

**BERKELEY UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

June 30, 2018

BERKELEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2018  
(Continued)

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BERKELEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2018

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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 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, 2018, and the related notes to the financial statements, which collectively comprise Berkeley Unified School District's basic 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from 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 opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Berkeley Unified School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting for Financial Reporting for Postemployment Benefits Other than Pensions*. This resulted in a restatement of the beginning governmental activities net position of \$(10,427,766). Note disclosures and required supplementary information requirements about OPEB are also discussed. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 15, the General Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 54 to 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Berkeley Unified School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018 on our consideration of Berkeley Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Berkeley Unified School District's internal control over financial reporting and compliance.

  
Crowe LLP

Sacramento, California  
December 12, 2018



# BERKELEY UNIFIED SCHOOL DISTRICT

2020 Bonar Street, Berkeley, California 94702

[www.berkeley.k12.ca.us](http://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. Accounting rules require this discussion and analysis, which makes reporting of finances similar to that of private business.

### Financial Reports

Two government-wide financial reports are included in the financial statements, the Statement of Net Position and the Statement of Activities, which begin on page 16. These two statements 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 18.

### 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-term* 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 explain and support 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.

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
<i>Scope</i>	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
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>statement of net position</li> </ul>	<ul style="list-style-type: none"> <li>balance sheet</li> </ul>	<ul style="list-style-type: none"> <li>statement of net position</li> </ul>	<ul style="list-style-type: none"> <li>statement of fiduciary net position</li> </ul>
	<ul style="list-style-type: none"> <li>statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>statement of revenues, expenses &amp; change in fund net position</li> <li>statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>statement of changes in fiduciary net position</li> </ul>
<i>Accounting basis and measurement focus</i>	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
<i>Type of asset/liability information</i>	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 non-financial assets, though they can
<i>Type of inflow/outflow information</i>	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



## 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 Position reports the difference between the District's assets and liabilities and can be used to measure the District's financial health or position.

Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating. 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.

The District ended the year with a Net Position of \$9,338,985, which is a decrease of \$644,802 over prior year.

## Statement of Net Position

ASSETS	Governmental Activities		Percentage Change <u>2017-18</u>
	<u>2017</u>	<u>2018</u>	
Current and other assets	\$ 128,074,600	\$ 127,235,888	
Capital assets	<u>328,775,596</u>	<u>326,303,378</u>	
Total assets	<u>456,850,196</u>	<u>453,539,266</u>	-1%
<b>DEFERRED OUTFLOWS</b>			
Deferred outflow of resources - pensions	27,390,136	47,083,962	
Deferred loss from refunding of debt	<u>3,496,192</u>	<u>3,112,359</u>	-11%
	30,886,328	50,196,321	
<b>LIABILITIES</b>			
Long-term debt outstanding	298,564,713	295,983,976	
Net pension liability	136,649,000	144,449,000	
Other liabilities	<u>34,173,024</u>	<u>30,340,626</u>	
Total liabilities	<u>469,386,737</u>	<u>470,773,602</u>	0%
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions	<u>8,366,000</u>	<u>23,623,000</u>	182%
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	99,902,231	85,348,529	
Restricted	25,818,997	53,126,910	
Unrestricted	<u>(115,737,441)</u>	<u>(129,136,454)</u>	
Total net position	<u>\$ 9,983,787</u>	<u>\$ 9,338,985</u>	-6%

## Statement of Activities

All current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and the state aid formula finance most of these activities.

### Governmental Activities

	<u>2017</u>	<u>2018</u>
<b>REVENUES</b>		
<b>Program Revenues:</b>		
Charges for Services	\$ 797,574	\$ 783,334
Operating Grants	32,392,038	42,052,884
<b>General Revenues</b>		
Property Taxes	88,989,261	102,948,677
Federal and State Aid	46,740,032	45,884,914
Other	<u>8,254,034</u>	<u>3,447,608</u>
Total Revenues	<u>177,172,939</u>	<u>195,117,417</u>
<b>EXPENSES</b>		
Instruction	96,285,981	105,688,249
Instruction Related Services	22,681,700	22,000,212
Pupil Services	15,808,910	16,512,228
Ancillary Services	267,181	303,534
Community Services	176,173	190,392
General Administration	13,382,625	11,536,621
Plant Services	17,014,771	18,459,792
Enterprise Services	142,774	196,871
Interest	9,619,154	10,051,715
Other and Other Outgo	<u>-</u>	<u>394,839</u>
Total Expenses	<u>175,379,269</u>	<u>185,334,453</u>
Increase in Net Position	1,793,670	9,782,964
Net Position - Beginning	<u>8,190,117</u>	<u>9,983,787</u>
<i>Cumulative effect of GASB 75 implementation</i>		<u>(10,427,766)</u>
<i>Net position - Beginning (restated)</i>		<u>(443,979)</u>
Net Position - Ending	<u>\$ 9,983,787</u>	<u>\$ 9,338,985</u>

## Capital Assets

At year-end, the District's capital assets had a net decrease of \$2.5 million over the prior year. This represents a -0.8% decrease over last year's total capital assets, and was primarily due to construction projects that are in process.

The following table summarizes the District's capital assets, net of accumulated depreciation:

	<u>2017</u>	<u>2018</u>	<u>Percentage Change 2017-18</u>
Land	\$ 6,908,949	\$ 6,908,949	
Improvement of sites	12,976,881	14,015,910	
Buildings	291,393,166	283,833,913	
Equipment	1,197,022	1,450,456	
Work in Process	<u>16,299,578</u>	<u>20,094,150</u>	
Total	<u>\$ 328,775,596</u>	<u>\$ 326,303,378</u>	-0.8%

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 increase in the value of Buildings and Improvement of Sites was primarily due to completion of projects districtwide. Once these projects are completed, these costs are transferred to Improvement of Sites or Building assets.

## District Indebtedness

At year-end, the District has \$440.4 million of long-term debt, which includes a restatement of Post-Employment Benefits from \$9.0 million to \$19.7 million. Of total long-term debt, \$272.3 million is for General Obligation Bonds secured by property tax increases voted on by local residents. General Obligation Bonds are a long-term obligation issued in order to borrow up-front funds for bond measures until property tax proceeds are received from Berkeley residents.

	Governmental Activities		Percentage Change
	<u>2017</u>	<u>2018</u>	<u>2017-18</u>
Compensated absences	\$ 1,624,473	\$ 1,895,506	
General obligation bonds	274,760,000	260,510,000	
Premiums on General Obligation Bonds	12,891,810	11,805,980	
Net pension liability	136,649,000	144,449,000	
Total OPEB liability* <i>Restated with GASB 75 implementation</i>	<u>19,716,196</u>	<u>21,772,490</u>	
Total	<u>\$ 445,641,479</u>	<u>\$ 440,432,976</u>	-1.2%

Post-Employment Medical Benefits represent the annual unfunded portion that has not yet been reserved for future payments. The accumulated liability balance of \$21.8 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.

#### Fund 20 – Special Reserve Fund for Postemployment Benefits

In FY 2014-15, the District established Fund 20 for funds the District has set aside for the future cost of Post-Employment benefits, and transferred \$1.2 million to this fund. The ending fund balance as of June 30, 2018 is \$9.7 million. For financial reporting purposes, the District's Fund 20 is included within the District's General Fund.

#### **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 (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*— The District's General Operating, Special Revenue and Capital Projects Funds are included in the governmental funds. Special Revenue Funds include the Adult Education, Child Development, Cafeteria, Pupil Transportation Equipment and Special Reserve Funds. The Capital Projects Funds include the Building and County School Facilities Funds. The District also has the Bond Interest and Redemption Fund for purposes of debt service. 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 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 Position and a statement of Changes in Fiduciary Net Position. 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

The District's Unaudited Actuals demonstrate the District is fiscally solvent and has met the 3% reserve required by the State of California. The State of California requires all districts reserve 3% of their total expenditures (including transfers out) for economic uncertainties. The District's 3% state reserve requirement of \$4.6 million is maintained in the Special Reserve for Other Than Capital Outlay Projects Fund, which is included with the General Fund for financial reporting purposes.

As of June 30, 2018, the District ended the year with \$2.4 million in excess of the 3% state reserve requirement in its Unrestricted General fund, after Commitments of \$.1 million and Assignments of \$8.5 million. The Assignment of \$8.5 million was for supplemental grant LCAP reserves in the amount of \$1.3 million and \$7.2 million reserve for the parcel tax funds.

The State revenue incorporated in the District's financials is based on the Local Control Funding Formula (LCFF) and consists of Base and Supplemental funding. Supplemental funding is the allocation that increases or improves services as part of the District's Local Control Accountability Plan (LCAP) for English Learners, pupils eligible for free and reduced-price meals, and Foster Youth pupils.

The following table summarizes General Fund financial statements:

	General Fund		Percentage
	<u>2017</u>	<u>2018</u>	<u>Change</u> <u>2017-18</u>
Total Revenues	\$ 143,739,781	\$ 156,879,124	9.1%
Total Expenditures	146,401,027	148,538,922	1.5%
Other financing sources	<u>(1,075,365)</u>	<u>(776,521)</u>	<u>-27.8%</u>
Change in fund balance	<u>\$ (3,736,611)</u>	<u>\$ 7,563,681</u>	<u>-302.4%</u>

The change in fund balance by \$7.6 million in FY 2017-18 is due to increased revenues of \$13.1 million. \$2.1 million more in LCFF, \$.5 million in federal revenues, \$3.2 million in other State revenues due to one-time revenues and more in other local revenue of \$7.3 million due to parcel taxes.

Overall salary expenditures decreased by \$0.9 million; benefits increased by \$2.0 million primarily due to STRS and PERS increases and there was an increase of \$1.3 million in Contract Services and Other Operating expenditures over FY 2016-17 due to one-time expenses.

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

At year-end, the General Fund's total cost of operations was \$148.5 million. Total District expenditures were \$2.1 million more than the previous year due mainly to an increase in STRS and PERS rates. There was a 5.7% increase in Contract Services and Operating Expenditures and increase in capital outlay by \$.1 million over last year due to one-time expenditures.

	General Fund		Percentage
	<u>2017</u>	<u>2018</u>	<u>2017-18</u>
Certificated salaries	\$ 62,078,708	\$ 60,932,155	-1.8%
Classified salaries	26,777,000	26,992,904	0.8%
Employee benefits	29,595,334	31,568,374	6.7%
Books and supplies	4,737,498	4,426,782	-6.6%
Contract services and operating expenditures	22,507,932	23,786,928	5.7%
Capital outlay	704,555	820,775	16.5%
Other outgo	-	11,004	
Total	<u>\$ 146,401,027</u>	<u>\$ 148,538,922</u>	1.5%

## Budget to Actual Analysis – General Fund (Funds 01-08)

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	Actual	Percentage
	<u>2018</u>	<u>2018</u>	Variance
<b>Revenues</b>			
Local Control Funding Formula	\$ 85,789,292	\$ 85,881,138	
Federal Revenues	4,823,488	3,610,207	
State Revenues	13,728,007	13,693,759	
Local Revenues	49,512,140	53,694,020	
Total Revenues	<u>\$ 153,852,927</u>	<u>\$ 156,879,124</u>	1.97%
<b>Expenditures</b>			
Salaries & Benefits	120,308,128	119,493,433	
Books & Supplies	7,068,386	4,426,782	
Services & Other Operating	26,587,898	23,786,928	
Capital Outlay Other Outgo	898,891	831,779	
Total Expenditures	<u>\$ 154,863,303</u>	<u>\$ 148,538,922</u>	-4.08%

Revenues were \$3.0 million or 1.97% higher due to parcel taxes coming in higher than budgeted. However, total expenditures were \$6.3 million less than budgeted due partly to unexpended program funding that was assigned in ending fund balance, and significant savings in books and supplies, services and other operating expenditures due to unspent balances in restricted programs and the parcel tax funds.

