

**BERKELEY UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

June 30, 2022

BERKELEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2022

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FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2022

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Berkeley Unified School District  
Berkeley, California

**Report on the Audit of the Financial Statements*****Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Berkeley Unified School District, as of and for the year ended June 30, 2022, 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.

In our opinion, the accompanying 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, 2022, 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.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Berkeley Unified School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Berkeley Unified School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Berkeley Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Berkeley Unified School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 18 and 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 59 to 64 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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.

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(Continued)

### **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 expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and 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. Such information is the responsibility of management and, except for that portion marked "unaudited," was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2023 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 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 Berkeley Unified School District's 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*  
Crowe LLP

Sacramento, California  
February 23, 2023

# BERKELEY UNIFIED SCHOOL DISTRICT

2020 Bonar Street, Berkeley, California 94702

www.berkeley.net

## 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 19. 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 21.

### 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.

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-1 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-1. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-wide	Fund Statements	
		Governmental Funds	Proprietary 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
<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 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>
<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
<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
<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



## 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 \$42,485,463, an increase of \$22,829,307 over prior year.

### Statement of Net Position

ASSETS	<u>Governmental Activities</u>		Change <u>2022-21</u>
	<u>2021</u>	<u>2022</u>	
Current and other assets	\$ 205,824,257	\$ 199,832,084	
Capital Assets	<u>375,434,142</u>	<u>394,311,092</u>	
Total assets	<u>581,258,399</u>	<u>594,143,176</u>	2%
<b>DEFERRED OUTFLOWS</b>			
Deferred outflow of resources - pensions and OPEB	61,645,713	52,592,072	
Deferred loss from refunding of debt	<u>4,818,599</u>	<u>4,142,587</u>	
	66,464,312	56,734,659	-15%
<b>LIABILITIES</b>			
Long-term debt outstanding	404,543,285	393,300,866	
Net pension liability	169,286,000	95,081,000	
Other liabilities	<u>35,846,224</u>	<u>40,071,266</u>	
Total liabilities	<u>609,675,509</u>	<u>528,453,132</u>	-13%
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions	<u>18,391,046</u>	<u>79,939,250</u>	335%
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	139,668,440	137,308,951	
Restricted	33,511,903	48,508,153	
Unrestricted	<u>(153,524,187)</u>	<u>(143,331,641)</u>	
Total net position	<u>\$ 19,656,156</u>	<u>\$ 42,485,463</u>	116%

## 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>2021</u>	<u>2022</u>
<b>REVENUES</b>		
<b>Program Revenues:</b>		
Charges for Services	\$ 2,150	\$ 1,918,962
Operating Grants	48,167,081	53,479,872
<b>General Revenues</b>		
Property Taxes	127,009,350	145,426,302
Federal and State Aid	43,010,293	43,260,171
Other	<u>2,151,660</u>	<u>2,677,763</u>
Total Revenues	<u>220,340,534</u>	<u>246,763,070</u>
<b>EXPENSES</b>		
Instruction	129,753,526	126,890,422
Instruction Related Services	24,931,795	25,632,098
Pupil Services	17,261,759	18,774,669
Ancillary Services	345,652	448,349
Community Services	38,296	128,848
General Administration	13,336,698	12,932,341
Plant Services	20,309,087	23,567,934
Enterprise Services	215,382	279,006
Interest	9,354,758	15,271,538
Other and Other Outgo	<u>4,619,754</u>	<u>8,558</u>
Total Expenses	<u>220,166,707</u>	<u>223,933,763</u>
Increase (Decrease) in Net Position	173,827	22,829,307
Net Position - Beginning	<u>19,053,211</u>	<u>19,656,156</u>
Cumulative effect of GASB 84 Implementation	429,118	-
Net Position, July 2, 2020, as restated	<u>19,482,329</u>	<u>19,656,156</u>
Net Position - Ending	<u>\$ 19,656,156</u>	<u>\$ 42,485,463</u>

## Capital Assets

At year-end, the District's capital assets had a net increase of \$18.9 million over the prior year. This represents a 5% increase over last year's total capital assets, and was primarily due to completed construction projects and construction projects in process.

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

	Governmental Activities		Percentage
	<u>2021</u>	<u>2022</u>	<u>2022-21</u>
Land	\$ 6,908,949	\$ 6,908,949	
Improvement of sites	10,004,822	9,285,461	
Buildings	273,540,113	276,122,303	
Equipment	1,942,223	1,671,467	
Work in Process	<u>83,038,035</u>	<u>100,322,912</u>	
Total	<u>\$ 375,434,142</u>	<u>\$ 394,311,092</u>	5%

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 primarily due to completion of projects districtwide net of depreciation. Once projects are completed, costs are transferred Work in Process to Buildings.

## District Indebtedness

At year-end, the District has \$488.4 million of long-term debt. Of total long-term debt, approximately \$332.4 million relates to the issuance of General Obligation Bonds, which are 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
	<u>2021</u>	<u>2022</u>	<u>2022-21</u>
Compensated absences	\$ 4,300,635	\$ 4,312,010	
General obligation bonds	338,375,000	332,355,000	
Premiums on General Obligation Bonds	15,970,452	13,192,409	
Net pension liability	169,286,000	95,081,000	
Total OPEB liability	<u>45,897,198</u>	<u>43,441,447</u>	
Total	<u>\$ 573,829,285</u>	<u>\$ 488,381,866</u>	-15%

The total OPEB liability represents the total unfunded liability estimated to be paid for future healthcare benefits of district retirees. The balance totaling \$43.4 million for the total OPEB liability at year end, is based on an actuarial study. Long term debt reduced by 15% from the prior year due to refinancing General Obligation Bonds and reduced OPEB liability based on the actuarial study, and a reduction in pension liability driven by the increased fair value of pension plan investments at the measurement date June 30, 2022. Compensated absences represent the amount of liability the District owes for vacation that has been earned but not yet taken or paid out and has remained relatively unchanged from the prior year.

## **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 two 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.

## **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 \$4.2 million is partially 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, 2022, the District ended the year with \$3.5 million in excess of the 3% state reserve requirement in its Unrestricted General Fund 01, after Assignments of \$1.1 million. The \$1.0 million assignment is for supplemental grant LCAP reserves.

The following table summarizes General Fund change in fund balance:

	General Fund		Percentage
	<u>2021</u>	<u>2022</u>	<u>Change</u> <u>2022-21</u>
Total Revenues	\$ 183,644,186	\$ 195,888,677	7%
Total Expenditures	176,110,879	193,855,558	10%
Other financing sources (uses), net	<u>(1,017,930)</u>	<u>459,461</u>	-163%
Change in fund balance	<u>\$ 6,515,377</u>	<u>\$ 2,492,580</u>	-62%

Increases in revenues and expenditures are mainly due the receipt of COVID related funding from Federal and state resources and spending of these funds. One time transfers in from Fund 20 accounts for the change in other financing sources.

### Revenues (Funds 01-08)

Local Control Funding Formula (LCFF) provides state funding for the District based on a per pupil base grant allocation for each grade span and supplemental grant funding based on the number of English Language Learners, pupils eligible for free and reduced-price meals and Foster Youth pupils they serve. These are our most vulnerable students, and the LCFF was implemented to prioritize funding based on the unduplicated count of these students.

The base grant funding received for 2021-22 for the District is \$92 million and includes \$2.0 million in Class Size Reduction funding and \$.8 million for Career Technical Education, add-on programs for State Transportation and Targeted Instructional Improvement Grant (TIIG) funding in the amount of \$4.3 million and \$1 million for State Transportation

The District also received supplemental grant funds based on the percentage pupils eligible for free and reduced-price meals, English Language Learner students and Foster Youth in the amount of \$5.3 million.

When closing the books for 2021-22. revenues in the combined General total \$195.7 million.

Restricted Federal, State and Local revenues total \$40.1 million or 20.5% of the total. Restricted Federal and State Revenues and includes one-time COVID funding which will be used to mitigate the impact of the pandemic and address specific needs which include equipment and material necessary to provide students with opportunities for distance learning, in- person instruction, person protective equipment and accelerating progress to close learning gaps.

Revenue from local parcel tax now include \$10.6 million in funding for the Berkeley Public Schools Educator Recruitment and Retention Act of 2020 (BERRA), used to recruit and retain qualified teachers and staff for the District, and to improve Berkeley public school educator salaries and to address hard-to-staff positions.

Parcel tax revenues total totals \$42.5 million or 21.7% of total revenue, and include Measure E or BSEP in the amount of \$34.9 million (17.8%) and Measure BB and H for Maintenance) in the amount of \$7.6 million (3.9%).

Other state revenue and unrestricted local revenue total \$2.7 million and include unrestricted lottery funds, interest, grant funds for the Gardening and Cooking program, mandated block grant funding and community redevelopment funds.

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

At year-end, the General Fund’s total cost of operations was \$193.53 million. Total District expenditures were \$17.7 million more than the previous year due mainly due to the expenditures of restricted COVID related funds and the new parcel tax funds and an increase in expenditures to meet the needs of our Special Education students.

