 6,908,000</u>
LIABILITIES AND FUND BALANCE									
Liabilities:									
Accounts payable	\$ 9,764	\$ 283,733	\$ 236,166	\$ 165,628	\$ 127,381	\$ 57,842	\$ 1,188	\$ 201,456	\$ 1,083,158
Due to the General Fund	6,233	1,541,818	131,221	107,966	82,305	47,359	-	99,265	2,016,167
Other Liabilities	-	-	282	-	442	133	-	-	857
Total liabilities	15,997	1,825,551	367,669	273,594	210,128	105,334	1,188	300,721	3,100,182
Fund balance – restricted (Note 4)	<u>885,824</u>	<u>1,631,427</u>	<u>557,321</u>	<u>124,831</u>	<u>299,078</u>	<u>74,442</u>	<u>25,858</u>	<u>209,037</u>	<u>3,807,818</u>
Total liabilities and fund balance	<u>\$ 901,821</u>	<u>\$ 3,456,978</u>	<u>\$ 924,990</u>	<u>\$ 398,425</u>	<u>\$ 509,206</u>	<u>\$ 179,776</u>	<u>\$ 27,046</u>	<u>\$ 509,758</u>	<u>\$ 6,908,000</u>

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
 MEASURE E1 2016
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
 For the Year Ended June 30, 2018

Supplementary Combining Information

	Unrestricted 0700	High Quality Instruction 0741	School Site Programs 0752	School Libraries 0761	Visual & Performing Arts Programs 0753	Instructional Technology 0762	Public Information Planning & Oversight Committee 0754	Effective Student Support 0757/0763/ 0764	Total Measure E1 of 2016
Revenues:									
Special taxes	\$ 1,341,444	\$ 18,610,296	\$ 2,890,235	\$ 2,044,312	\$ 1,762,339	\$ 916,416	\$ 575,457	\$ 1,973,820	\$ 30,114,319
Interest	100,085	-	-	-	-	-	-	-	100,085
Contribution to General Fund (Note 3)	-	(13,936,557)	-	-	(217,312)	-	-	-	(14,153,869)
Total revenues	1,441,529	4,673,739	2,890,235	2,044,312	1,545,027	916,416	575,457	1,973,820	16,060,535
Expenditures:									
Certificated salaries	-	1,497,550	1,177,716	631,617	727,128	60,822	-	1,045,083	5,139,916
Classified salaries	-	66,134	396,548	593,267	20,971	454,074	351,417	215,620	2,098,031
Employee benefits	-	435,110	405,594	462,119	227,867	223,584	134,711	387,928	2,276,913
Books and supplies	-	1,994	75,765	76,506	106,629	44,955	3,712	1,400	310,961
Contract services	555,705	86,503	146,070	48,006	81,049	11,180	59,759	15,487	1,003,759
Total expenditures	555,705	2,087,291	2,201,693	1,811,515	1,163,644	794,615	549,599	1,665,518	10,829,580
Excess of revenues over expenditures	885,824	2,586,448	688,542	232,797	381,383	121,801	25,858	308,302	5,230,955
Other uses:									
Transfer of indirect costs to the General Fund	-	(955,021)	(131,221)	(107,966)	(82,305)	(47,359)	-	(99,265)	(1,423,137)
Change in fund balance	885,824	1,631,427	557,321	124,831	299,078	74,442	25,858	209,037	3,807,818
Fund balance, beginning of year	-	-	-	-	-	-	-	-	-
Fund balance, end of year	\$ 885,824	\$ 1,631,427	\$ 557,321	\$ 124,831	\$ 299,078	\$ 74,442	\$ 25,858	\$ 209,037	\$ 3,807,818

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE E1 2016
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Berkeley Unified School District (the “District”) conform to accounting principles generally accepted in the United States of America as applicable to governments and to general practices within California School Districts. The District accounts for its financial transactions in accordance with policies and procedures of the Department of Education's *California School Accounting Manual*. The activities of the Measure E1 are recorded along with other activities in the District's General Fund. The following is a summary of the more significant accounting policies:

Financial Reporting Entity: The financial statements include the financial activity of Measure E1 activity only, which are accounted for within a sub-fund of the District's General Fund. These financial statements are not intended to present the financial position and results of operations of Berkeley Unified School District as a whole, in conformity with accounting principles generally accepted in the United States of America. Measure E1 was approved to support the quality of public education. The funds raised are to be used for reducing class sizes, supporting music programs, parent outreach, program evaluation and teacher training, school libraries, as well as reimbursement of administration costs incurred by Berkeley Unified School District. The Measure E1 activity is generated from a separate property tax levy of \$.37 cents per square foot for taxable structures in the boundaries of the District.

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

The financial statements of Measure E1 are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Using this measurement focus, only current assets and current liabilities are included in the balance sheet. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred.

Receivables: Receivables are made up principally of amounts due from the County of Alameda for Measure E1 parcel taxes. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2018.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. Any unpaid balances at year-end, as a result of such transactions, are shown as due to and due from other funds. During the year ended June 30, 2018, the District transferred \$1,423,137 from Measure E1 to the General Fund for indirect cost support, as authorized under Measure E1. At June 30, 2018, \$45,611 was outstanding as a receivable from the General Fund. At June 30, 2018, \$ 2,016,167 was outstanding as a payable to the General Fund.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE E1 2016
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 – CASH AND INVESTMENTS

Cash and investments held on behalf of Measure E1 consist of deposits in the County of Alameda Treasury.

Cash in County Treasury: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the 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. In accordance with applicable state laws, the Alameda County Treasurer may invest in derivative securities. However, at June 30, 2018, the Alameda County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2018, 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, 2018, the District had no concentration of credit risk.

NOTE 3 – GENERAL FUND CONTRIBUTION

During the year ended June 30, 2018, as permitted by the Measure E1 ballot language, \$14,153,869 of Measure E1 parcel tax revenue was transferred to the District's General Fund, for Class Size Reduction and release time for music purposes.

NOTE 4 – FUND BALANCE CLASSIFICATION

Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications are nonspendable, restricted, committed, assigned and unassigned. The fund balance of Measure E1 is restricted for the purposes as authorized by the parcel tax measure.

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE E1 2016
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 – FUND BALANCE CLASSIFICATION (Continued)

Fund Balance Policy: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Trustees. At June 30, 2018, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Education
Berkeley Unified School District
Berkeley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Berkeley Unified School District (the "District") Measure E1, also referred to as "Berkeley Public Schools Educational Excellence Act" as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated February 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over Measure E1 activity financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion of the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District Measure E1 activity included in the General Fund of the District's financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This purpose of this report is intended solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Crowe LLP

Sacramento, California
February 6, 2019

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE E1 OF 2016
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

No matters were reported

BERKELEY UNIFIED SCHOOL DISTRICT
MEASURE E1 OF 2016
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Not applicable. The year ended June 30, 2018 was the first year of Measure E1 financial activity.