### Cost of General Fund Operations (Fund 01 - Unrestricted)

At year-end, the District's cost of operations in the Unrestricted General Fund 01 was \$89.7 million. Total District expenditures were \$3.4 million less than the previous year primarily due to decrease in salaries and benefits because of one-time salary increases in FY 2016-17, and an decrease in books, supplies, contracted services and other operating expenditures. A summary of the cost of operations is as follows:

	Fund 01- Unrestricted General Fund		Percentage
	<u>2017</u>	<u>2018</u>	<u>Change</u> <u>2017-18</u>
Certificated salaries	\$ 49,139,681	\$ 46,412,611	-5.5%
Classified salaries	14,075,518	13,976,769	-0.7%
Employee benefits	18,191,019	18,092,010	-0.5%
Books and supplies	1,958,460	1,807,920	-7.7%
Contract services and operating expenditures	9,254,982	8,995,956	-2.8%
Capital outlay	502,299	395,430	-21.3%
<b>Total</b>	<b>\$ 93,121,959</b>	<b>\$ 89,680,696</b>	<b>-3.7%</b>

### Budget to Actual Analysis – Unrestricted General Fund (Fund 01)

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>2018</u>	Actual <u>2018</u>	Percentage Variance
<b>Revenues</b>			
LCFF Funding	\$ 85,236,669	\$ 85,280,827	
Federal Revenues	-	500	
State Revenues	3,122,484	3,246,275	
Local Revenues	<u>2,170,910</u>	<u>2,472,027</u>	
<b>Total Revenues</b>	<b>\$ 90,530,063</b>	<b>\$ 90,999,629</b>	<b>0.5%</b>
<b>Expenditures</b>			
Salaries & Benefits	79,392,229	78,481,390	
Books & Supplies	2,262,666	1,807,920	
Services & Other Operating	9,601,972	8,995,956	
Capital Outlay	<u>394,407</u>	<u>395,430</u>	
<b>Total Expenditures</b>	<b>\$ 91,651,274</b>	<b>\$ 89,680,696</b>	<b>-2.2%</b>

Total budgeted revenues were \$0.5 million less than actual revenues received due to change in State and Local Revenues. Total expenditures were \$2.0 million less than budgeted due to savings generated from budget reductions and unexpended funds. Unexpended funds were assigned in the fund balance.



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

As of October 31, 2018, the District's Unrestricted General Fund is projected to deficit spend by \$1.2 million and has a projected undesignated ending fund balance of \$1.5 million. The deficit includes \$2.0 million in planned one-time expenditures, and one-time unrestricted revenues for \$1.5 million. Without one-time revenue and expenditures, there would be a projected deficit of \$.7 million.

The designated fund balance includes \$1 million in carryover funds assigned for supplemental grant funds for targeted students, \$.1 million for the revolving fund, and \$.1 million in additional funds projected to meet the 3% reserve held in Fund 17.

### **Other Significant Changes for Budgeted Revenues and Expenditures**

The District's budgeted revenue generated from LCFF for 2018-19 include \$84.3 million in base grant (general fund) revenue and \$5.5 million in supplemental grant (general fund LCAP) revenue. The budget assumptions used for projecting revenue are based on the Governor's Enacted Budget. The LCFF includes an increase in base grant revenue of \$.5 million and supplemental grant revenue decreased by \$.1 million since budget adoption. However, the impact of increasing pension cost exceeds any increase in revenue. The Governor's Enacted Budget included one-time discretionary funds in the amount of \$1.5 million. This amount was earmarked for a negotiated one-time bonus for unit members employed for the 2018-19 school year. Pension costs have increased substantially over the last several years and are scheduled to continue to increase by an estimated \$1.2 million a year at least through 2020-21.

The District's enrollment and Average Daily Attendance (ADA) is projected at prior year levels. The First Interim Budget includes a projected decrease in the unduplicated student counts of 263 students since Adopted Budget. These numbers will be finalized when certified data is received for enrollment and attendance. The budgeted expenditures incorporate all of the Board approved budget priorities and reductions for 2018-19 as well as increases at First Interim for \$.4 million in one-time expenditures. One-time expenditures at First Interim include \$.3 million in LCAP carryover funds and \$.1 million in hourly staffing and professional services.

Due to increased expenditures for Non-Public School placements and for services provided by Non-Public Agencies, the General Fund contributed an additional \$.5 million since the Adopted Budget for Special Education. This is \$.3 million less than the contribution made when the District closed its books for 2017-18, based on the assumption that a least \$.3 million of expenditures in the prior year were one-time.

### **Multi-Year Projections**

Based on the District's Multi-Year Projections, the District's Unrestricted General Fund is projected to have an undesignated fund balance of \$3 million for 2019-20, after designations of \$1 million for the LCAP reserve, and \$.1 million for the revolving cash. Prior year one-time revenues for mandated cost reimbursement have been removed from the budget, as well as prior year one-time expenditures, which include \$.5 million for Common Core, \$.3 million for materials and professional development, \$.1 million for sexual and racial harassment training and \$.3 million for LCAP carryover. The District will receive an additional \$2.3 million in base LCFF funding which is being substantially absorbed by increased pension costs, and step and column movement on the salary schedule. After implementing budget reductions of \$2 million the District is projecting a surplus of \$1.4 million. Without budget reductions, the District would be deficit spending by \$.6 million. Expenditures for 2019-20 do not include negotiated salary increases.

For 2020-21, the District is projected have an undesignated fund balance of \$4.3 million after implementing \$2 million in on-going budget reduction in 2019-20. Base LCFF revenues are projected to increase by \$2.1 million and there will be a surplus of \$1.3 million. Due to STRS and PERS increasing pension costs, the District's pension cost is increasing over \$1.2 million annually and is absorbing a substantial amount of the increase in revenue.



## Budget Reductions

The Board approved \$2.0 million in cuts for 2019-20. The District's Superintendent's Budget Advisory Committee (SBAC), which reviews and provides input on proposed reductions is meeting monthly. Based on the staff's recommendations and the committee's input, the Superintendent will make recommendations to the Board for approval of specific budget reductions for 2019-20.

## Reserves

County offices continue to reinforce the need for reserves in excess of the minimum reserve for economic uncertainty. The required reserve for economic uncertainty represents only about a few weeks of payroll for most districts. The Government Finance Officers Association recommends reserves, at minimum, equal to two months of average general fund operating expenditures, or about 17%. School funding in California remains highly dependent on growth in general fund, and large year-over-year revenue increases are likely behind us. Future revenues may be inadequate to cover increases in largely uncontrolled expenditures (increasing employer pension rates, step and column, medical premiums, inflation, special education, etc.). If an economic downturn or other unforeseen circumstances occur, a prudent reserve affords districts and their governing board's time to thoughtfully identify and implement budget adjustments over time. Inadequate reserves force districts to react quickly, often causing significant disruption, sometimes unnecessarily, to student programs and employees, or worse.

The District approved Board Policy (BP) 3101 at the October 11, 2017 Board meeting. Under BP 3101, the Board would be required to place funds into the committed reserve if all of the following conditions are met:

- The committed reserve is less than 1 percent of the District's combined general fund expenditures,
- The most recent adopted budget received a positive certification, and
- The unaudited actuals show that there are unassigned funds above 2% of combined general fund expenditures

The basic intent of these conditions is to have the Board place funds into the committed reserve only when the committed reserve is below the 1 percent ceiling and when Berkeley USD's fiscal situation is strong. When the Board does place funds into the committed reserve, BP 3101 dictates that it should be half of any increase in Fund 01 (General Fund) from the estimated actuals (which are typically published in June of each year) to the unaudited actuals (which are typically published in September of each year). Under BP 3101, the Board would be able to uncommit funds from the committed reserve only under one of the following conditions:

- It is projected that the District's 3-year multiyear budget will be deemed to be qualified or negative by the County Office of Education
- It is projected that the District may need to make mid-year layoffs
- It is projected that the District's combined state and federal revenue is reduced in the middle of a fiscal year
- Average Daily Attendance at P-1 is significantly below projections
- The Superintendent's Budget Advisory Committee recommends doing so
- All five elected members of the Board vote to do so

## Summary

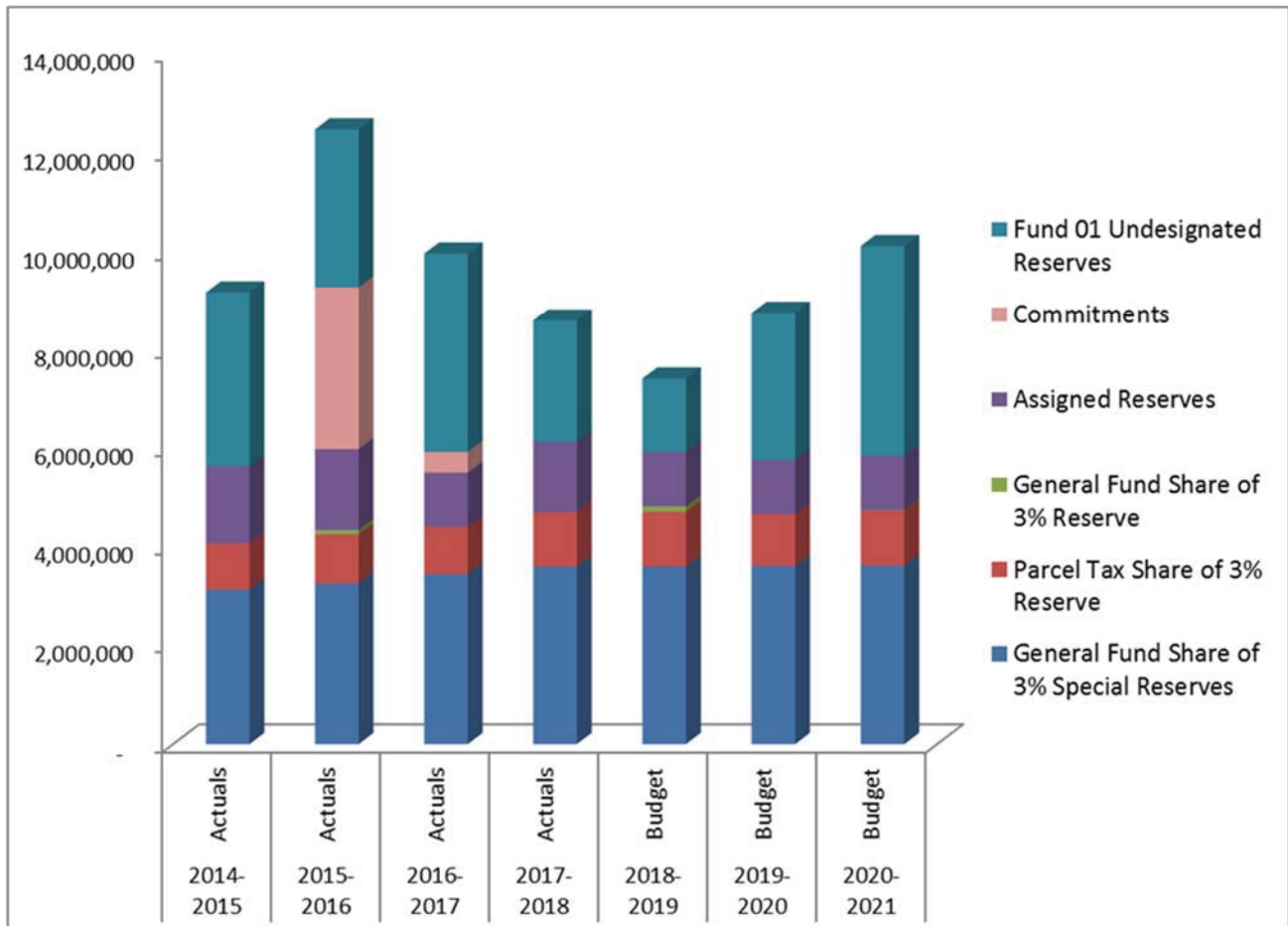
The Governor continues to emphasize general fund revenue growth in the current and budget years, if it occurs, will be increasingly dependent upon volatile capital gains collections. Accordingly, additional caution is necessary in negotiating multiple year agreements. STRS and PERS employer costs are projected to absorb significant portions of Local Control Funding Formula (LCFF) revenue growth that Districts may receive. Districts with flat or declining enrollment need to be especially mindful, as expenses may grow more rapidly than revenues.