	General Fund		Percentage
	<u>2021</u>	<u>2022</u>	<u>Change</u> <u>2022-21</u>
Certificated salaries	\$ 71,361,382	\$ 78,838,391	10%
Classified salaries	32,161,894	33,519,849	4%
Employee benefits	38,177,525	42,844,558	12%
Books and supplies	4,820,157	4,641,013	-4%
Contract services and operating expenditures	29,364,989	33,941,982	16%
Capital outlay	215,677	61,207	-72%
Other outgo	9,255	8,558	-8%
Subtotal	\$ 176,110,879	\$ 193,855,558	10%
Indirect Cost	(490,810)	(583,069)	19%
Total	<u>\$ 175,620,069</u>	<u>\$ 193,272,489</u>	

**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:

At year-end, the District’s cost of operations in the Unrestricted General Fund 01 was \$99.2 million, which was \$2.1 million less than projected mainly due to budgeted employee benefits exceeding actuals due to using hourly substitutes to fill vacant positions during the pandemic. In addition, sites and programs did not spend their budgets for books and supplies, due to working remotely.

	Fund 01- Unrestricted General Fund		
	Final Budget <u>2022</u>	Actual <u>2022</u>	
Certificated salaries	\$ 50,063,375	\$ 50,330,499	0.53%
Classified salaries	15,716,514	15,330,574	-2.46%
Employee benefits	21,354,233	20,357,264	-4.67%
Books and supplies	1,741,361	1,050,645	-39.67%
Contract services and operating expenditures	12,415,437	12,052,993	-2.92%
Capital outlay	52,450	43,841	-16.41%
Total	<u>\$ 101,343,370</u>	<u>\$ 99,165,816</u>	

Revenues were \$.4 million less than projected due to lower unrestricted local revenues for interest income and income from field trips.

## Economic Factors and Subsequent Budgets

Governor Newsom released his proposed Revised State budget on May 13th for the upcoming 2022-23 fiscal year. Proposition 98 is a voter-approved constitutional amendment that guarantees minimum funding levels for K-12 schools and community colleges (i.e. K-14 Education). The significant increase in revenues projected for 2020-21, 2021-22, and 2022-23 results in a corresponding increase in resources for K-14 Education. Proposition 98 is estimated to be \$96.1 billion in 2020-21, \$110.2 billion in 2021-22, and \$110.3 billion in 2022-23, representing a three-year increase in the minimum guarantee of \$19.6 billion over the level estimated in the Governor's January Budget. \$15.9 billion of the \$32.9 billion in K-12 Proposition 98 spending proposals are spending proposals from January, and the remaining \$17 billion relates to new augmentations in May. Further, \$19.1 billion is for one-time activities, and \$13.8 billion is for ongoing augmentations. In addition, the May Revision includes a multitude of investments, including tax credits, rebates, and infrastructure spending, that helps it avoid reaching its Gann Limit in 2021-22 and 2022-23.

The Proposition 98 Guarantee continues to be in Test I for 2022-23. In the past, K-14 Education received 38.03 % of general fund revenues under the Test I guarantee; however, to accommodate enrollment increases related to the expansion of transitional kindergarten, the Governor proposes to rebench the Test I percentage to approximately 38.3% (slightly lower than the 38.4% January proposal). Essentially, Proposition 98 ensures that K-14 Education receives approximately 40¢ of every state general fund dollar. Please note that this adjustment will not benefit community funded/basic aid districts.

As a result of the passage of Proposition 2, which established various conditions when the state is required to deposit funds into the Public School System Stabilization Account (rainy day fund), non-exempt school districts (discussed further below) will need to take the necessary action to ensure their unassigned and assigned reserves are not greater than 10% since the total amount deposited by the State exceeds 3% of K-12 Proposition 98 funding.

## Local Control Funding Formula Factors

The statutory cost-of-living adjustment (COLA) for 2022-23 is 6.56%, which is an expected increase from the January COLA estimate of 5.33%. Illustrated below is a comparison of projected COLAs for the budget year and two subsequent years:

Description	2022-23	2023-24	2024-25
LCFF COLAs (22-23 Gov. Proposal)	5.33%	3.61%	3.64%
LCFF COLAs (22-23 May Revision)	6.56%	5.38%	4.02%

In addition, the May Revision includes \$2.1 billion ongoing Proposition 98 funding to increase the LCFF base funding, which is equivalent ( $\approx$ ) to a 3.3% increase. This ongoing increase is an important resource for all local educational agencies to mitigate the impacts of rising pension obligations, increased costs for goods and services, and other ongoing local budget concerns. Please note that this proposal is included in the district's budget while we await the specific details and implications in the final budget. The estimated revenue is designated in the ending fund balance, pending proposals in the state's enacted budget.

Further, the Governor's May Revision proposal continues to allow districts to be funded based on the greater of current year average daily attendance (ADA), prior year ADA, or the average of three prior years' ADA.

Also, due to the impact that the COVID-19 Delta and Omicron variants have had on student and staff absences, the Governor is proposing to allow all classroom-based local educational agencies to be funded for 2021-22 at the greater of their current year average daily attendance (ADA), or its current year enrollment adjusted for pre-COVID-19 absence rates by utilizing the 2019-20 ADA to October enrollment yield. The ADA derived from using the 2021-22 enrollment multiplied by the District’s 2019-20 ADA to enrollment ratio is not the same as using the 2019-20 ADA numbers. Please note that this proposal is not included in the District’s 2021-22 estimated actuals or 2022-23 budget since this calculation does not increase the ADA used to calculate revenue. Furthermore, this is a fairly new proposal that may not be incorporated in the state’s final budget. The district will reevaluate enrollment yield calculation based on the enacted state budget, and will revise our budgets if this calculation increases the reported ADA in the Preliminary budget.

Lastly, the Governor’s May Revision, includes a one-time discretionary block grant at the rate of \$1,500 per ADA. Alameda County Office of Education (ACOE) has recommended Districts designate this amount in the ending fund balance. The District has complied with this recommendation.

**Additional Major Governor’s Budget Proposal Components**

<b>Budget Component</b>	<b>Description</b>
<b>COLA for Select Categorical Programs</b>	<ul style="list-style-type: none"> <li>\$427M of ongoing funds to increase select categorical programs by the 6.56% COLA</li> </ul>
<b>Expanded Learning Opportunities Program (ELO-P)</b>	<ul style="list-style-type: none"> <li>Additional \$3.8B of ongoing funding (\$4.8B after including 21-22 ongoing funding) for access to comprehensive learning for unduplicated students in elementary schools by implementing before/after school opportunities to equal nine hours per day when combined with the regular instructional day with very low pupil to staff ratios. 30 expanded intersession nine-hour days would also be required to be provided</li> <li>\$1B of one-time funds to support ELO-P infrastructure</li> </ul>
<b>Special Education</b>	<ul style="list-style-type: none"> <li>An additional \$500M in addition to the 6.56% COLA of ongoing funds to bring the AB602 funding amount from \$715/ADA to \$820/ADA</li> <li>\$500M of one-time funds for the inclusive Early Education Expansion Program</li> </ul>
<b>Discretionary Block Grant</b>	<ul style="list-style-type: none"> <li>\$8B of one-time funds to be used at the district’s discretion</li> <li>Preliminary estimates range between \$1,360 to \$1,500 per reported 21-22 ADA</li> </ul>
<b>Lower Transitional Kindergarten (TK) Class Ratios</b>	<ul style="list-style-type: none"> <li>\$383M to lower TK staffing ratios (\$2,813 per TK ADA) <ul style="list-style-type: none"> <li>Provision is not applicable to community funded / basic aid districts</li> </ul> </li> </ul>
<b>School Nutrition</b>	<ul style="list-style-type: none"> <li>\$596M ongoing funds for universal meals program (every LEA must provide two free meals to every student) and \$450M one-time funds for kitchen upgrades</li> <li>\$612M of ongoing funds to augment the state meal reimbursement rate</li> <li>\$45M of one-time funds to for California Healthy School Meals Pathways</li> </ul>
<b>Community Schools &amp; Engagement</b>	<ul style="list-style-type: none"> <li>\$1.5B of one-time funds towards the holistic approach to education to provide integrated health, mental health, social services, and educational support</li> <li>\$100M of one-time funds to improve relationships between LEAs and their communities</li> </ul>
<b>College &amp; Career Pathways</b>	<ul style="list-style-type: none"> <li>\$1.5B of one-time funding to support the development of pathway programs</li> <li>\$500M of one-time funding to expand dual enrollment</li> </ul>
<b>Early Literacy</b>	<ul style="list-style-type: none"> <li>\$500M of one-time funds for high-needs schools to hire/train literacy coaches and reading specialists</li> </ul>