It is imperative the District stays well informed, and consider the impact of proposed and potential changes, both fiscal and programmatic, and adapt accordingly. The greatest increases in LCFF funding are behind us. As funding for education flattens, the Alameda County Office of Education (ACOE) is cautioning Districts to

have contingency plans. Increases in both retirement and special education expenses, a greater focus on targeted LCAP spending, and minimal funding through Prop. 98 can quickly impact a district's financial status. ACOE encourages all Districts to continue to enlist their services and assistance in an increasingly uncertain fiscal environment.

### Components of Ending Fund Balance

The following chart reflects the components of ending fund balances for 2014-15 to 2020-21 for Funds 01-08, and shows the increase in ending fund balance in 2019-20 and 2020-21 after implementing \$2 million in on-going reductions in 2019-20.



### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, 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 Pauline Follansbee, Assistant Superintendent of Business Services at 510-644-8593.

## **BASIC FINANCIAL STATEMENTS**

BERKELEY UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2018

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$ 115,398,092
Receivables	11,669,800
Stores inventory	78,985
Prepaid expenses	89,011
Non-depreciable capital assets (Note 4)	27,003,099
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>299,300,279</u>
Total assets	<u>453,539,266</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflow of resources - pensions (Notes 7 and 8)	46,370,234
Deferred outflow of resources - OPEB (Note 9)	713,728
Deferred loss from refunding of debt	<u>3,112,359</u>
Total deferred outflows of resources	<u>50,196,321</u>
<b>LIABILITIES</b>	
Accounts payable	21,187,831
Unpaid claims and claim adjustment expenses (Note 10)	7,516,000
Unearned revenue	1,636,795
Long-term liabilities (Note 5):	
Due within one year	15,531,138
Due after one year	<u>424,901,838</u>
Total liabilities	<u>470,773,602</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - pensions (Notes 7 and 8)	<u>23,623,000</u>
<b>NET POSITION</b>	
Net investment in capital assets	85,348,529
Restricted:	
Legally restricted programs	6,382,651
Capital projects	25,370,001
Debt service	21,374,258
Unrestricted	<u>(129,136,454)</u>
Total net position	<u><u>\$ 9,338,985</u></u>

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenues and Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction	\$ 105,688,249	\$ 231,220	\$ 21,463,386	\$ -	\$ (83,993,643)
Instruction-related services:					
Supervision of instruction	10,923,344	21,912	2,519,167	-	(8,382,265)
Instructional library, media and technology	2,316,927	-	78,683	-	(2,238,244)
School site administration	8,759,941	-	1,290,630	-	(7,469,311)
Pupil services:					
Home-to-school transportation	4,226,002	-	5,363	-	(4,220,639)
Food services	3,945,691	471,716	1,952,372	-	(1,521,603)
All other pupil services	8,340,535	-	928,374	-	(7,412,161)
General administration:					
Data processing	2,009,639	-	-	-	(2,009,639)
All other general administration	9,526,982	48,058	1,276,424	-	(8,202,500)
Plant services	18,459,792	10,428	2,653,141	-	(15,796,223)
Ancillary services	303,534	-	1,173	-	(302,361)
Community services	190,392	-	-	-	(190,392)
Enterprise services	196,871	-	-	-	(196,871)
Interest on long-term liabilities	10,051,715	-	-	-	(10,051,715)
Other outgo	394,839	-	9,884,171	-	9,489,332
	<u>\$ 185,334,453</u>	<u>\$ 783,334</u>	<u>\$ 42,052,884</u>	<u>\$ -</u>	<u>(142,498,235)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					43,243,000
Taxes levied for debt service					23,493,181
Taxes levied for other specific purposes					36,212,496
Federal and state aid not restricted to specific purposes					45,884,914
Interest and investment earnings					662,817
Interagency revenues					110,126
Miscellaneous					2,674,665
					<u>152,281,199</u>
					<u>9,782,964</u>
					9,983,787
					<u>(10,427,766)</u>
					<u>(443,979)</u>
					<u>\$ 9,338,985</u>

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2018

	<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	\$ 36,051,432	\$ 26,422,569	\$ 19,669,095	\$ 713,210	\$ 82,856,306
Cash on hand and in banks	39,077	-	-	978,809	1,017,886
Cash in revolving fund	100,000	-	-	-	100,000
Cash with fiscal agent	135,000	-	26,144,115	-	26,279,115
Receivables	7,663,026	71,039	84,685	660,605	8,479,355
Due from other funds	3,889,195	-	-	154,805	4,044,000
Stores inventory	-	-	-	78,985	78,985
Prepaid expenditures	89,011	-	-	-	89,011
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 47,966,741</u>	<u>\$ 26,493,608</u>	<u>\$ 45,897,895</u>	<u>\$ 2,586,414</u>	<u>\$ 122,944,658</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 15,244,183	\$ 717,054	\$ -	\$ 536,271	\$ 16,497,508
Unearned revenue	1,634,192	-	-	2,603	1,636,795
Due to other funds	398,301	-	-	710,919	1,109,220
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>17,276,676</u>	<u>717,054</u>	<u>-</u>	<u>1,249,793</u>	<u>19,243,523</u>
Fund balances:					
Nonspendable	189,011	-	-	78,985	267,996
Restricted	5,279,716	25,776,554	45,897,895	1,257,636	78,211,801
Assigned	18,263,936	-	-	-	18,263,936
Unassigned	6,957,402	-	-	-	6,957,402
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>30,690,065</u>	<u>25,776,554</u>	<u>45,897,895</u>	<u>1,336,621</u>	<u>103,701,135</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 47,966,741</u>	<u>\$ 26,493,608</u>	<u>\$ 45,897,895</u>	<u>\$ 2,586,414</u>	<u>\$ 122,944,658</u>

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2018

Total fund balances - Governmental Funds		\$ 103,701,135
Amounts reported for governmental activities in the statement of net position 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 \$462,767,963 and the accumulated depreciation is \$136,464,585 (Note 4).		
		326,303,378
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at June 30, 2018 consisted of (Note 5):		
General Obligation Bonds	\$ (260,510,000)	
Unamortized premiums	(11,805,980)	
Net pension liability (Notes 7 and 8)	(144,449,000)	
Other postemployment benefits (Note 9)	(21,772,490)	
Compensated absences	<u>(1,895,506)</u>	
		(440,432,976)
In governmental funds, losses on the refunding of debt are recognized as expenditure in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding debt.		
		3,112,359
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 7 and 8).		
Deferred outflows of resources relating to pensions	\$ 46,370,234	
Deferred inflows of resources relating to pensions	<u>(23,623,000)</u>	
		22,747,234
In governmental funds, deferred outflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows of resources relating to OPEB are reported (Note 9).		
		713,728
Internal service funds are used to conduct certain activities or which costs are charged to other funds on a full cost recovery basis. Net position of Self-Insurance Fund not included in the governmental activities - statement of net position:		
		(2,414,685)
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.		
		<u>(4,391,188)</u>
Total net position - governmental activities		<u><u>\$ 9,338,985</u></u>

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
<b>Revenues:</b>					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 44,721,127	\$ -	\$ -	\$ -	\$ 44,721,127
Local sources	<u>41,160,011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,160,011</u>
Total LCFF	<u>85,881,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,881,138</u>
Federal sources	3,610,207	-	1,017,059	3,254,874	7,882,140
Other state sources	13,693,759	-	143,332	7,308,089	21,145,180
Other local sources	<u>53,694,020</u>	<u>301,730</u>	<u>23,540,684</u>	<u>2,220,917</u>	<u>79,757,351</u>
Total revenues	<u>156,879,124</u>	<u>301,730</u>	<u>24,701,075</u>	<u>12,783,880</u>	<u>194,665,809</u>
<b>Expenditures:</b>					
Current:					
Certificated salaries	60,932,155	-	-	4,264,746	65,196,901
Classified salaries	26,992,904	276,821	-	3,920,879	31,190,604
Employee benefits	31,568,374	80,820	-	2,794,679	34,443,873
Books and supplies	4,426,782	228,083	-	1,419,924	6,074,789
Contract services and operating expenditures	23,786,928	204,120	-	928,690	24,919,738
Capital outlay	820,775	4,432,585	-	-	5,253,360
Other outgo	11,004	-	-	-	11,004
Debt service:					
Principal retirement	-	-	14,250,000	-	14,250,000
Interest	<u>-</u>	<u>-</u>	<u>10,852,473</u>	<u>-</u>	<u>10,852,473</u>
Total expenditures	<u>148,538,922</u>	<u>5,222,429</u>	<u>25,102,473</u>	<u>13,328,918</u>	<u>192,192,742</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,340,202</u>	<u>(4,920,699)</u>	<u>(401,398)</u>	<u>(545,038)</u>	<u>2,473,067</u>
<b>Other financing (uses) sources:</b>					
Transfers in	699,643	-	-	1,232,668	1,932,311
Transfers out	<u>(1,476,164)</u>	<u>-</u>	<u>-</u>	<u>(699,643)</u>	<u>(2,175,807)</u>
Total other financing (uses) sources	<u>(776,521)</u>	<u>-</u>	<u>-</u>	<u>533,025</u>	<u>(243,496)</u>
Net change in fund balances	7,563,681	(4,920,699)	(401,398)	(12,013)	2,229,571
Fund balances, July 1, 2017	<u>23,126,384</u>	<u>30,697,253</u>	<u>46,299,293</u>	<u>1,348,634</u>	<u>101,471,564</u>
Fund balances, June 30, 2018	<u>\$ 30,690,065</u>	<u>\$ 25,776,554</u>	<u>\$ 45,897,895</u>	<u>\$ 1,336,621</u>	<u>\$ 103,701,135</u>

See accompanying notes to 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, 2018

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Net change in fund balances - Total Governmental Funds	\$ 2,229,571
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in governmental funds, but increases capital assets in the statement of net position (Note 4).	6,133,921
Depreciation of capital assets is an expense that is not recorded in governmental funds (Note 4).	(8,606,139)
Repayment of principal on long-term liabilities is an expenditure in governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	14,250,000
In governmental funds, premiums on debt issuance is recognized as revenue. In government-wide statements, premiums are reported as adjustments to the related debt (Note 5).	1,085,830
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual-basis pension costs and actual employer contributions was:	(4,076,902)
In governmental funds, expenses for OPEB are recognized when the employer contributions are made. In the statement of activities, OPEB expense is recognized on the accrual basis of accounting (Notes 5 and 9).	(1,342,565)
In governmental funds, losses incurred through the refunding of debt are recognized as expenditure in the period incurred. In the government-wide statements, they are deferred and amortized over the shortened life of the refunded or refunding debt.	(383,833)
Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds.	(285,072)
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	(271,033)
The Self-Insurance Fund is used to conduct certain activities for the benefit of governmental activities for which costs are charged to other funds on a full cost-recovery basis. Self-Insurance Fund activities are reported with governmental activities in the statement of activities.	1,049,186
Change in net position of governmental activities	\$ <u>9,782,964</u>

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See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
SELF-INSURANCE FUND  
June 30, 2018

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**ASSETS**

Cash and investments:	
Cash in County Treasury	\$ 4,700,910
Cash with Fiscal Agent	443,875
Receivables	12,169
Due from other funds	<u>243,496</u>
Total current assets	<u>5,400,450</u>

**LIABILITIES**

Current liabilities:	
Accounts payable	299,135
Self-insurance claims liability	<u>7,516,000</u>
Total liabilities	<u>7,815,135</u>

**NET POSITION**

Unrestricted	<u><u>\$ (2,414,685)</u></u>
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See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT  
STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUND  
SELF-INSURANCE FUND  
For the Year Ended June 30, 2018

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Operating revenues:	
In-district contributions	<u>\$ 1,980,370</u>
Operating expenses:	
Classified salaries	209,640
Employee benefits	76,794
Books and supplies	4,710
Claims and claims adjustment expense	<u>934,187</u>
Total operating expenses	<u>1,225,331</u>
Operating income	755,039
Non-operating revenues:	
Interest income	<u>50,651</u>
Income before transfers	805,690
Transfers from other funds	<u>243,496</u>
Change in net position	1,049,186
Net position, July 1, 2017	<u>(3,463,871)</u>
Net position, June 30, 2018	<u><u>\$ (2,414,685)</u></u>

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See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
SELF-INSURANCE FUND  
For the Year Ended June 30, 2018

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Cash flows from operating activities:	
Cash received from in-district contributions	\$ 2,079,395
Cash paid to employees for services	(286,434)
Cash paid for insurance claims	(2,542,187)
Cash paid for books and supplies	<u>(4,710)</u>
Net cash used in operating activities	(753,936)
Cash flows provided by non-capital financing activities:	
Transfer from other funds	243,496
Cash flows provided by investing activities:	
Interest income	<u>50,651</u>
Change in cash and investments	(459,789)
Cash and investments, July 1, 2017	<u>5,604,574</u>
Cash and investments, June 30, 2018	<u>\$ 5,144,785</u>
Reconciliation of operating income to net cash used in operating activities:	
Operating income	<u>\$ 755,039</u>
Adjustments to reconcile operating income to net cash used in operating activities:	
Increase in receivables	(3,989)
Increase in accounts payable	103,014
Decrease in claims liabilities	<u>(1,608,000)</u>
Total adjustments	<u>(1,508,975)</u>
Net cash used in operating activities	<u>\$ (753,936)</u>

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See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
June 30, 2018

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments (Note 2):	
Cash in County Treasury	\$ 1,664,779
Cash on hand and in banks	402,981
Receivables	<u>1,513,497</u>
Total assets	<u>\$ 3,581,257</u>
<b>LIABILITIES</b>	
Due to other funds (Note 3)	3,178,276
Due to student groups	<u>402,981</u>
Total liabilities	<u>\$ 3,581,257</u>

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See accompanying notes to financial statements.

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

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**NOTE 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. 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 Position 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 Assets and Liabilities at the fund financial statement level.

The Statement of Net Position 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.

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, 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.

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(Continued)

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A - Major Funds**

**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. The activity of the Special Reserve for Other than Capital Outlay Projects Fund and the Special Reserve for Postemployment Benefits Fund are included with the General Fund for financial reporting purposes.

**Building Fund:**

The Building Fund is a capital projects fund used to account for resources used for the acquisition of capital facilities by the District.

**Bond Interest and Redemption Fund:**

The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**B - Other Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. This classification includes the Adult Education, Child Development, Cafeteria and Pupil Transportation Equipment Funds.

Capital Projects Fund are used to account for resources restricted for new school facilities construction, modernization projects, facility hardship grants, developer fees, or acquisition of capital facilities of the District. This classification includes the Capital Facilities and County School Facilities Funds.

The Tax Override Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

The Agency Funds are fiduciary funds which 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 proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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(Continued)

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING 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.

Operating Revenues: Operating revenues are those revenues that are generated directly from the primary activity of the District's proprietary fund, the Self-Insurance Fund. For the District, this includes Insurance Premiums recorded on a cost-reimbursement basis from the District. All revenues not meeting this definition within the internal service fund are reported as nonoperating revenues

Receivables: Receivables are made up principally of amounts due from the State of California. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2018.

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 position.

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 acquisition value for the contributed asset. 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.

Custodial Relationships: The Agency Funds represent the assets and liabilities of various student organizations within the District, as well as ending balances from Warrant/Pass-Through Fund transactions. As the funds are custodial in nature, no measurement of operating results is involved.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the net pension liability and total OPEB liability, reported in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the net pension liability, reported in the Statement of Net Position.

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(Continued)



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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value.

The following is a summary of pension amounts in aggregate:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 31,550,060</u>	<u>\$ 14,820,174</u>	<u>\$ 46,370,234</u>
Deferred inflows of resources	<u>\$ 22,025,000</u>	<u>\$ 1,598,000</u>	<u>\$ 23,623,000</u>
Net pension liability	<u>\$ 95,921,000</u>	<u>\$ 48,528,000</u>	<u>\$144,449,000</u>
Pension expense	<u>\$ 15,286,463</u>	<u>\$ 7,516,338</u>	<u>\$ 22,802,801</u>

Interfund Activity: Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Compensated Absences: Compensated absences in the amount of \$1,895,506 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 STRP and PERF B employees, when the employee retires.

Unearned 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 unearned revenue until earned.

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.

Net Position: Net position is displayed in three components:

- 1 - Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

2 - Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs revenues represents the portion of net position restricted to specific program expenditures. The restrictions for capital projects and debt service represents the portion of net position restricted for capital projects and the retirement of debt. It is the District's policy to first use restricted net position when allowable expenditures are incurred.

3 - Unrestricted Net Position - All other net position that do not meet the definitions of "restricted" or "net investment in capital assets".

Fund Balance Classifications: 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, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash and stores inventory.

B - Restricted Fund Balance:

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. These are the same restrictions used to determine restricted net position as reported in the government-wide and fiduciary fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Trustees. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Trustees is required to remove any commitment from any fund balance. At June 30, 2018, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Trustees has approved to be used for specific purposes, based on the District's intent related to those specific purposes. While the Board of Trustees has empowered members of management to suggest individual amounts to be assigned, as of June 30, 2018 no formal designation of assignment authority has occurred and the Board of Trustees retains ultimate authority for assigning fund balance.

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(Continued)

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

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.

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 Alameda bills and collects taxes for the District. Tax revenues are recognized by the District when received.

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position 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.

New Accounting Pronouncements: In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The provisions in GASB Statement No. 75 are effective for fiscal years beginning after June 15, 2017. Based on the implementation of GASB Statement No. 75, the District's July 1, 2017 net position was restated, resulting in a decrease of \$10,427,766 as a result of the recognition of the District's total OPEB liability and deferred outflows of resources.

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(Continued)

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

**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments at June 30, 2018 consisted of the following:

	Governmental Activities			<u>Fiduciary Activities</u>
	<u>Governmental Funds</u>	<u>Proprietary Fund</u>	<u>Total</u>	
Pooled funds:				
Cash in County Treasury	\$ 82,856,306	\$ 4,700,910	\$ 87,557,216	\$ 1,664,779
Deposits:				
Cash in revolving fund	100,000	-	100,000	-
Cash on hand and in banks	1,017,886	-	1,017,886	402,981
Cash with Fiscal Agent	<u>26,279,115</u>	<u>443,875</u>	<u>26,722,990</u>	<u>-</u>
Total cash and investments	<u>\$110,253,307</u>	<u>\$ 5,144,785</u>	<u>\$115,398,092</u>	<u>\$ 2,067,760</u>

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Alameda County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2018, the carrying amount of the District's accounts was \$1,520,867 and the bank balance was \$1,463,463. \$534,874 of the bank balance was FDIC insured and \$928,589 remained uninsured but fully collateralized.

Cash with Fiscal Agent: Cash with Fiscal Agent in the General Fund and Self-Insurance Fund represent a security deposit held by a third party. Cash with Fiscal Agent in the Bond Interest and Redemption Fund consists of proceeds from the issuance of General Obligation crossover refunding bonds held for the repayment of refunded bonds on the crossover refunding date.

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.

(Continued)

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

**NOTE 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, 2018 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 3,889,195	\$ 398,301
Non-Major Funds:		
Adult Education	-	189,589
Child Development	36,767	291,400
Cafeteria	118,038	229,930
Proprietary Fund:		
Self-Insurance	243,496	-
Agency Fund:		
Warrant/Pass-Through	<u>-</u>	<u>3,178,276</u>
Totals	<u>\$ 4,287,496</u>	<u>\$ 4,287,496</u>

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

Transfers for the 2017-2018 fiscal year were as follows:

Transfer from the General Fund to the Adult Education Fund to provide operational support for the program.	\$ 70,000
Transfer from the General Fund to the Child Development Fund to provide operational support for the program.	164,171
Transfer from the General Fund to the Cafeteria Fund for meals for the needy and to cover an operational shortfall in the fund.	998,497
Transfer from the General Fund to the Self-Insurance Fund to provide required reserves for property and liability insurance.	243,496
Transfer from the Adult Education Fund to the General Fund for indirect costs support.	188,225
Transfer from the Child Development Fund to the General Fund for indirect costs support.	291,400
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	<u>220,018</u>
	<u>\$ 2,175,807</u>

(Continued)

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

**NOTE 4 - CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2018, is shown below:

	Balance July 1, <u>2017</u>	<u>Additions</u>	Transfers and <u>Deletions</u>	Balance June 30, <u>2018</u>
Non-depreciable:				
Land	\$ 6,908,949	\$ -	\$ -	\$ 6,908,949
Work-in-process	16,299,578	5,605,246	(1,810,674)	20,094,150
Depreciable:				
Improvement of sites	21,266,962	-	1,810,674	23,077,636
Buildings	400,469,762	-	-	400,469,762
Equipment	<u>11,688,791</u>	<u>528,675</u>	<u>-</u>	<u>12,217,466</u>
Totals, at cost	<u>456,634,042</u>	<u>6,133,921</u>	<u>-</u>	<u>462,767,963</u>
Less accumulated depreciation:				
Improvement of sites	(8,290,081)	(771,645)	-	(9,061,726)
Buildings	(109,076,596)	(7,559,253)	-	(116,635,849)
Equipment	<u>(10,491,769)</u>	<u>(275,241)</u>	<u>-</u>	<u>(10,767,010)</u>
Total accumulated depreciation	<u>(127,858,446)</u>	<u>(8,606,139)</u>	<u>-</u>	<u>(136,464,585)</u>
Capital assets, net	<u>\$ 328,775,596</u>	<u>\$ (2,472,218)</u>	<u>\$ -</u>	<u>\$ 326,303,378</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 5,107,463
Supervision of instruction	413,081
Instructional library, media and technology	122,034
School site administration	488,024
Home-to-school transportation	247,068
Food services	220,734
All other pupil services	310,829
Ancillary services	15,639
Community services	13,496
Enterprise activities	168,332
All other general administration	504,734
Centralized data processing	81,847
Plant services	<u>912,858</u>
Total depreciation expense	<u>\$ 8,606,139</u>

(Continued)

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

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**NOTE 5 - LONG-TERM LIABILITIES**

General Obligation Bonds: In May 2009, the District issued 2009 General Obligation Bonds totaling \$17,774,222, for the purpose of financing renovations and modernization projects of school facilities. The 2009 General Obligation Bonds bear interest at rates ranging from 3.375% to 5.00% and are scheduled to mature through August 1, 2033.

In November 2009, the District issued 2009 General Obligation Refunding Bonds, totaling \$25,440,000, for the purpose of refunding the District's 1998 General Obligation Refunding Bonds. The 2009 General Obligation Refunding Bonds bear interest at rates ranging from 2.0% to 5.0% and are scheduled to mature through August 1, 2020.

In May 2011, the District issued General Obligation Bonds, Election of 2010, Series A and General Obligation Bonds, Election of 2010, Series B totaling \$25,000,000 and \$10,000,000, respectively, for the purpose of financing renovations and modernization projects of school facilities. The 2010 Series A General Obligation Bonds bear interest at rates ranging from 3.5% to 5.0% and are scheduled to mature through May 1, 2026. The 2010 Series B General Obligation Bonds bear interest at rates ranging from 5.00% to 5.375% and are scheduled to mature through August 1, 2035.

In September 2011, the District issued 2011 General Obligation Refunding Bonds, totaling \$55,625,000, for the purpose of refunding the District's General Obligation Bonds, Election of 2000, Series 2003 and the District's 2004 General Obligation Refunding Bonds. The 2011 General Obligation Refunding Bonds bear interest at rates ranging from 2.0% to 5.0% and are scheduled to mature through August 1, 2027.

In February 2013, the District issued 2013 General Obligation Refunding Bonds, Series A, totaling \$19,590,000. The proceeds of the Bonds were used to refund a portion of the outstanding balance of the Election of 2000, Series 2005 General Obligation Bonds. The 2013 General Obligation Refunding Bonds, Series A bear interest at rates ranging from 2.0% to 4.0% and are scheduled to mature through August 1, 2029.