	<ul style="list-style-type: none"> <li>• \$200M of one-time funds to create/expand multi-lingual school/classroom libraries</li> </ul>
<b>Educator Workforce</b>	<ul style="list-style-type: none"> <li>• \$500M of one-time funds to expand residency slots for teachers and counselors, as well as provide Golden State Teacher Grant eligibility to counselors, psychologists, and social workers</li> <li>• \$85M of one-time funds for STEM support and training</li> <li>• \$300M of one-time funds to further assist LEAs for professional learning (STEM priority) through the Educator Effectiveness Block Grant</li> </ul>
<b>Transportation</b>	<ul style="list-style-type: none"> <li>• \$1.5B of one-time funds for electric school buses, charging stations, etc..</li> </ul>
<b>School Facilities</b>	<ul style="list-style-type: none"> <li>• \$4.025B of one-time general funds (up from \$2.225B) over three years for school construction projects</li> <li>• \$1.8B of one-time funds for deferred maintenance</li> <li>• Sell the remaining \$1.4B of Proposition 51 bonds</li> </ul>
<b>Early Childhood Education</b>	<ul style="list-style-type: none"> <li>• \$166M of ongoing funds for the annualization of state preschool rates</li> <li>• \$342M (up from 309M) to increase adjustment factors students with disabilities and dual language learners</li> <li>• \$157.3M to waive family fees for state subsidized programs through 22-23</li> <li>• Holding funding for child development contractors/providers harmless for the 22-23 school year</li> <li>• \$200.5M for minor renovation and repair of facilities in low-income communities</li> </ul>

### Independent Study

The current mandatory guidelines are set to expire at the end of the 2021-22 fiscal year. However, the Governor has proposed the following changes to the independent study program:

- Proposes two sets of timelines for collecting written agreements
  - Participation of 14 days or less requires the agreement to be signed within 10 days of beginning independent study
  - Participation of 15 days or more requires the agreement to be signed before beginning independent study
- Increases the threshold for tiered reengagement triggers and removes proposed School Attendance Review Board referral requirement
- Includes synchronous instruction in instructional time and ADA calculations under specified parameters
- Exempt students who are enrolled in classroom instruction and participate in independent study due to specified medical, mental health, or substance abuse treatment from tiered reengagement, synchronous instruction, and a plan to return to the classroom within five days

### Routine Restricted Maintenance Account

Per Education Code Section 17070.75, school districts are required to deposit into the account a minimum amount equal to or greater than three percent (3%) of the total General Fund expenditures and other financing uses for that fiscal year. Illustrated below are the primary compliance components:

- The 3% contribution is calculated on total General Fund expenditures, including other financing uses (i.e. transfers out, debt issuances relating to the General Fund)
- The final 3% contribution is based on year-end actual data; therefore, while it is developed based on budget, it must be trued up using actual expenditures
- The actual contribution will be audited as part of the School Facility Program bond audit
- This paragraph applies only to the following school districts:
  - (i) High school districts with an average daily attendance greater than 300 pupils.
  - (ii) Elementary school districts with an average daily attendance greater than 900 pupils.
  - (iii) Unified school districts with an average daily attendance greater than 1,200 pupils.

**District Reserve Requirements:** The 2014 State Budget Act and the passage of Proposition 2 in November 2014 established a hard cap on district reserves, if all the following conditions are met:

1. Proposition 98 must be funded based on Test 1
2. Full repayment of the maintenance factor prior to 2014-15
3. Proposition 98 provides sufficient funds to support pupil attendance growth and the statutory COLA
4. Capital gains exceed 8% of General Fund revenues

Prior law specified that in any fiscal year immediately following a year in which a transfer of any amount is made to the Public-School System Stabilization Account, a district’s assigned or unassigned fund balance (including Fund 01 and Fund 17) may not exceed two times the reserve for economic uncertainty (three times the reserve for economic uncertainty for districts with more than 400,000 ADA).

However, Senate Bill (SB) 751 which became effective January 1, 2018 made changes to the school district reserve cap law in the following manner:

- It requires that the reserve cap is triggered in a fiscal year immediately after a fiscal year in which the amount of moneys in the Public-School System Stabilization Account is equal to or exceeds three percent of the combined total of General Fund revenues appropriated for school districts and allocated local proceeds of taxes (Proposition 98 funding), as specified, for that fiscal year
- Adjusts the reserve cap from a combined assigned and unassigned ending fund balance based on the size of the district to a combined assigned or unassigned ending balance, in the General Fund (01) and the Special Reserve Fund for Other Than Capital Outlay (17), of 10% of those Funds for all districts
- Reserves would be capped at 10% as long as the amount in the Public-School System Stabilization Account remained at 3% or greater of the Proposition 98 amount in each preceding year
  - The State must notify local educational agencies when the conditions are and are no longer applicable
- Basic aid school districts and districts with fewer than 2,501 average daily attendance are exempt from the reserve cap requirement

Since the Proposition 98 reserve balance will reach 4% of funding in 2020-21, 7.8% of funding in 2021-22, and projected to reach the maximum 10% limit of funding in 2022-23 (exceeding the minimum 3% threshold in all three years), LEAs will have the statutory reserve cap described above beginning 2022-23. More than likely the limit will be in place for subsequent years; therefore, applicable school districts may need to spend down their reserves and/or commit funds.

## Multiyear Projection

### General Planning Factors:

Illustrated below are the latest primary funding factors from the Governor’s May Revision. Please note that the District is utilizing the additional \$2.1B LCFF investment and is including the one-time mandate funds and will make adjustments in accordance with the enacted state budget.

<i>Planning Factor</i>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
<b>Dept of Finance Statutory COLA</b>	1.70%	6.56%	5.38%	4.02%
<b>Local Control Funding Formula (LCFF) COLA</b>	5.07%	6.56%	5.38%	4.02%
<b>Additional LCFF Investment of \$2.1B (included)</b>	N/A	≈3.3%	N/A	N/A
<b>STRS Employer Rates</b>	16.92%	19.10%	19.10%	19.10%
<b>PERS Employer Rates</b>	22.91%	25.37%	25.20%	24.60%
<b>SUI Employer Rates</b>	0.50%	0.50%	0.20%	0.20%
<b>Lottery – Unrestricted per ADA</b>	\$163	\$163	\$163	\$163
<b>Lottery – Prop. 20 per ADA</b>	\$65	\$65	\$65	\$65

<b>One-Time Mandate Discretionary Block Grant Funds (excluded)</b>	\$0	\$1,500	\$0	\$0
<b>Mandate Block Grant for Districts: K-8 per ADA</b>	\$32.79	\$34.94	\$36.82	\$38.30
<b>Mandate Block Grant for Districts: 9-12 per ADA</b>	\$63.17	\$67.31	\$70.93	\$73.78
<b>Mandate Block Grant for Charters: K-8 per ADA</b>	\$17.21	\$18.34	\$19.33	\$20.11
<b>Mandate Block Grant for Charters: 9-12 per ADA</b>	\$47.84	\$50.98	\$53.72	\$55.88
<b>Routine Restricted Maintenance Account (refer to the provisions discussed above)</b>	3% of total GF expend & outgo	3% of total GF expend & outgo	3% of total GF expend & outgo	3% of total GF expend & outgo

**The May Revision and Berkeley Unified School District**

The District’s projected undesignated fund balance ending fund balance for 2022-23 is \$5.1 million after including the one-time discretionary block grant and additional revenue based on the ADA calculation formula proposed in the Governor’s January budget, and the approx. 3.3% add-on Cola. This add-on Cola represents an additional \$4 million in LCFE funding, \$3.7 million in base funding and \$3 million in supplemental funding. In accordance with guidelines received from the Alameda County Office of Education, the additional \$4 million is included in revenue, and designated in the ending fund balance.

As mentioned earlier, the unrestricted block grant funding in the Governor’s May Revise, is included in the District’s Unrestricted State funding in the Adopted Budget. This funding is to be used for one-time expenditures, determined by local governing boards. This funding offsets amount the State owes school districts for mandate reimbursements, and will distributed on a per-ADA basis, using the 2021-22 Second Principal Apportionment reported ADA. District’s will received approximately \$1,500 per ADA which equates to \$13.3 million in one-time funding for the Unrestricted General Fund. This amount is included in revenue and designated in the ending fund balance in accordance with ACOE’s recommendation.

The unrestricted general fund also includes one-time and on-going board approved recommendations for budget savings strategies and new expenditures.

The chart below lists \$2.9 million in ongoing budget balancing solutions and \$.2 million in one-time solutions for 2022-23, and \$.9 million in on-going new expenditures and \$.7 million in one-time expenditures in 2022-23. There are \$.6 million in ongoing expenditures included in 2023-24.