In May 2013, the District issued General Obligation Bonds, Election of 2010, Series C totaling \$40,000,000 for the purpose of financing renovations and modernization projects of school facilities. The 2010 Series C General Obligation Bonds bear interest at rates ranging from 3.00% to 4.125% and are scheduled to mature through August 1, 2052.

In June 2013, the District issued 2013 General Obligation Refunding Bonds, Series B, totaling \$13,000,000. The proceeds of the Bonds were used to refund a portion of the outstanding balance of the 2005 General Obligation Refunding Bonds. The 2013 General Obligation Refunding Bonds, Series B bear interest at rates ranging from 3.0% to 5.0% and are scheduled to mature through August 1, 2024.

In June 2015, the District issued General Obligation Bonds, Election of 2010, Series D totaling \$50,000,000, for the purpose of financing the acquisition and construction of educational facilities. The Series 2015 General Obligation Bonds bear interest at rates ranging from 3.375% to 5.0% and are scheduled to mature through August 1, 2045.

In July 2015, the District issued 2015 General Obligation Refunding Bonds totaling \$23,665,000. The proceeds were used to refund, on a current basis, all of the outstanding maturities of the 2008 General Obligation Refunding Bonds. The 2015 General Obligation Refunding Bonds bear interest at rates ranging from 2.0% to 5.0% and are scheduled to mature through August 1, 2024.

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(Continued)



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

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

In May 2016, the District issued 2016 General Obligation Refunding Bonds totaling \$17,905,000. The proceeds were used to refund, on a current basis, a portion of the outstanding balance of the Election of 2000, Series 2007 Bonds. The 2016 General Obligation Refunding Bonds bear interest at rates ranging from 2.0% to 5.0% and are scheduled to mature through August 1, 2031.

In April 2017, the District issued 2017 General Obligation Refunding Bonds totaling \$23,965,000. The proceeds will be used to refund, on an advanced crossover basis, the outstanding balance of the Election of 2000 - Series 2009 bonds (2009 GO Bonds), Election of 2010 - Series 2011 bonds (2011 GO Bonds), and to pay interest on the 2017 General Obligation Bonds until the crossover dates. The refunded 2009 GO Bonds and 2011 GO Bonds will continue to be reported as liabilities, and the District will continue to be responsible for interest and principal payments until the crossover date. The crossover dates for the 2009 GO Bonds and 2011 GO Bonds are August 1, 2019 and August 1, 2020, respectively. On these dates, the respective refunded bonds will be considered defeased and will be removed from the books of the District. The 2017 General Obligation Refunding Bonds bear interest at rates ranging from 3.375% to 5.0% and are scheduled to mature through August 1, 2035.

The refundings summarized above resulted in deferred outflows of resources, which are amortized over the shorter of the refunded or refunding debt maturity. The balance of deferred outflows resulting from refundings was \$3,112,359 as of June 30, 2018.

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

Issue Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Bonds Issued	Bonds Redeemed	Bonds Outstanding June 30, 2018
05/26/09	08/01/33	3.375 - 5.00%	\$ 17,774,222	\$ 16,655,000	\$ -	\$ 650,000	\$ 16,005,000
11/10/09	08/01/20	2.00 - 5.00%	25,440,000	7,550,000	-	3,565,000	3,985,000
05/10/11	05/01/26	3.50 - 5.00%	25,000,000	23,395,000	-	1,755,000	21,640,000
05/10/11	08/01/35	5.00 - 5.375%	10,000,000	10,000,000	-	-	10,000,000
09/29/11	08/01/27	2.00 - 5.00%	55,625,000	36,430,000	-	3,835,000	32,595,000
02/05/13	08/01/29	2.00 - 4.00%	19,590,000	16,535,000	-	900,000	15,635,000
05/13/13	08/01/52	3.00 - 4.125%	40,000,000	40,000,000	-	-	40,000,000
06/27/13	08/01/24	3.00 - 4.00%	13,000,000	11,350,000	-	-	11,350,000
06/11/15	08/01/45	3.375 - 5.00%	50,000,000	50,000,000	-	-	50,000,000
07/09/15	08/01/24	2.00 - 5.00%	23,665,000	21,150,000	-	2,650,000	18,500,000
05/19/16	08/01/31	2.00 - 5.00%	17,905,000	17,730,000	-	895,000	16,835,000
04/25/17	08/01/35	3.375 - 5.00%	23,965,000	23,965,000	-	-	23,965,000
			<u>\$ 321,964,222</u>	<u>\$ 274,760,000</u>	<u>\$ -</u>	<u>\$ 14,250,000</u>	<u>\$ 260,510,000</u>

(Continued)



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

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

General Obligation Bonds mature as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 14,440,000	\$ 10,468,575	\$ 24,908,575
2020	15,485,000	9,777,033	25,262,033
2021	14,840,000	9,042,738	23,882,738
2022	15,115,000	8,413,000	23,528,000
2023	14,180,000	7,794,280	21,974,280
2024-2028	64,440,000	30,354,372	94,794,372
2029-2033	45,055,000	19,671,323	64,726,323
2034-2038	27,270,000	14,848,916	42,118,916
2039-2043	20,230,000	8,124,475	28,354,475
2044-2048	17,955,000	3,885,828	21,840,828
2049-2053	<u>11,500,000</u>	<u>1,229,456</u>	<u>12,729,456</u>
	<u>\$ 260,510,000</u>	<u>\$ 123,609,996</u>	<u>\$ 384,119,996</u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2018, is shown below:

	Balance July 1, 2017, as restated	Additions	Deductions	Balance June 30, 2018	Amounts Due Within One Year
General Obligation Bonds	\$ 274,760,000	\$ -	\$ 14,250,000	\$ 260,510,000	\$ 14,440,000
Unamortized premiums	12,891,810	-	1,085,830	11,805,980	1,091,138
Net pension liability (Notes 7 and 8)	136,649,000	7,800,000	-	144,449,000	-
Total OPEB liability (Note 9)	19,716,196	2,742,571	686,277	21,772,490	-
Compensated absences	<u>1,624,473</u>	<u>271,033</u>	<u>-</u>	<u>1,895,506</u>	<u>-</u>
	<u>\$ 445,641,479</u>	<u>\$ 10,813,604</u>	<u>\$ 16,022,107</u>	<u>\$ 440,432,976</u>	<u>\$ 15,531,138</u>

Payments on the General Obligation Bonds were made from the Bond Interest and Redemption Fund. Payments towards the net pension liability, total OPEB liability, and compensated absences are made from the fund for which the related employee worked.

(Continued)

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

**NOTE 6 - FUND BALANCES**

Fund balances, by category, at June 30, 2018 consisted of the following:

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Prepaid expenditures	89,011	-	-	-	89,011
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,985</u>	<u>78,985</u>
Subtotal nonspendable	<u>189,011</u>	<u>-</u>	<u>-</u>	<u>78,985</u>	<u>267,996</u>
Restricted:					
Legally restricted programs	5,279,716	-	-	1,023,950	6,303,666
Capital projects	-	25,776,554	-	172,322	25,948,876
Debt service	<u>-</u>	<u>-</u>	<u>45,897,895</u>	<u>61,364</u>	<u>45,959,259</u>
Subtotal restricted	<u>5,279,716</u>	<u>25,776,554</u>	<u>45,897,895</u>	<u>1,257,636</u>	<u>78,211,801</u>
Assigned:					
OPEB	9,727,362	-	-	-	9,727,362
Parcel taxes	7,211,164	-	-	-	7,211,164
LCAP supplemental grants	<u>1,325,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,325,410</u>
Subtotal assigned	<u>18,263,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,263,936</u>
Unassigned:					
Designated for economic uncertainty	4,579,406	-	-	-	4,579,406
Undesignated	<u>2,377,996</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,377,996</u>
Subtotal unassigned	<u>6,957,402</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,957,402</u>
Total fund balances	<u>\$ 30,690,065</u>	<u>\$ 25,776,554</u>	<u>\$ 45,897,895</u>	<u>\$ 1,336,621</u>	<u>\$ 103,701,135</u>

(Continued)

## NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

### *General Information about the State Teachers' Retirement Plan*

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com>.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit (DB) Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

#### *CalSTRS 2% at 60*

CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any three consecutive years of credited service.

#### *CalSTRS 2% at 62*

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for three consecutive years of credited service.

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(Continued)

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

**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN** (Continued)

**Contributions:** Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers’ Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

*Members* - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2017-18. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 9.205 percent of applicable member earnings for fiscal year 2017-18.

In general, member contributions cannot increase unless members are provided with some type of “comparable advantage” in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this “comparable advantage,” the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2017, valuation adopted by the board in May 2018, the increase in normal cost was greater than 1 percent. Therefore, contribution rates for CalSTRS 2% at 62 members will increase by 1 percent effective July 1, 2018.

*Employers* – 14.43 percent of applicable member earnings.

Pursuant to AB 1469, employer contributions will increase from a prior rate of 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the CalSTRS board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The CalSTRS board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

The CalSTRS employer contribution rate increases effective for fiscal year 2017-18 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2021 to June 30, 2046	8.25%	*	*
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

\* The Teachers’ Retirement Board (the “board”) cannot adjust the employer rate by more than 1 percent in a fiscal year, and the increase to the contribution rate above the 8.25 percent base contribution rate cannot exceed 12 percent for a maximum of 20.25 percent.

(Continued)

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

**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN** (Continued)

The District contributed \$8,842,060 to the plan for the fiscal year ended June 30, 2018.

*State* - 9.328 percent of the members’ creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2046-2047. The CalSTRS state contribution rates effective for fiscal year 2017-18 and beyond are summarized in the table below. The state rate will increase to 5.311 percent on July 1, 2018, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding<sup>(1)</sup></u>	<u>Total State Appropriation to DB Program</u>
July 01, 2018	2.017%	5.311%(2)	2.50%	9.828%
July 01, 2019 to June 30, 2046	2.017%	(3)	2.50%	(3)
July 01, 2046 and thereafter	2.017%	(4)	2.50%	4.517%(3)

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) In May 2018, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2018.

(3) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

(4) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions*

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District’s proportionate share of the net pension liability	\$ 95,921,000
State’s proportionate share of the net pension liability associated with the District	<u>56,747,000</u>
<b>Total</b>	<b><u>\$ 152,668,000</u></b>

(Continued)

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

**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN** (Continued)

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2017, the District’s proportion was 0.104 percent, which was a decrease of 0.014 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$15,286,463 and revenue of \$5,639,665 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 355,000	\$ 1,673,000
Changes in assumptions	17,771,000	-
Net differences between projected and actual earnings on investments	-	2,555,000
Changes in proportion and differences between District contributions and proportionate share of contributions	4,582,000	17,797,000
Contributions made subsequent to measurement date	<u>8,842,060</u>	<u>-</u>
Total	<u>\$ 31,550,060</u>	<u>\$ 22,025,000</u>

\$8,842,060 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2019	\$ (1,745,200)
2020	1,987,800
2021	611,800
2022	(1,889,533)
2023	(571,034)
2024	2,289,167

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2017 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

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

**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN (Continued)**

**Actuarial Methods and Assumptions:** The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

During the 2016-17 measurement period, CalSTRS completed an experience study for the period starting July 1, 2010, and ending June 30, 2015. The experience study was adopted by the board in February 2017. As a result of the study, certain assumptions used in determining the NPL of the STRP changed, including the price inflation, wage growth, discount rate and the mortality tables used in the actuarial valuation of the NPL. The changes to the assumptions as a result of the experience study follow:

<u>Assumption</u>	<u>Measurement Period</u>	
	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>
Consumer price inflation	2.75%	3.00%
Investment rate of return	7.10%	7.60%
Wage growth	3.50%	3.75%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the CalSTRS board in February, 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions.

(Continued)

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

**NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS’ RETIREMENT PLAN** (Continued)

Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	6.30%
Fixed Income	12	0.30
Real Estate	13	5.20
Private Equity	13	9.30
Absolute Return / Risk Mitigating Strategies	9	2.90
Inflation Sensitive	4	3.80
Cash / Liquidity	2	(1.00)

\* 20-year geometric average.

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease <u>(6.10%)</u>	Current Discount Rate <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
District’s proportionate share of the net pension liability	<u>\$140,843,000</u>	<u>\$ 95,921,000</u>	<u>\$ 59,464,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalSTRS financial report.

(Continued)



**NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B**

*General Information about the Public Employer’s Retirement Fund B*

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer’s Retirement Fund B (PERF B) is administered by the California Public Employees’ Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at:

<https://www.calpers.ca.gov/docs/forms-publications/cafr-2017.pdf>.

Benefits Provided: The benefits for the defined benefit plans are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when districts first join the PERF B, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2018 were as follows:

*Members* - The member contribution rate was 6.50 or 7.50 percent of applicable member earnings for fiscal year 2017-18.

*Employers* - The employer contribution rate was 15.531 percent of applicable member earnings.

The District contributed \$4,244,174 to the plan for the fiscal year ended June 30, 2018.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions*

At June 30, 2018, the District reported a liability of \$48,528,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2017, the District’s proportion was 0.203 percent, which was a decrease of 0.006 percent from its proportion measured as of June 30, 2016.

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(Continued)

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

**NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B** (Continued)

For the year ended June 30, 2018, the District recognized pension expense of \$7,516,338. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,739,000	\$ -
Changes of assumptions	7,088,000	571,000
Net differences between projected and actual earnings on investments	1,678,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	71,000	1,027,000
Contributions made subsequent to measurement date	<u>4,244,174</u>	<u>-</u>
Total	<u>\$ 14,820,174</u>	<u>\$ 1,598,000</u>

\$4,244,174 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2019	\$ 2,107,583
2020	4,431,583
2021	3,358,084
2021	(919,250)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2017 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	June 30, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

(Continued)

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

**NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B** (Continued)

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

During the 2016-17 measurement period, the financial reporting discount rate for PERF B was lowered from 7.65 percent to 7.15 percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years 1 - 10<sup>(1)</sup></u>	<u>Expected Real Rate of Return Years 11+<sup>(2)</sup></u>
Global Equity	47%	4.90%	5.38%
Fixed Income	19	0.80	2.27
Inflation Assets	6	0.60	1.39
Private Equity	12	6.60	6.63
Real Estate	11	2.80	5.21
Infrastructure & Forestland	3	3.90	5.36
Liquidity	2	(0.40)	(0.90)

\* 10-year geometric average

(1) An expected inflation rate of 2.50% used for this period.

(2) An expected inflation rate of 3.00% used for this period.

Discount Rate: The discount rate used to measure the total pension liability was 7.65 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

(Continued)

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

**NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)**

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
District’s proportionate share of the net pension liability	<u>\$ 71,401,000</u>	<u>\$ 48,528,000</u>	<u>\$ 29,554,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS**

*General Information about the Other Postemployment Benefits Plan (OPEB)*

Plan Description: The District provides healthcare benefits to eligible employees who retire from the District, as part of a single-employer defined benefit postemployment health care plan (the "Plan"). The Plan is administered by the District and allows employees who retire after having achieved retirement eligibility requirements to continue receiving medical and dental insurance coverage. The Board of Trustees has the authority to establish or amend the benefit terms offered by the Plan, and also retains the authority to establish the requirements for paying for the Plan's benefits as they come due. As of June 30, 2018, the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District’s total OPEB liability, and the plan does not issue separate financial statements.

Benefits Provided: In accordance with contracts between the District and the respective employee groups, eligible employees are entitled to receive certain medical and dental benefits through the Plan. The maximum amount paid by the District for medical and dental benefits is same as the District cap for active employee benefits.

Eligibility requirements and the length of time that benefits are provided through the Plan vary depending on employee group, hire date, and years of service to the District:

*Certificated Employees:* For certificated employees hired after July 1, 2005, who retire after having reached age 55 with at least 15 years of participation in CalSTRS, the District provides medical and dental coverage to the employee and spouse, until the employee reaches age 65. Certificated employees hired on or before June 30, 2005, only require 10 years of participation in CalSTRS to receive these benefits. Certificated employees who retire from the District after having achieved 30 years of service to the District may receive employee-only benefits up to age 67.

*Classified and Other Non-Certificated Employees:* For classified and other non-certificated employees who retire after having reached age 55 with at least 10 years of service to the District, the District provides medical and dental coverage to the employee and spouse, until the employee reaches age 65. Classified and other non-certificated employees who retire from the District after having achieved 20 years of service to the District may receive employee-only benefits up to age 67.

(Continued)

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

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**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Employees Covered by Benefit Terms: The following is a table of plan participants in the June 30, 2017 actuarial valuation:

	<u>Number of Participants</u>
Inactive Plan members, covered spouses, or beneficiaries currently receiving benefits	71
Inactive employees/dependents entitled to but not yet receiving benefits	-
Active employees	<u>1,137</u>
	<u><u>1,208</u></u>

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. The District's premium rates being charged to these retirees are lower than the expected cost for a retiree population under age 65. Thus, an implicit subsidy exists as a result of this difference between the actual cost and the true retiree cost. Contributions to the Plan from the District were \$713,728 for the year ended June 30, 2018. Employees are not required to contribute to the OPEB plan.

*Total OPEB Liability*

The District's total OPEB liability was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total OPEB liability in the District's actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<u>Valuation Date</u>	June 30, 2017.
<u>Actuarial Method</u>	Entry Age actuarial cost method has been used, with normal costs calculated as a level percentage of payroll.
<u>Discount Rate</u>	3.50%, per the Bond Buyer 20 Bond Index.
<u>Health Care Increases</u>	Medical insurance premiums are assumed to increase by 4.00% in fiscal 2018 onwards.
<u>Mortality Rates</u>	Mortality rates are taken from the 2014 CalPERS OPEB Assumptions Model (for classified and other non-certificated members) and from the 2009 CalSTRS Mortality (for certificated members).

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(Continued)

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

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**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

<u>Health Plan Coverage Elections</u>	100% of eligible employees are assumed to elect coverage upon retirement, and to remain covered under District plans for life. 80% of eligible employees are assumed to continue coverage after reaching age 65.
<u>Retirement Rates</u>	2009 CalSTRS Retirement Rates were used for certificated employees. 2009 CalPERS Retirement Rates for School Employees were used for classified and other non-certificated members hired before July 1, 2013. 2009 CalPERS 2% at 60 Retirement Rates for Miscellaneous Employees were used for classified and other non-certificated members hired after July 1, 2013.
<u>Turnover Rates</u>	Turnover rates are taken from the 2009 CalPERS Termination Rates for School Employees (for classified and other non-certificated members) and from the 2009 CalSTRS Termination Rates (for certificated members).
<u>Medical Claims</u>	Medical claims were estimated based on the true per person costs of coverage during the year ended June 30, 2017. The age-specific rates were developed to reproduce the same aggregate premiums that would be paid to the carriers for all current employee and retirees.
<u>Spouse Prevalence</u>	80% of Plan members were assumed to be married at retirement. To the extent actual information is unavailable, female spouses are assumed to be 3 years younger than male spouses.
<u>Inflation Rate</u>	2.75% per year
<u>Salary Increases</u>	2.75% per year
<u>Disability Rate</u>	None

Discount Rate: Given the District's decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 3.50%. The municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20 Bond Index as published by the Federal Reserve. The Bond Buyer 20 Bond Index consists of general obligation bonds that mature in 20 years, with an average rating roughly equivalent to Moody's Investors Service's Aa2 rating or Standard & Poor's Corp.'s AA.

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(Continued)

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

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Changes in Total OPEB Liability*

	<u>Total OPEB Liability</u>
Balance at July 1, 2017	\$ <u>19,716,196</u>
Changes for the year:	
Service cost	2,029,967
Interest	712,604
Benefit payments	<u>(686,277)</u>
Net change	<u>2,056,294</u>
Balance at June 30, 2018	<u><u>\$ 21,772,490</u></u>

There were no changes between the measurement date and the year ended June 30, 2018 which had a significant effect on the District's total OPEB liability.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	<u>\$ 23,806,797</u>	<u>\$ 21,772,490</u>	<u>\$ 20,012,759</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (3.00%)	Healthcare Cost Trend Rates Rate (4.00%)	1% Increase (5.00%)
Total OPEB liability	<u>\$ 20,354,307</u>	<u>\$ 21,772,490</u>	<u>\$ 23,174,346</u>

*OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2018, the District recognized OPEB expense of \$3,456,299.

At June 30, 2018, the District reported deferred outflows of resources related to OPEB for benefits paid subsequent to the measurement date totaling \$713,728. This amount will be recognized as a reduction of the total OPEB liability during the year ended June 30, 2019. As of June 30, 2018, there are no other amounts reported as deferred outflows of resources or deferred inflows of resources, related to the District's OPEB.

(Continued)



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

**NOTE 10 - RISK MANAGEMENT**

Workers' Compensation: The District's workers' compensation program activities are recorded in the District's Self-Insurance Fund. The program accounts for the risk financing activities of the District, but does not constitute a transfer of risk from the District.

Property and Liability: The District is exposed to various risks of loss related to it's assets, errors and omissions, injuries to employees, and natural disasters. The District has contracted with Alliance of Schools for Cooperative Insurance Program (ACSIP) for excess property and liability insurance over the self-insured retention of \$25,000 per occurrence, up to \$250,000. The District has also contracted with Schools Excess Liability Fund (SELF) for excess property and liability insurance coverage of claims over \$250,000. The property and liability program activities are recorded in the District's Internal Service Fund. The liability program accounts for the risk financing activities of the District, but does not constitute a transfer of risk from the District

Settled claims resulting from the programs above have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

<u>Insurance Program / Provider 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	\$25,000
Alliance of Schools for Cooperative Insurance Program (ACSIP)	Excess Property and Liability	\$250,000
Schools Excess Liability Fund (SELF)	Excess Property and Liability	Limits depend on type of loss

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

Unpaid Claims Liabilities: The Self-Insurance Fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses, developed through both the workers compensation and property and liability programs. 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, 2016 to June 30, 2018:

Self-Insurance Programs

Liability balance, July 1, 2016	\$ <u>9,178,000</u>
Claims and changes in estimates	2,170,822
Claims payments	<u>(2,224,822)</u>
Liability balance, June 1, 2017	9,124,000
Claims and changes in estimates	934,187
Claims payments	<u>(2,542,187)</u>
Liability balance, June 30, 2018	<u>\$ 7,516,000</u>

(Continued)



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

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**NOTE 11 - JOINT POWERS AUTHORITIES**

The District is a member with other school districts in two Joint Powers Authorities, Schools Excess Liability Fund (SELF) and Alliance of Schools for Cooperative Insurance Program (ASCIP), for the operation of a common risk management and insurance program for property and liability coverage. SELF and ASCIP are governed by Governing Boards consisting of representatives from each member district. The Boards control the operations of SELF and ASCIP, including selections of management and approval of operating budgets. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

The following is a summary of financial information for SELF and ASCIP at June 30, 2017 (the most recent information available):

	<u>SELF</u>	<u>ASCIP</u>
Total assets	\$ 126,226,732	\$ 432,804,369
Deferred outflows of resources	353,399	1,683,588
Total liabilities	104,103,406	239,582,232
Deferred inflows of resources	<u>47,698</u>	<u>604,583</u>
Total net position	<u>\$ 22,429,027</u>	<u>\$ 194,301,142</u>
Total revenues	\$ 14,247,212	\$ 271,484,105
Total expenditures	<u>13,352,806</u>	<u>262,183,364</u>
Change in net position	<u>\$ 894,406</u>	<u>\$ 9,300,741</u>

The relationship between the District and the Joint Powers Authorities is such that the Joint Powers Authorities are not considered to be component units of the District for financial reporting purposes.

**NOTE 12 - COMMITMENTS AND 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 management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the financial position or results of operations of the District.

As of June 30, 2018, the District has approximately \$1.8 million in outstanding commitments on Measure I General Obligation Bond construction contracts.