	General Fund 2022-23			General Fund 2023-24			Restricted Funds 2022-23		
	Ongoing	One -Time	Total	Ongoing	One -Time	Total	Ongoing	One -Time	Total
Reductions - budget balancing solutions	\$ (2,955,847)	\$ (187,361)	\$(3,143,208)						
Budget Priorities	\$867,500	\$681,700	\$1,549,200	\$553,000		\$553,000	\$3,685,666	\$940,000	\$4,625,666
<b>Total</b>	<b>\$ (2,088,347)</b>	<b>\$ 494,339</b>	<b>\$(1,594,008)</b>	<b>\$553,000</b>	<b>0</b>	<b>\$553,000</b>	<b>\$3,685,666</b>	<b>\$940,000</b>	<b>\$4,625,666</b>

The Adopted Budget also includes \$4.6 million in expenditures in restricted funding.

Multi-Year Projections

These one-time and ongoing expenditures are included in the multi-year projection where one-time revenue and expenditures are removed from the following year’s projections to derive the projected ending fund balance.

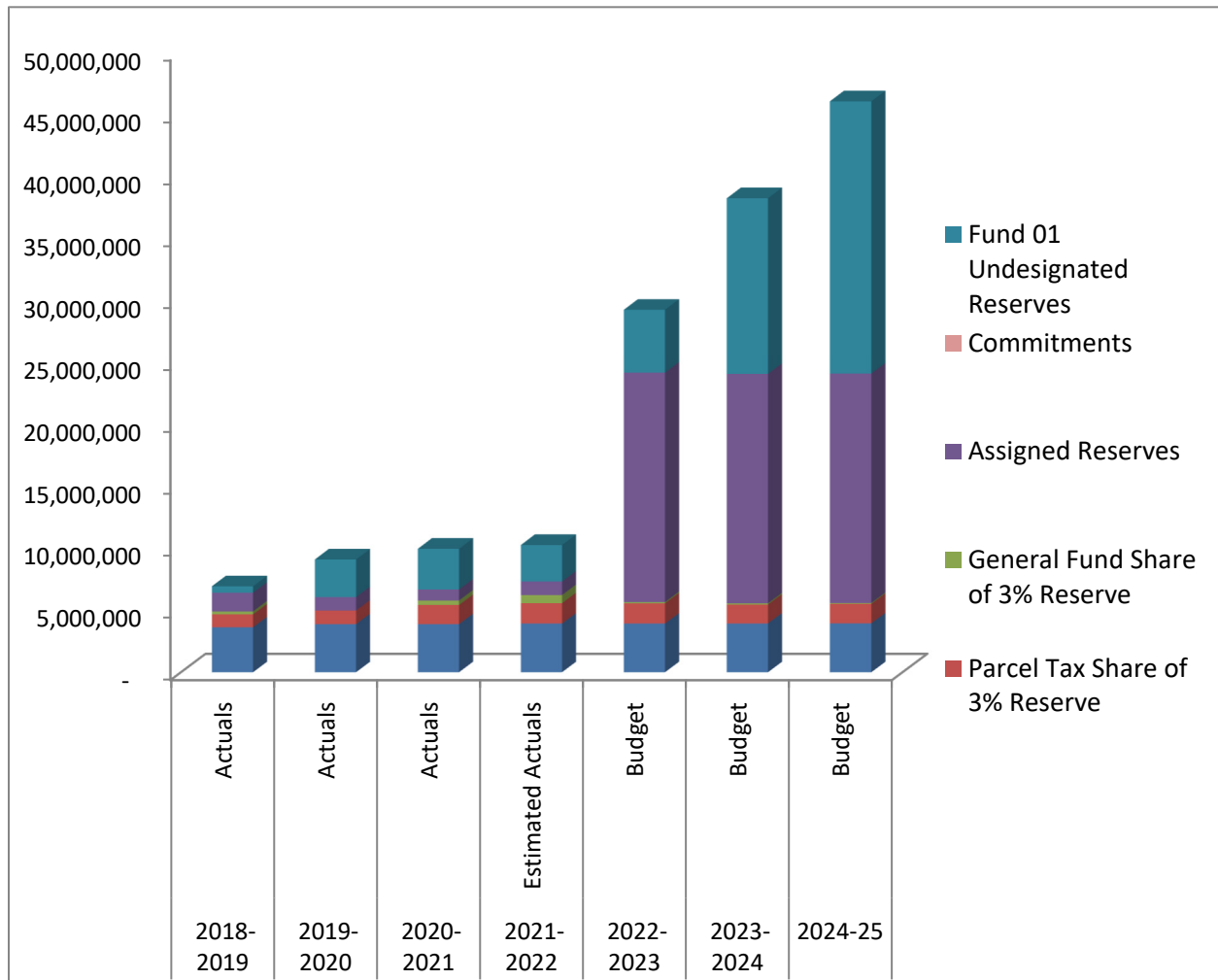
The projected ending fund balances for the current and two subsequent years are \$5.1 million \$14.2 million and \$22 million, These balances do not include projections for negotiated salary increases.

The Multi-Year projection are discussed in detail in the section of the budget book following the comparatives.

Despite the significant fund balances in the out years, fiscal prudence is warranted to ensure the District is spending within established guidelines, and reserves are set aside to weather unforeseen situations.

**COMPONENTS OF ENDING FUND BALANCE**

The following chart reflects the components of ending fund balances in the Combined Unrestricted General Fund. The fund balances in the out years do not include negotiated salary increases. The 2021-22 ending fund balance will be determined when the District closes its books in September 2022.



## **Conclusion**

Despite the significant fund balances in the out years, fiscal prudence is warranted to ensure the District is spending within established guidelines, and reserves are set aside to weather unforeseen situations and to ensure the District's fiscal health.

## **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, 2022

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$ 183,064,200
Receivables	16,592,578
Stores inventory	76,852
Prepaid expenses	98,454
Non-depreciable capital assets (Note 4)	107,231,861
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>287,079,231</u>
Total assets	<u>594,143,176</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources - pensions (Notes 7 and 8)	38,284,839
Deferred outflows of resources - OPEB (Note 9)	14,307,243
Deferred loss from refunding of debt	<u>4,142,587</u>
Total deferred outflows of resources	<u>56,734,669</u>
<b>LIABILITIES</b>	
Accounts payable	28,677,659
Unpaid claims and claim adjustment expenses (Note 10)	6,113,000
Unearned revenue	5,280,607
Long-term liabilities (Note 5):	
Due within one year	31,433,797
Due after one year	<u>456,948,069</u>
Total liabilities	<u>528,453,132</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - OPEB (Note 9)	7,392,250
Deferred inflows of resources - pensions (Notes 7 and 8)	<u>72,547,000</u>
Total deferred inflows of resources	<u>79,939,250</u>
<b>NET POSITION</b>	
Net investment in capital assets	137,308,951
Restricted:	
Legally restricted programs	11,011,145
Capital projects	5,151,790
Debt service	32,345,218
Unrestricted	<u>(143,331,641)</u>
Total net position	<u>\$ 42,485,463</u>

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2022

		Program Revenues		Net (Expense) Revenues and Change in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
Instruction	\$ 126,890,422	\$ 278,292	\$ 30,318,599	\$ (96,293,531)
Instruction-related services:				
Supervision of instruction	14,021,421	29,531	5,368,040	(8,623,850)
Instructional library, media and technology	2,497,649	167	99,827	(2,397,655)
School site administration	9,113,028	496	1,878,091	(7,234,441)
Pupil services:				
Home-to-school transportation	4,003,846	-	582	(4,003,264)
Food services	4,300,708	-	5,157,629	856,921
All other pupil services	10,470,115	1,240	1,682,099	(8,786,776)
General administration:				
Data processing	2,602,012	-	13	(2,601,999)
All other general administration	10,330,329	19,496	1,559,555	(8,751,278)
Plant services	23,567,934	6,643	643,628	(22,917,663)
Ancillary services	448,349	346	2,043	(445,960)
Community services	128,848	-	-	(128,848)
Enterprise services	279,006	-	-	(279,006)
Interest on long-term liabilities	15,271,538	-	-	(15,271,538)
Other outgo	8,558	1,582,751	6,769,766	8,343,959
Total governmental activities	<u>\$ 223,933,763</u>	<u>\$ 1,918,962</u>	<u>\$ 53,479,872</u>	<u>(168,534,929)</u>
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				56,730,006
Taxes levied for debt service				34,547,660
Taxes levied for other specific purposes				54,148,636
Federal and state aid not restricted to specific purposes				43,260,171
Interest and investment earnings				1,076,894
Miscellaneous				1,600,869
Total general revenues				<u>191,364,236</u>
Change in net position				22,829,307
Net position, July 1, 2021				<u>19,656,156</u>
Net position, June 30, 2022				<u>\$ 42,485,463</u>

See accompanying notes to financial statements.