**REQUIRED SUPPLEMENTARY INFORMATION**

BERKELEY UNIFIED SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2018

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 45,672,545	\$ 43,473,662	\$ 44,721,127	\$ 1,247,465
Local sources	<u>39,211,527</u>	<u>42,315,630</u>	<u>41,160,011</u>	<u>(1,155,619)</u>
Total LCFF	<u>84,884,072</u>	<u>85,789,292</u>	<u>85,881,138</u>	<u>91,846</u>
Federal sources	3,846,202	4,823,488	3,610,207	(1,213,281)
Other state sources	11,111,891	13,728,007	13,693,759	(34,248)
Other local sources	<u>46,349,440</u>	<u>49,512,140</u>	<u>53,694,020</u>	<u>4,181,880</u>
Total revenues	<u>146,191,605</u>	<u>153,852,927</u>	<u>156,879,124</u>	<u>3,026,197</u>
Expenditures:				
Current:				
Certificated salaries	60,862,906	61,877,859	60,932,155	945,704
Classified salaries	26,192,816	26,954,917	26,992,904	(37,987)
Employee benefits	31,490,807	31,475,352	31,568,374	(93,022)
Books and supplies	5,161,072	7,068,386	4,426,782	2,641,604
Contract services and operating expenditures	19,471,024	26,587,898	23,786,928	2,800,970
Other outgo	11,682	11,635	11,004	631
Capital outlay	<u>2,403,158</u>	<u>887,256</u>	<u>820,775</u>	<u>66,481</u>
Total expenditures	<u>145,593,465</u>	<u>154,863,303</u>	<u>148,538,922</u>	<u>6,324,381</u>
Excess (deficiency) of revenues over (under) expenditures	<u>598,140</u>	<u>(1,010,376)</u>	<u>8,340,202</u>	<u>9,350,578</u>
Other financing uses:				
Transfers in	716,185	712,767	699,643	(13,124)
Transfers out	<u>(1,358,442)</u>	<u>(1,358,442)</u>	<u>(1,476,164)</u>	<u>(117,722)</u>
Total other financing uses	<u>(642,257)</u>	<u>(645,675)</u>	<u>(776,521)</u>	<u>(130,846)</u>
Net change in fund balance	(44,117)	(1,656,051)	7,563,681	9,219,732
Fund balance, July 1, 2017	<u>23,126,384</u>	<u>23,126,384</u>	<u>23,126,384</u>	<u>-</u>
Fund balance, June 30, 2018	<u>\$ 23,082,267</u>	<u>\$ 21,470,333</u>	<u>\$ 30,690,065</u>	<u>\$ 9,219,732</u>

See note to required supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY  
 For the Year Ended June 30, 2018

	Last 10 Fiscal Years
Total OPEB liability	
Service cost	\$ 2,029,967
Interest	712,604
Benefit payments	<u>(686,277)</u>
Net change in total OPEB liability	2,056,294
Total OPEB liability - beginning of year	<u>19,716,196</u>
Total OPEB liability - end of year	<u>\$ 21,772,490</u>
Covered employee payroll	\$ 80,292,099
Total OPEB liability as a percentage of covered-employee payroll	27.12%

This is a 10-year schedule, however the information in this schedule is not required to be presented retrospectively. All years prior to 2018 are not available

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See note to required supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2018

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State Teachers' Retirement Plan Last 10 Fiscal Years				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.123%	0.123%	0.118%	0.104%
District's proportionate share of the net pension liability	\$ 71,617,000	\$ 82,985,000	\$ 95,395,000	\$ 95,921,000
District's proportionate share of the net pension liability associated with the District	<u>43,246,000</u>	<u>43,890,000</u>	<u>54,312,000</u>	<u>56,747,000</u>
Total Pension Liability	<u>\$114,863,000</u>	<u>\$126,875,000</u>	<u>\$149,707,000</u>	<u>\$152,668,000</u>
District's covered payroll	\$ 54,586,000	\$ 57,212,000	\$ 58,780,000	54,972,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	174.49%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

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(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2018

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Public Employer's Retirement Fund B  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability	0.215%	0.216%	0.209%	0.203%
District's proportionate share of the net pension liability	\$ 24,434,000	\$ 31,837,000	\$ 41,254,000	\$ 48,528,000
District's covered payroll	\$ 22,594,000	\$ 23,912,000	\$ 25,060,000	\$ 25,918,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.14%	164.62%	187.24%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

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See note to required supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
 For the Year Ended June 30, 2018

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State Teachers' Retirement Plan  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 5,080,410	\$ 6,307,138	\$ 6,915,419	\$ 8,842,060
Contributions in relation to the contractually required contribution	<u>(5,080,410)</u>	<u>(6,307,138)</u>	<u>(6,915,419)</u>	<u>(8,842,060)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 57,212,000	\$ 58,780,000	\$ 54,972,000	\$ 61,276,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%

All years prior to 2015 are not available.

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(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
 For the Year Ended June 30, 2018

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Public Employer's Retirement Fund B  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 2,814,653	\$ 2,968,813	\$ 3,600,061	\$ 4,244,174
Contributions in relation to the contractually required contribution	<u>(2,814,653)</u>	<u>(2,968,813)</u>	<u>(3,600,061)</u>	<u>(4,244,174)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 23,912,000	\$ 25,060,000	\$ 25,918,000	\$ 27,327,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%

All years prior to 2015 are not available.

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See note to required supplementary information.



BERKELEY UNIFIED SCHOOL DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2018

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**NOTE 1 - PURPOSE OF SCHEDULES**

A - Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability

The Schedule of Changes in Total OPEB liability is presented to illustrate the elements of the District's Net OPEB liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

C - Schedule of the District's Proportionate Share of the Net Pension Liability

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Schedule of the District's Contributions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E - Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

The discount rate for Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, and 7.15 percent in the June 30, 2013, 2014, 2015, and 2016 actuarial reports, respectively.

The following are the assumptions for the State Teachers' Retirement Plan:

<u>Assumption</u>	<u>Measurement Period</u>		
	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2016</u>
Consumer price inflation	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.60%	7.60%
Wage growth	3.50%	3.75%	3.75%

**SUPPLEMENTARY INFORMATION**

BERKELEY UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 ALL NON-MAJOR FUNDS  
 June 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Pupil Trans- portation Equipment Fund	Capital Facilities Fund	County School Facilities Fund	Tax Override Fund	Total
<b>ASSETS</b>								
Cash and investments:								
Cash in County Treasury	\$ 286,040	\$ -	\$ 183,996	\$ 9,433	\$ 170,763	\$ 1,614	\$ 61,364	\$ 713,210
Cash on hand and in banks	746,590	205,596	26,623	-	-	-	-	978,809
Receivables	343,402	215,699	101,089	25	386	4	-	660,605
Due from other funds	-	36,767	118,038	-	-	-	-	154,805
Stores inventory	-	-	78,985	-	-	-	-	78,985
<b>Total assets</b>	<b><u>\$ 1,376,032</u></b>	<b><u>\$ 458,062</u></b>	<b><u>\$ 508,731</u></b>	<b><u>\$ 9,458</u></b>	<b><u>\$ 171,149</u></b>	<b><u>\$ 1,618</u></b>	<b><u>\$ 61,364</u></b>	<b><u>\$ 2,586,414</u></b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ 226,845	\$ 133,971	\$ 175,010	\$ -	\$ 445	\$ -	\$ -	\$ 536,271
Unearned revenue	-	2,603	-	-	-	-	-	2,603
Due to other funds	189,589	291,400	229,930	-	-	-	-	710,919
<b>Total liabilities</b>	<b><u>416,434</u></b>	<b><u>427,974</u></b>	<b><u>404,940</u></b>	<b><u>-</u></b>	<b><u>445</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,249,793</u></b>
Fund balances:								
Nonspendable	-	-	78,985	-	-	-	-	78,985
Restricted	959,598	30,088	24,806	9,458	170,704	1,618	61,364	1,257,636
<b>Total fund balances</b>	<b><u>959,598</u></b>	<b><u>30,088</u></b>	<b><u>103,791</u></b>	<b><u>9,458</u></b>	<b><u>170,704</u></b>	<b><u>1,618</u></b>	<b><u>61,364</u></b>	<b><u>1,336,621</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,376,032</u></b>	<b><u>\$ 458,062</u></b>	<b><u>\$ 508,731</u></b>	<b><u>\$ 9,458</u></b>	<b><u>\$ 171,149</u></b>	<b><u>\$ 1,618</u></b>	<b><u>\$ 61,364</u></b>	<b><u>\$ 2,586,414</u></b>

BERKELEY UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
 ALL NON-MAJOR FUNDS  
 For the Year Ended June 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Pupil Trans- portation Equipment Fund	Capital Facilities Fund	County School Facilities Fund	Tax Override Fund	Total
Revenues:								
Federal sources	\$ 819,931	\$ 788,291	\$ 1,646,652	\$ -	\$ -	\$ -	\$ -	\$ 3,254,874
Other state sources	3,134,437	4,006,593	167,059	-	-	-	-	7,308,089
Other local sources	<u>209,523</u>	<u>703,165</u>	<u>1,097,429</u>	<u>98</u>	<u>210,685</u>	<u>17</u>	<u>-</u>	<u>2,220,917</u>
Total revenues	<u>4,163,891</u>	<u>5,498,049</u>	<u>2,911,140</u>	<u>98</u>	<u>210,685</u>	<u>17</u>	<u>-</u>	<u>12,783,880</u>
Expenditures:								
Current:								
Certificated salaries	2,289,111	1,975,635	-	-	-	-	-	4,264,746
Classified salaries	648,244	1,524,125	1,748,510	-	-	-	-	3,920,879
Employee benefits	745,089	1,358,222	691,368	-	-	-	-	2,794,679
Books and supplies	137,704	55,017	1,227,203	-	-	-	-	1,419,924
Contract services and operating expenditures	<u>283,722</u>	<u>464,640</u>	<u>140,347</u>	<u>-</u>	<u>39,981</u>	<u>-</u>	<u>-</u>	<u>928,690</u>
Total expenditures	<u>4,103,870</u>	<u>5,377,639</u>	<u>3,807,428</u>	<u>-</u>	<u>39,981</u>	<u>-</u>	<u>-</u>	<u>13,328,918</u>
Excess (deficiency) of revenues over(under) expenditures	<u>60,021</u>	<u>120,410</u>	<u>(896,288)</u>	<u>98</u>	<u>170,704</u>	<u>17</u>	<u>-</u>	<u>(545,038)</u>
Other financing (uses) sources:								
Transfers in	70,000	164,171	998,497	-	-	-	-	1,232,668
Transfers out	<u>(188,225)</u>	<u>(291,400)</u>	<u>(220,018)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(699,643)</u>
Total other financing (uses) sources	<u>(118,225)</u>	<u>(127,229)</u>	<u>778,479</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>533,025</u>
Net change in fund balances	(58,204)	(6,819)	(117,809)	98	170,704	17	-	(12,013)
Fund balances, July 1, 2017	<u>1,017,802</u>	<u>36,907</u>	<u>221,600</u>	<u>9,360</u>	<u>-</u>	<u>1,601</u>	<u>61,364</u>	<u>1,348,634</u>
Fund balances, June 30, 2018	<u>\$ 959,598</u>	<u>\$ 30,088</u>	<u>\$ 103,791</u>	<u>\$ 9,458</u>	<u>\$ 170,704</u>	<u>\$ 1,618</u>	<u>\$ 61,364</u>	<u>\$ 1,336,621</u>

BERKELEY UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN  
 FIDUCIARY ASSETS AND LIABILITIES  
 STUDENT BODY FUNDS  
 For the Year Ended June 30, 2018