BERKELEY UNIFIED SCHOOL DISTRICT  
BALANCE SHEET – GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2022

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments:					
Cash in County Treasury	\$ 45,434,163	\$ 89,346,533	\$ 32,225,903	\$ 8,837,080	\$ 175,843,679
Cash on hand and in banks	424,059	-	-	612,238	1,036,297
Cash in revolving fund	100,000	-	-	-	100,000
Cash with fiscal agent	135,000	-	2	-	135,002
Receivables	14,398,873	146,988	57,949	1,980,218	16,584,028
Due from other funds	644,451	-	-	26,740	671,191
Stores inventory	-	-	-	76,852	76,852
Prepaid expenditures	98,454	-	-	-	98,454
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 61,235,000</u>	<u>\$ 89,493,521</u>	<u>\$ 32,283,854</u>	<u>\$ 11,533,128</u>	<u>\$ 194,545,503</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 16,150,463	\$ 5,090,840	\$ -	\$ 1,049,068	\$ 22,290,371
Unearned revenue	4,996,142	-	-	284,465	5,280,607
Due to other funds	150,348	-	-	641,951	792,299
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>21,296,953</u>	<u>5,090,840</u>	<u>-</u>	<u>1,975,484</u>	<u>28,363,277</u>
Fund balances:					
Nonspendable	198,454	-	-	76,852	275,306
Restricted	6,666,655	84,402,681	32,283,854	9,480,792	132,833,982
Assigned	23,793,729	-	-	-	23,793,729
Unassigned	9,279,209	-	-	-	9,279,209
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>39,938,047</u>	<u>84,402,681</u>	<u>32,283,854</u>	<u>9,557,644</u>	<u>166,182,226</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 61,235,000</u>	<u>\$ 89,493,521</u>	<u>\$ 32,283,854</u>	<u>\$ 11,533,128</u>	<u>\$ 194,545,503</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, 2022

Total fund balances - Governmental Funds		\$ 166,182,226
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 \$565,525,220 and the accumulated depreciation is \$171,214,128 (Note 4).		
		394,311,092
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at June 30, 2022 consisted of (Note 6):		
General Obligation Bonds	\$ (332,355,000)	
Unamortized premiums	(13,192,409)	
Net pension liability (Notes 7 and 8)	(95,081,000)	
Total OPEB liability (Note 9)	(43,441,447)	
Compensated absences	<u>(4,312,010)</u>	(488,381,866)
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.		
		4,142,587
In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB 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 and OPEB are reported (Notes 7, 8 and 9)		
Deferred outflows of resources relating to OPEB	14,307,243	
Deferred inflows of resources relating to OPEB	(7,392,250)	
Deferred outflows of resources relating to pensions	38,284,839	
Deferred inflows of resources relating to pensions	<u>(72,547,000)</u>	(27,347,168)
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:		
		(324,840)
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>(6,096,568)</u>
Total net position - governmental activities		<u>\$ 42,485,463</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, 2022

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 41,153,196	\$ -	\$ -	\$ -	\$ 41,153,196
Local sources	56,721,791	-	-	-	56,721,791
Total LCFF	<u>97,874,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,874,987</u>
Federal sources	9,246,047	-	659,427	6,235,699	16,141,173
Other state sources	21,314,178	-	168,023	8,584,460	30,066,661
Other local sources	67,453,465	789,288	34,558,213	2,989,407	105,790,373
Total revenues	<u>195,888,677</u>	<u>789,288</u>	<u>35,385,663</u>	<u>17,809,566</u>	<u>249,873,194</u>
Expenditures:					
Current:					
Certificated salaries	78,838,391	-	-	4,165,589	83,003,980
Classified salaries	33,519,849	363,288	-	4,146,680	38,029,817
Employee benefits	42,844,558	135,741	-	3,059,367	46,039,666
Books and supplies	4,641,013	894,881	-	2,396,594	7,932,488
Contract services and operating expenditures	33,941,982	1,064,593	-	538,754	35,545,329
Other outgo	8,558	-	-	-	8,558
Capital outlay	61,207	27,689,255	-	173,955	27,924,417
Debt service:					
Principal retirement	-	-	13,610,000	-	13,610,000
Interest	-	-	11,885,508	-	11,885,508
Total expenditures	<u>193,855,558</u>	<u>30,147,758</u>	<u>25,495,508</u>	<u>14,480,939</u>	<u>263,979,763</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,033,119</u>	<u>(29,358,470)</u>	<u>9,890,155</u>	<u>3,328,627</u>	<u>(14,106,569)</u>
Other financing (uses) sources:					
Transfers in	583,069	-	-	-	583,069
Transfers out	(123,608)	-	-	(583,069)	(706,677)
Proceeds from issuance of debt	-	-	96,055,000	-	96,055,000
Deposit to refunding escrow	-	-	(95,657,010)	-	(95,657,010)
Total other financing (uses) sources	<u>459,461</u>	<u>-</u>	<u>397,990</u>	<u>(583,069)</u>	<u>274,382</u>
Net change in fund balances	2,492,580	(29,358,470)	10,288,145	2,745,558	(13,832,187)
Fund balances, July 1, 2021	<u>37,445,467</u>	<u>113,761,151</u>	<u>21,995,709</u>	<u>6,812,086</u>	<u>180,014,413</u>
Fund balances, June 30, 2022	<u>\$ 39,938,047</u>	<u>\$ 84,402,681</u>	<u>\$ 32,283,854</u>	<u>\$ 9,557,644</u>	<u>\$ 166,182,226</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, 2022

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Net change in fund balances - Total Governmental Funds	\$ (13,832,187)
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	27,752,292
Depreciation of capital assets is an expense that is not recorded in governmental funds (Note 4).	(8,875,342)
In governmental funds, proceeds from the issuance of General Obligation Bonds are recognized as revenue. In government-wide statements, debt issuance is reported as an increase to the District's long-term liabilities (Note 5).	(96,055,000)
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.	(676,012)
Payments made to a refunding escrow account which relate to refunding of long-term liabilities, are other financing uses in governmental funds. In the statement of net position, the portion of the payment which relates to principal, decreases long-term liabilities. The difference is recognized as an adjustment of interest expense over the remaining life of the refunded debt. (Note 5).	88,465,000
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).	13,610,000
In governmental funds, premiums on debt issuance is recognized as revenue. In government-wide statements, premiums as reported as adjustments to the related debt (Note 5).	2,778,043
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:	12,119,743

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(Continued)

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, 2022

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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).	\$ (6,060,827)
Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds.	(286,266)
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).	(11,375)
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.	<u>3,901,238</u>
Change in net position of governmental activities	<u>\$ 22,829,307</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, 2022

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**ASSETS**

Cash and investments:

Cash in County Treasury	\$ 5,505,347
Cash with Fiscal Agent	443,875
Receivables	8,550
Due from other funds	<u>123,608</u>
 Total current assets	 <u>6,081,380</u>

**LIABILITIES**

Current liabilities:

Self-insurance claims liabilities - current portion	1,725,000
Accounts payable	290,720
Due to other funds	<u>2,500</u>
 Total current liabilities	 2,018,220

Self-insurance claims liabilities - less current portion	<u>4,388,000</u>
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Total liabilities	<u>6,406,220</u>
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**NET POSITION**

Unrestricted	<u>\$ (324,840)</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, 2022

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<b>Operating revenues:</b>	
In-district contributions	\$ <u>2,503,586</u>
<b>Operating expenses:</b>	
Classified salaries	222,496
Employee benefits	89,013
Claims and claims adjustment expense	<u>(1,549,740)</u>
Total operating expense	<u>(1,238,231)</u>
Operating income	3,741,817
<b>Non-operating revenues:</b>	
Interest income	<u>35,813</u>
Income before transfers	3,777,630
Transfers from other funds	<u>123,608</u>
Change in net position	3,901,238
Net position, July 1, 2021	<u>(4,226,078)</u>
Net position, June 30, 2022	<u>\$ (324,840)</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, 2022

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Cash flows from operating activities:	
Cash received from in-district contributions	\$ 3,015,750
Cash paid to employee for services	(311,509)
Cash paid for insurance claims	<u>(1,885,260)</u>
Net cash provided by operating activities	818,981
Cash flows from non-capital financing activities:	
Transfer from other funds	<u>123,608</u>
Cash flows from investing activities:	
Interest income	<u>35,813</u>
Change in cash and investments	978,402
Cash and investments, July 1, 2021	<u>4,970,820</u>
Cash and investments, June 30, 2022	<u><u>\$ 5,949,222</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 3,741,817
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in receivables	335
Increase in accounts payable	180,536
Decrease in self-insurance claims liabilities	(3,435,000)
Increase in due to other funds	2,500
Decrease in due from other funds	<u>328,793</u>
Total adjustments	<u>(2,922,836)</u>
Net cash provided by operating activities	<u><u>\$ 818,981</u></u>

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See accompanying notes to financial statements.



BERKELEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

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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 display information about the reporting government as a whole.

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, 2022

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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 Student Activity, 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 activities of the District's workers compensation and property and liability programs.

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 proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

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.

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(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

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

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 and categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2022.

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.

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 future periods, 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 of its long-term liabilities, 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 deferred outflows of resources related to the recognition of its net pension liability and total OPEB liability.

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 future periods 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 and total OPEB liability.

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.

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(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

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

The following is a summary of pension amounts in aggregate:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 25,303,898	\$ 12,980,941	\$ 38,284,839
Deferred inflows of resources	\$ 54,907,000	\$ 17,640,000	\$ 72,547,000
Net pension liability	\$ 50,148,000	\$ 44,933,000	\$ 95,081,000
Pension expense	\$ 6,609,882	\$ 6,070,414	\$ 12,680,296

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 \$4,312,010 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.
- 2 - Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriable 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.

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(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

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

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, prepaid expenditures 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 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, 2022, 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, 2022 no formal designation of assignment authority has occurred and the Board of Trustees retains ultimate authority for assigning fund balance.

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.

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(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

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

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

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Trustees. At June 30, 2022, 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 2017, the GASB issued GASB Statement No. 87, Leases. GASB Statement No. 87 requires the recognition of certain assets and liabilities for leases which previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement a lease is required to be recognized as a lease liability with a corresponding intangible right-to-use lease asset. Additionally, the lessor is required to recognize a lease receivable and corresponding deferred inflow of resources. This statement was originally effective for fiscal years beginning after December 15, 2019, but due to the adoption of GASB Statement No. 95, the implementation date was extended to reporting periods beginning after June 15, 2021. The District has determined the implementation of this Statement was not material to the District's financial position.

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(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments at June 30, 2022, consisted of the following:

	Governmental Activities		
	Governmental Funds	Proprietary Funds	Total
Pooled funds:			
Cash in County Treasury	\$ 175,843,679	\$ 5,505,347	\$ 181,349,026
Deposits:			
Cash in revolving fund	100,000	-	100,000
Cash on hand and in banks	1,036,297	-	1,036,297
Cash with fiscal agent	135,002	443,875	578,877
Total cash and investments	\$ 177,114,978	\$ 5,949,222	\$ 183,064,200

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, 2022, the carrying amount of the District's accounts was \$1,136,297 and the bank balance was \$998,368. Of the bank balances, \$715,399 was FDIC insured and \$282,969 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.

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, 2022, 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, 2022, the District had no concentration of credit risk.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2022

**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, 2022 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	\$ 644,451	\$ 150,348
Non-Major Funds:		
Adult Education	6,177	173,053
Child Development	14,676	300,127
Cafeteria	5,887	168,771
Proprietary Fund:		
Self-Insurance	<u>123,608</u>	<u>2,500</u>
Totals	<u>\$ 794,799</u>	<u>\$ 794,799</u>

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

Transfers for the 2021-2022 fiscal year were as follows:

Transfer from the General Fund to the Self-Insurance Fund to provide required reserves for property and liability insurance.	\$ 123,608
Transfer from the Adult Education Fund to the General Fund for indirect costs support.	167,053
Transfer from the Child Development Fund to the General Fund for indirect costs support.	299,127
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	<u>116,889</u>
	<u>\$ 706,677</u>

(Continued)



BERKELEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

**NOTE 4 - CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2022, is shown below:

	Balance July 1, <u>2021</u>	<u>Additions</u>	Transfers and <u>Deletions</u>	Balance June 30, <u>2022</u>
Non-depreciable:				
Land	\$ 6,908,949	\$ -	\$ -	\$ 6,908,949
Work-in-process	83,038,035	27,624,705	(10,339,828)	100,322,912
Depreciable:				
Improvement of sites	21,266,962	-	-	21,266,962
Buildings	412,996,208	-	10,339,828	423,336,036
Equipment	<u>13,562,774</u>	<u>127,587</u>	<u>-</u>	<u>13,690,361</u>
Totals, at cost	<u>537,772,928</u>	<u>27,752,292</u>	<u>-</u>	<u>565,525,220</u>
Less accumulated depreciation:				
Improvement of sites	(11,262,140)	(719,361)	-	(11,981,501)
Buildings	(139,456,095)	(7,757,638)	-	(147,213,733)
Equipment	<u>(11,620,551)</u>	<u>(398,343)</u>	<u>-</u>	<u>(12,018,894)</u>
Total accumulated depreciation	<u>(162,338,786)</u>	<u>(8,875,342)</u>	<u>-</u>	<u>(171,214,128)</u>
Capital assets, net	<u>\$ 375,434,142</u>	<u>\$ 18,876,950</u>	<u>\$ -</u>	<u>\$ 394,311,092</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 5,267,224
Supervision of instruction	426,001
Instructional library, media and technology	125,853
School site administration	503,290
Home-to-school transportation	254,796
Food services	227,638
All other pupil services	320,552
Ancillary services	16,129
Community services	13,918
Enterprise activities	173,598
All other general administration	520,523
Centralized data processing	84,407
Plant services	<u>941,413</u>
Total depreciation expense	<u>\$ 8,875,342</u>

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

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**NOTE 5 - LONG-TERM LIABILITIES**

**General Obligation Bonds:** On May 10, 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 3.50% to 5.50% 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.

On May 13, 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 4.12% and are scheduled to mature through August 1, 2052.

On June 11, 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.

On July 9, 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.

On May 19, 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.

On April 25, 2017, the District issued 2017 General Obligation Refunding Bonds (2017 Refunding) totaling \$23,965,000. The proceeds refunded the outstanding balance, on an advanced crossover basis, 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 Refunding until the crossover dates. The 2017 Refunding bears interest at rates ranging from 3.375% to 5.0% and mature through August 1, 2035. The 2009 GO Bonds reached the crossover date on August 1, 2019, and the 2011 GO Bonds reached the crossover date on August 1, 2021. As such both the 2009 and 2011 GO Bonds are considered defeased and no longer reported as a liability of the District.

On August 23, 2018 the District issued General Obligation Bonds, Election of 2010, Series E totaling \$85,000,000, for the purpose of financing the acquisition and construction of educational facilities. The Series E General Obligation Bonds bear interest at rates ranging from 3.125% to 5.0% and are scheduled to mature through August 1, 2048.

On July 8, 2019, the District issued 2019 General Obligation Refunding Bonds totaling \$29,465,000. The proceeds were used to refund, on a current basis, all remaining maturities of the 2011 General Obligation Refunding Bonds and 2013 General Obligation Refunding Bonds. The 2019 General Obligation Refunding Bonds bear interest at 5.0% and are scheduled to mature through August 1, 2027.

On November 5, 2020, the District issued General Obligation Bonds, Election of 2020, Series A totaling \$2,200,000 to improve school facilities, construct/ modernize classrooms and campuses, complete seismic upgrades, construct science labs/career technical education facilities, upgrade furnishings, equipment, technology, renovate playgrounds, and improve energy efficiency. The 2020 Series A General Obligation Bonds bear interest at 0.35% mature on August 1, 2022.

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(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

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

Also on November 5, 2020, the District issued General Obligation Bonds, Election of 2020, Series B totaling \$67,800,000 to improve school facilities, construct/ modernize classrooms and campuses, complete seismic upgrades, construct science labs/career technical education facilities, upgrade furnishings, equipment, technology, renovate playgrounds, and improve energy efficiency. The 2020 Series B General Obligation Bonds bear interest at rates ranging from 2.0 - 5.0% and are scheduled mature through August 1, 2050.

Also on November 5, 2020, the District issued 2020 General Obligation Refunding Bonds totaling \$10,275,000. The proceeds were used to refund, on a current basis, all of the outstanding maturities of the 2013 General Obligation Refunding Bonds, Series A. The 2020 General Obligation Refunding Bonds bear interest at 5.0% and are scheduled to mature through August 1, 2029.

On September 21, 2021, the District issued 2021 General Obligation Refunding Bonds totaling \$96,055,000. The proceeds were used to refund, on a current basis, all of the outstanding maturities of the Election of 2010, Series C and Series D general obligation bonds. The 2021 General Obligation Refunding Bonds bear interest at rates ranging from 0.196 – 2.798% and are scheduled to mature through August 1, 2045.

The District in effect reduced its aggregate debt service payments by \$1,211,446 over the next 8 years and obtained an economic gain of \$1,097,457.