	Balance July 1, <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2018</u>
<b>Student Body Funds</b>				
<u>Berkeley High School</u>				
Assets:				
Cash on hand and in banks	\$ <u>332,269</u>	\$ <u>17,490</u>	\$ <u>-</u>	\$ <u>349,759</u>
Liabilities:				
Due to student groups	\$ <u>332,269</u>	\$ <u>17,490</u>	\$ <u>-</u>	\$ <u>349,759</u>
<u>Longfellow Middle School</u>				
Assets:				
Cash on hand and in banks	\$ <u>15,915</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>15,915</u>
Liabilities:				
Due to student groups	\$ <u>15,915</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>15,915</u>
<u>Martin Luther King, Jr. Middle School</u>				
Assets:				
Cash on hand and in banks	\$ <u>15,002</u>	\$ <u>6,218</u>	\$ <u>4,445</u>	\$ <u>16,775</u>
Liabilities:				
Due to student groups	\$ <u>15,002</u>	\$ <u>6,218</u>	\$ <u>4,445</u>	\$ <u>16,775</u>
<u>Willard Middle School</u>				
Assets:				
Cash on hand and in banks	\$ <u>22,980</u>	\$ <u>-</u>	\$ <u>2,448</u>	\$ <u>20,532</u>
Liabilities:				
Due to student groups	\$ <u>22,980</u>	\$ <u>-</u>	\$ <u>2,448</u>	\$ <u>20,532</u>
<u>Total Student Body Funds</u>				
Assets:				
Cash on hand and in banks	\$ <u>386,166</u>	\$ <u>23,708</u>	\$ <u>6,893</u>	\$ <u>402,981</u>
Liabilities:				
Due to student groups	\$ <u>386,166</u>	\$ <u>23,708</u>	\$ <u>6,893</u>	\$ <u>402,981</u>

BERKELEY UNIFIED SCHOOL DISTRICT  
ORGANIZATION  
June 30, 2018

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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>
Josh Daniels	President	2018
Judy Appel	Vice President	2020
Ty Alper	Director/Clerk	2018
Beatriz Layva-Cutler	Director	2020
Karen Hemphill	Director	2018

**ADMINISTRATION**

Donald Evans, Ed. D.  
Superintendent

Pauline Follansbee, CPA  
Assistant Superintendent, Business Services

Pasquale Scuderi  
Associate Superintendent, Educational Services

Evelyn Tamondong-Bradley  
Assistant Superintendent, Human Resources

BERKELEY UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 For the Year Ended June 30, 2018

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	<u>Second Period Report</u>	<u>Annual Report</u>
Certificate Number:	00AC14E9	CF3B0C1A
Elementary:		
Transitional Kindergarten through Third	2,832	2,833
Fourth through Sixth	2,139	2,138
Seventh and Eighth	1,360	1,357
Special Education	<u>19</u>	<u>22</u>
Subtotal Elementary	<u>6,350</u>	<u>6,350</u>
Secondary:		
Ninth through Twelfth	2,955	2,934
Special Education	17	19
Continuation Education	<u>43</u>	<u>43</u>
Subtotal Secondary	<u>3,015</u>	<u>2,996</u>
District Totals	<u><u>9,365</u></u>	<u><u>9,346</u></u>

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See accompanying notes to supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
For the Year Ended June 30, 2018

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<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2017-2018 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	44,760	180	In Compliance
Grade 1	50,400	51,830	180	In Compliance
Grade 2	50,400	51,820	180	In Compliance
Grade 3	50,400	51,820	180	In Compliance
Grade 4	54,000	55,345	180	In Compliance
Grade 5	54,000	55,345	180	In Compliance
Grade 6	54,000	56,332	180	In Compliance
Grade 7	54,000	56,332	180	In Compliance
Grade 8	54,000	56,332	180	In Compliance
Grade 9	64,800	65,700	182	In Compliance
Grade 10	64,800	65,700	182	In Compliance
Grade 11	64,800	65,700	182	In Compliance
Grade 12	64,800	65,700	182	In Compliance



BERKELEY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
For the Year Ended June 30, 2018

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
Special Education Cluster:			
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B	13379	\$ 1,600,032
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B	13682	120,014
84.027A	Special Ed: IDEA Mental Health Average Daily Attendance Allocation, Part B, Sec 611	15197	106,909
84.173	Special Education: IDEA Preschool Grants, Part B, Sec. 619	13430	<u>42,520</u>
Subtotal Special Education Cluster			<u>1,869,475</u>
Adult Education Programs:			
84.002	Adult Education: Adult Secondary Education	13978	183,121
84.002A	Adult Education: Adult Basic Education & ESL	14508	483,300
84.002A	Adult Education: English Literacy & Civics Education	14109	<u>153,510</u>
Subtotal Adult Education Programs			<u>819,931</u>
ESEA: Title III Programs:			
84.365	ESEA: Title III, English Learner Student Program	14346	74,470
84.365	ESEA: Title III, Immigrant Student Program	15146	<u>45,598</u>
Subtotal ESEA: Title III Programs			<u>120,068</u>
84.010	ESEA: Title I, Part A, Basic Grants Low Income and Neglected	14329	912,287
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131	14894	45,304
84.158	Department of Rehabilitation: Workability II, Transitions Partnership Program	10006	84,657
84.196	ESSA: Title IX, Part A, McKinney-Vento Homeless Assistance Grants	14332	52,362
84.367	ESEA: Title II, Part A, Supporting Effective Instruction Local Grants	14341	<u>226,539</u>
Total U.S. Department of Education			<u>4,130,623</u>

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2018

<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 Expenditures</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 and Development	13609	\$ 571,638
93.243	Advancing Wellness & Resilience in Education	15289	102,533
93.778	Medi-Cal Billing Option - Medicaid Cluster	10013	<u>537,794</u>
Total U.S. Department of Health and Human Services			<u>1,211,965</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.558	Child Nutrition: CACFP Claims - Centers and Family Day Care	13393	216,653
10.555	Child Nutrition Cluster: Child Nutrition: School Programs	14906	<u>1,646,652</u>
Total U.S. Department of Agriculture			<u>1,863,305</u>
Total Federal Programs			<u>\$ 7,205,893</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, 2018

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

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See accompanying notes to supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
For the Year Ended June 30, 2018  
(UNAUDITED)

	(Budget) 2019	2018	2017	2016
<u>General Fund</u>				
Revenues and other financing sources	\$ 154,144,990	\$ 157,578,767	\$ 144,448,241	\$ 144,358,083
Expenditures	153,272,187	148,538,922	146,401,027	137,814,205
Other uses and transfers out	<u>1,066,038</u>	<u>1,476,164</u>	<u>1,783,825</u>	<u>1,152,038</u>
Total outgo	<u>154,338,225</u>	<u>150,015,086</u>	<u>148,184,852</u>	<u>138,966,243</u>
Change in fund balance	<u>\$ (193,235)</u>	<u>\$ 7,563,681</u>	<u>\$ (3,736,611)</u>	<u>\$ 5,391,840</u>
Ending fund balance	<u>\$ 30,496,830</u>	<u>\$ 30,690,065</u>	<u>\$ 23,126,384</u>	<u>\$ 26,862,995</u>
Available reserves	<u>\$ 9,764,129</u>	<u>\$ 6,957,402</u>	<u>\$ 8,435,333</u>	<u>\$ 11,114,281</u>
Designated for economic uncertainties	<u>\$ 4,685,978</u>	<u>\$ 4,579,406</u>	<u>\$ 4,402,141</u>	<u>\$ 3,253,293</u>
Undesignated fund balance	<u>\$ 5,078,151</u>	<u>\$ 2,377,996</u>	<u>\$ 4,033,192</u>	<u>\$ 7,860,988</u>
Available reserves as a percentage of total outgo	<u>6.3%</u>	<u>4.6%</u>	<u>5.7%</u>	<u>8.0%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 424,901,838</u>	<u>\$ 440,432,976</u>	<u>\$ 435,213,713</u>	<u>\$ 400,233,681</u>
Average daily attendance at P-2	<u>9,365</u>	<u>9,365</u>	<u>9,198</u>	<u>9,320</u>

The General Fund fund balance has increased by \$9,218,910 over the past three fiscal years. The District projects a decrease of \$193,235 for the year ending June 30, 2018. 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, 2018, the District has met this requirement. For the purposes of calculating the District's available reserves, the ending fund balance of the Special Reserve for Other Than Capital Projects Fund is included as designated for economic uncertainties.

The District has incurred operating surpluses in two of the past three years, but anticipates incurring an operating deficit during 2017-18 fiscal year.

Total long-term liabilities have increased by \$40,199,295 over the past two years.

Average daily attendance has increased by 45 over the past two years. The District anticipates no change in ADA during the fiscal year ending June 30, 2019.

BERKELEY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
For the Year Ended June 30, 2018

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<u>Charter Schools Chartered by District</u>	Included in District Financial Statements, or <u>Separate Report</u>
1255 - REALM Charter School	Separate Report

BERKELEY UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
June 30, 2018

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**NOTE 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. The District neither met nor exceeded its target funding. 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

The Schedule of Expenditure of Federal Awards includes the federal award activity of Berkeley Unified School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed in the Uniform Guidance.

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 either expenditures from Federal entitlement programs where the revenues have not been received by June 30, 2018, or Federal revenues which are not required to be presented in the Schedule of Expenditure of Federal Awards.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 7,882,140
Add:		
Medi-Cal Billing Funds spent from prior year awards	93.778	340,812
Less:		
Federal interest reimbursement on Build America Bonds	*	<u>(1,017,059)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 7,205,893</u>

\* There is no CFDA Number for this federal revenue.

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(Continued)

**NOTE 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 (Unaudited)

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2017-2018 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.

**NOTE 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, 2018, 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

**Report on Compliance with State Laws and Regulations**

We have audited Berkeley Unified School District's compliance with the types of compliance requirements described in the State of California's *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2018.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General requirements	Yes
After school	Yes
Before school	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	No, see below
Attendance, for charter schools	No, see below
Mode of Instruction, for charter schools	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	No, see below
Annual Instructional Minutes Classroom-Based, for charter schools	No, see below
Charter School Facility Grant Program	No, see below

(Continued)



The District did not offer an Early Retirement Incentive Program in the current year; therefore, we did not perform any procedures related to Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools or Middle or Early College High Schools; therefore, we did not perform any procedures related to Juvenile Court Schools or Middle or Early College High Schools.

The District did not report any attendance hours for Apprenticeship: Related and Supplemental Instruction; therefore, we did not perform any procedures related to this program.

The District did not offer an Independent Study-Course Based program; therefore, we did not perform any procedures related to this program.

The District does not include any charter schools in this report; therefore, we did not perform any procedures related to Charter Schools.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on Berkeley Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. 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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Berkeley Unified School District's compliance with the state laws and regulations listed above 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 on compliance with state laws and regulations. However, our audit does not provide a legal determination of Berkeley Unified School District's compliance.

### ***Opinion on Compliance with State Laws and Regulations***

In our opinion, Berkeley Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2018.

### ***Purpose of this Report***

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

  
Crowe LLP

Sacramento, California  
December 12, 2018

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 Trustees  
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 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, 2018, and the related notes to the financial statements, which collectively comprise Berkeley Unified School District's basic financial statements, and have issued our report thereon dated December 12, 2018.

### **Internal Control Over Financial Reporting**

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

### **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*.

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(Continued)

## Purpose of this Report

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

  
Crowe LLP

Sacramento, California  
December 12, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees  
Berkeley Unified School District  
Berkeley, California

**Report on Compliance for Each Major Federal Program**

We have audited Berkeley Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Berkeley Unified School District's major federal programs for the year ended June 30, 2018. Berkeley Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Berkeley Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Berkeley Unified School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Berkeley Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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(Continued)

## **Report on Internal Control Over Compliance**

Management of Berkeley Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Berkeley Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

*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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance . Accordingly, this report is not suitable for any other purpose.

  
Crowe LLP

Sacramento, California  
December 12, 2018

## **FINDINGS AND RECOMMENDATIONS**

BERKELEY UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2018

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SECTION I - SUMMARY OF AUDITOR'S RESULTS

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

    Material weakness(es) identified? \_\_\_\_\_ Yes      X   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: Unmodified

Any audit findings disclosed that are required to be  
 reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ Yes      X   No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	ESEA: Title I, Part A, Basic Grants Low Income and Neglected
84.002, 84.002A	Adult Education Programs

Dollar threshold used to distinguish between Type A  
 and Type B programs: \$     750,000

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No

**STATE AWARDS**

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

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(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018

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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

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(Continued)



BERKELEY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018

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SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

BERKELEY UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2018

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<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
No matters were reported.		