A summary of General Obligation Bonds payable as follows:

<u>Issue Date</u>	<u>Original Maturity Date</u>	<u>Interest Rate %</u>	<u>Original Issue</u>	<u>Outstanding July 1, 2021</u>	<u>Issued</u>	<u>Refunded and Redeemed</u>	<u>Outstanding June 30, 2022</u>
05/10/11	05/01/26	3.50% - 5.50%	\$ 25,000,000	\$ 15,185,000	\$ -	\$ 2,510,000	\$ 12,675,000
05/13/13	08/01/52	3.00% - 4.12%	40,000,000	40,000,000	-	40,000,000	-
06/11/15	08/01/45	3.375% - 5.00%	50,000,000	50,000,000	-	48,465,000	1,535,000
07/09/15	08/01/24	2.00% - 5.00%	23,665,000	9,700,000	-	3,245,000	6,455,000
05/19/16	08/01/31	2.00% - 5.00%	17,905,000	13,910,000	-	1,065,000	12,845,000
04/25/17	08/01/35	3.375% - 5.00%	23,965,000	23,245,000	-	790,000	22,455,000
08/23/18	08/01/48	3.125% - 5.00%	85,000,000	81,500,000	-	-	81,500,000
07/08/19	08/01/27	5.00%	29,465,000	24,560,000	-	4,955,000	19,605,000
11/05/20	08/01/22	0.35%	2,200,000	2,200,000	-	-	2,200,000
11/05/20	08/01/50	2.00% - 5.00%	67,800,000	67,800,000	-	-	67,800,000
11/05/20	08/01/29	5.00%	10,275,000	10,275,000	-	1,045,000	9,230,000
09/21/21	08/01/45	0.196% - 2.798%	96,055,000	-	96,055,000	-	96,055,000
				<u>\$ 338,375,000</u>	<u>\$ 96,055,000</u>	<u>\$ 102,075,000</u>	<u>\$ 332,355,000</u>

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

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

The annual requirements to amortize the General Obligation Bonds payable and outstanding follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 25,510,000	\$ 12,254,122	\$ 37,764,122
2024	14,845,000	11,366,174	26,211,174
2025	13,830,000	8,890,181	22,720,181
2026	14,120,000	8,431,495	22,551,495
2027	9,365,000	7,871,052	17,236,052
2028-2032	61,120,000	32,975,576	94,095,576
2033-2037	52,045,000	26,644,221	78,689,221
2038-2042	54,105,000	16,507,974	70,612,974
2043-2047	59,810,000	8,082,971	67,892,971
2048-2051	<u>27,605,000</u>	<u>1,373,362</u>	<u>28,978,362</u>
	<u>\$ 332,355,000</u>	<u>\$ 134,397,128</u>	<u>\$ 466,752,128</u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2022, is shown below:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Amounts Due Within One Year
<u>Debt:</u>					
General Obligation Bonds	\$ 338,375,000	\$ 96,055,000	\$ 102,075,000	\$ 332,355,000	\$ 25,510,000
Unamortized premiums	15,970,452	-	2,778,043	13,192,409	1,611,787
<u>Other Long-Term Liabilities:</u>					
Net pension liability (Notes 7 and 8)	169,286,000	-	74,205,000	95,081,000	-
Total OPEB liability (Note 9)	45,897,198	-	2,455,751	43,441,447	-
Compensated absences	<u>4,300,635</u>	<u>11,375</u>	<u>-</u>	<u>4,312,010</u>	<u>4,312,010</u>
	<u>\$ 573,829,285</u>	<u>\$ 96,066,375</u>	<u>\$ 181,513,794</u>	<u>\$ 488,381,866</u>	<u>\$ 31,433,797</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, 2022

**NOTE 6 - FUND BALANCES**

Fund balances, by category, at June 30, 2022 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
Stores inventory	-	-	-	76,852	76,852
Prepaid expenditures	<u>98,454</u>	-	-	-	<u>98,454</u>
Subtotal					
nonspendable	<u>198,454</u>	-	-	<u>76,852</u>	<u>275,306</u>
Restricted:					
Legally restricted:					
Grants	6,666,655	-	-	-	6,666,655
Student activities	-	-	-	465,339	465,339
Adult ed programs	-	-	-	1,689,398	1,689,398
Child development	-	-	-	613,018	613,018
Other programs	-	-	-	1,499,883	1,499,883
Capital projects	-	84,402,681	-	5,151,790	89,554,471
Debt service	-	-	<u>32,283,854</u>	<u>61,364</u>	<u>32,345,218</u>
Subtotal					
restricted	<u>6,666,655</u>	<u>84,402,681</u>	<u>32,283,854</u>	<u>9,480,792</u>	<u>132,833,982</u>
Assigned:					
Supplemental LCAP	1,000,000	-	-	-	1,000,000
Parcel Taxes	15,791,332	-	-	-	15,791,332
OPEB	<u>7,002,397</u>	-	-	-	<u>7,002,397</u>
Subtotal					
assigned	<u>23,793,729</u>	-	-	-	<u>23,793,729</u>
Unassigned:					
Designated for economic uncertainty	<u>9,279,209</u>	-	-	-	<u>9,279,209</u>
Total Fund balances	<u>\$ 39,938,047</u>	<u>\$ 84,402,681</u>	<u>\$ 32,283,854</u>	<u>\$ 9,557,644</u>	<u>\$ 166,182,226</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 up to the 2.4 percent maximum.

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 36 consecutive months 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 36 consecutive months of credited service.

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(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

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**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. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation.

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers, and the State of California to bring CalSTRS toward full funding by fiscal year 2046. California Senate Bill 90 and California Assembly Bill 84 (collectively the "Special Legislation") were signed into law in June 2019 and June 2020, respectively, and provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2021–22.

A summary of statutory contribution rates and other sources of contributions to the DB Program pursuant to the CalSTRS Funding Plan and the Special Legislation, are as follows:

*Members* - Under CalSTRS 2% at 60, the member contribution rate was 10.250 percent of applicable member earnings for fiscal year 2021-22. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2021-22.

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, 2020 valuation adopted by the board in June 2021, the increase in normal cost was less than 1 percent. Therefore, the contribution rate for CalSTRS 2% at 62 members did not change effective July 1, 2021.

*Employers* – 16.920 percent of applicable member earnings. This rate reflects the original employer contribution rate of 19.10 percent resulting from the CalSTRS Funding Plan, and subsequently reduced for the 2.18 percent, to be paid on behalf of employers pursuant to the Special Legislation.

Beginning in fiscal year 2021–22, the CalSTRS Funding Plan authorizes the board to adjust the employer supplemental contribution rate up or down by a maximum of 1% for a total rate of no higher than 20.25% and no lower than 8.25%. In June 2021, the CalSTRS board voted to keep the employer supplemental contribution rate the same for fiscal year 2021–22; it remained at 10.85% effective July 1, 2021.

Through the Special Legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately \$2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021–22. Specifically, employers will remit 1.03%, 2.95% and 2.18% less than is required by the CalSTRS Funding Plan for fiscal years 2019–20, 2020–21 and 2021–22, respectively.

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(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2022

**NOTE 7 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)**

The CalSTRS employer contribution rates effective for fiscal year 2021-22 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>Rate Adjustment per Special Legislation</u>	<u>Total</u>
July 1, 2021	8.250%	10.850%	(2.180%)	16.920%
July 1, 2022 to June 30, 2046	8.250%	(1)	N/A	(1)
July 1, 2046	8.250%	Increase from AB 1469 rate ends in 2046-47		

(1) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down by up to 1% each year, but no higher than 20.25% total and no lower than 8.25%.

The District contributed \$12,425,898 to the plan for the fiscal year ended June 30, 2022.

*State* – 10.828 percent of the members' calculated based on creditable compensation from two fiscal years prior.

The state is required to contribute a base contribution rate set in statute at 2.017%. Pursuant to the CalSTRS Funding Plan, the state also has a supplemental contribution rate, which the board can increase by up to 0.5% each fiscal year to help eliminate the state's share of the CalSTRS unfunded actuarial obligation by 2046. In June 2021, the board approved an increase of 0.5% for fiscal year 2021–22, which will increase the state supplemental contribution rate to 6.311% effective July 1, 2021.

Special legislation appropriated supplemental state contributions to reduce the state's portion of the unfunded actuarial obligation of the DB Program in fiscal years 2019-20 through 2022-23. These contributions are funded from future excess General Fund revenues, pursuant to the requirements of California Proposition 2, Rainy-Day Budget Stabilization Fund Act, which passed in 2014. Accordingly, the contribution amounts are subject to change each year based on the availability of funding. For fiscal year 2020–21, CalSTRS received \$297.0 million in supplemental state contributions from Proposition 2 funds. Of this total, approximately \$170.0 million is designated to cover forgone contributions due to the suspension of the 0.5% increase to the state supplemental contribution rate in fiscal year 2020–21. The remaining \$127.0 million is designated to reduce the state's share of CalSTRS' unfunded actuarial obligation.

(Continued)



BERKELEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

**NOTE 7 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)**

The CalSTRS state contribution rates effective for fiscal year 2021-22 and beyond are summarized in the table below.

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>SBMA Funding<sup>(1)</sup></u>	<u>Total</u>
July 01, 2021	2.017%	6.311%	2.50%	10.828%
July 01, 2022 to June 30, 2046	2.017%	(2)	2.50%	(2)
July 01, 2046	2.017%	(3)	2.50%	(3)

- (1) The SBMA contribution rate excludes the \$72 million that is reduced from the required contribution in accordance with Education Code section 22954.
- (2) The board has limited authority to adjust the state contribution rate annually through June 2046 in order to eliminate the remaining unfunded actuarial obligation. The board cannot increase the rate by more than 0.50% 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 zero percent.
- (3) 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, 2022, 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	\$ 50,148,000
State's proportionate share of the net pension liability associated with the District	<u>29,837,000</u>
Total	<u>\$ 79,985,000</u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. 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, 2021, the District's proportion was 0.110 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2020.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

**NOTE 7 - NET PENSION LIABILITY - STATE TEACHERS' RETIREMENT PLAN (Continued)**

For the year ended June 30, 2022, the District recognized pension expense of \$6,609,882 and revenue of \$8,365,200 for support provided by the State. At June 30, 2022, 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	\$ 126,000	\$ 5,337,000
Changes of assumptions	7,105,000	-
Net differences between projected and actual earnings on investments	-	39,668,000
Changes in proportion and differences between District contributions and proportionate share of contributions	5,647,000	9,902,000
Contributions made subsequent to measurement date	<u>12,425,898</u>	<u>-</u>
Total	<u>\$ 25,303,898</u>	<u>\$ 54,907,000</u>

\$12,425,898 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2023	\$ (10,633,633)
2024	\$ (6,897,633)
2025	\$ (9,606,133)
2026	\$ (12,970,467)
2027	\$ (1,343,967)
2028	\$ (577,167)

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, 2021 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, 2022

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**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, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Experience Study	July 1, 2015 through June 30, 2018
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, maintain 85% purchasing power level for DB, not applicable for DBS/CBB

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent, which was unchanged from the prior fiscal year. 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.

Mortality: 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-2019) table, issued by the Society of Actuaries.

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 investment staff and investment consultants as inputs to the process.

The actuarial investment rate of return assumption was adopted by the CalSTRS board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions.

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(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2022

**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>
Public Equity	42%	4.8%
Real Estate Assets	15	3.6
Private Equity	13	6.3
Fixed Income	12	1.3
Risk Mitigating Strategies	10	1.8
Inflation Sensitive	6	3.3
Cash / Liquidity	2	(0.4)

\* 20-year geometric average

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:

	<u>Decrease (6.10%)</u>	<u>Discount Rate (7.10%)</u>	<u>Increase (8.10%)</u>
District's proportionate share of the net pension liability	<u>\$ 102,083,000</u>	<u>\$ 50,148,000</u>	<u>\$ 7,043,000</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/acfr-2021.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, 2022 were as follows:

*Members* - The member contribution rate was 7.0 percent of applicable member earnings for fiscal year 2021-22.

*Employers* - The employer contribution rate was 22.91 percent of applicable member earnings.

The District contributed \$6,934,941 to the plan for the fiscal year ended June 30, 2022.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions* - At June 30, 2022, the District reported a liability of \$44,933,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. 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, 2021, the District's proportion was 0.221 percent, which was an increase of 0.018 percent from its proportion measured as of June 30, 2020.

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(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2022

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**NOTE 8 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B** (Continued)

For the year ended June 30, 2022 the District recognizes pension expense of \$6,070,414. At June 30, 2022, 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	\$ 1,341,000	\$ 106,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	17,244,000
Changes in proportion and differences between District contributions and proportionate share of contributions	4,705,000	290,000
Contributions made subsequent to measurement date	<u>6,934,941</u>	<u>-</u>
Total	<u>\$ 12,980,941</u>	<u>\$ 17,640,000</u>

\$6,934,941 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2023	\$ (1,870,333)
2024	\$ (2,057,333)
2025	\$ (2,870,334)
2026	\$ (4,796,000)

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, 2021 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.

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(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2022

**NOTE 8 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B** (Continued)

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, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
Experience Study	June 30, 1997 through June 30, 2015
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	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 15 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, 2020 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

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	50%	4.80%	5.98%
Fixed Income	28	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8	6.30	7.23
Real Estate Assets	13	3.75	4.93
Liquidity	1	0.00	(0.92)

\* 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 7.15 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.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2022

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**NOTE 8 - NET PENSION LIABILITY - PUBLIC EMPLOYER'S RETIREMENT FUND B** (Continued)

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.

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>\$ 75,764,000</u>	<u>\$ 44,933,000</u>	<u>\$ 19,337,000</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, 2022, 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.

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(Continued)



BERKELEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

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

*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.

Employees Covered by Benefit Terms: The following is a table of plan participants in the June 30, 2020 actuarial valuation:

	<u>Number of Participants</u>
Inactive plan members, covered spouses, or beneficiaries currently receiving benefits	214
Active employees	<u>1,014</u>
Total	<u><u>1,228</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 \$1,087,315 for the year ended June 30, 2022. 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, 2021, determined on an actuarial valuation as of June 30, 2020.

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, 2020
<u>Measurement Date</u>	June 30, 2021
<u>Actuarial Method</u>	Entry Age actuarial cost method.
<u>Discount Rate</u>	2.16%, per the Bond Buyer 20 Bond Index.

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(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

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

<u>Health Care Increases</u>	4.00% per annum.
<u>Mortality Rates</u>	2014 CalPERS OPEB Assumptions Model (for classified and other non-certificated members) and from the 2009 CalSTRS Mortality (for certificated members).
<u>Retirement Rates</u>	2017 CalPERS Retirement Rates for classified and other non-certificated members. 2020 CalSTRS Retirement Rates were used for certificated employees.
<u>Turnover Rates</u>	2017 CalPERS Termination Rates for School Employees (for classified and other non-certificated members) and from the 2020 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, 2021. 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. Female spouses are assumed to be 3 years younger than male spouses.
<u>Inflation Rate</u>	2.50% per year
<u>Salary Increases</u>	2.75% per year

*Changes in Total OPEB Liability*

	Total OPEB <u>Liability</u>
Balance at July 1, 2021	\$ 45,897,198
Changes for the year:	
Service cost	5,208,263
Interest	1,053,959
Changes in assumptions	(1,852,759)
Differences in experience	(5,863,152)
Benefit payments	<u>(1,002,062)</u>
Net change	<u>(2,455,751)</u>
Balance at June 30, 2022	<u>\$ 43,441,447</u>

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(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

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

The changes in assumptions primarily comprised of a change in the discount rate from 2.20% in the prior valuation, to 2.16% in the current valuation. In addition, the retirement, mortality and turnover rate assumptions were updated to the 2020 CalPERS and 2017 CalSTRS experience studies, as applicable for each plan participant sub-group. There were no changes between the measurement date and the year ended June 30, 2022 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 (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	\$ 49,632,882	\$ 43,441,447	\$ 38,295,974

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	\$ 36,508,488	\$ 43,441,447	\$ 52,232,610

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$7,148,142. At June 30, 2022, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 7,192,090	\$ 5,264,871
Differences in experience	6,027,838	2,127,379
Contributions subsequent to measurement date	<u>1,087,315</u>	<u>-</u>
Totals	<u>\$ 14,307,243</u>	<u>\$ 7,392,250</u>

\$1,087,315 reported as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during the year ended June 30, 2023.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2022

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended <u>June 30,</u>		
2023	\$	885,920
2024	\$	885,920
2025	\$	885,920
2026	\$	885,920
2027	\$	885,920
Thereafter	\$	1,398,078

Deferred outflows related to differences in experience and changes of assumptions are netted and amortized over a closed 10-year period

**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 its 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 Alliance of Schools for Cooperative Insurance Program (ACSIP)	General Liability	\$25,000
Schools Excess Liability Fund (SELF)	Excess Property and Liability	\$250,000
	Excess Property and Liability	Limits depend on type of loss

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(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

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**NOTE 10 - RISK MANAGEMENT (Continued)**

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

Unpaid Claims Liabilities: The 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 on January 1, 2004. The following represents the changes in approximate aggregate liabilities for the District from July 1, 2020 to June 30, 2022:

Self-Insurance Programs

Liability balance, July 1, 2020	\$ 8,600,000
Claims and changes in estimates	2,371,747
Claims payments	<u>(1,423,747)</u>
Liability balance, June 30, 2021	9,548,000
Claims and changes in estimates	(2,427,979)
Claims payments	<u>(1,007,021)</u>
Liability balance, June 30, 2022	<u>\$ 6,113,000</u>

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(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

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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.

Condensed audited financial information for SELF and ASCIP for the year ended June 30, 2021 (the most recent information available):

	<u>SELF</u>	<u>ASCIP</u>
Total assets	\$ 193,642,022	\$ 529,148,018
Deferred outflows of resources	241,554	1,367,076
Total liabilities	153,709,630	303,776,536
Deferred inflows of resources	<u>5,124</u>	<u>18,113</u>
 Total net position	 <u>\$ 40,168,822</u>	 <u>\$ 226,720,445</u>
 Total revenues	 \$ 44,573,829	 \$ 278,849,860
Total expenditures	<u>38,080,919</u>	<u>276,495,128</u>
 Change in net position	 <u>\$ 6,492,910</u>	 <u>\$ 2,354,732</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, 2022, the District has approximately \$16.5 million in outstanding commitments on construction contracts.

**REQUIRED SUPPLEMENTARY INFORMATION**

BERKELEY UNIFIED SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2022

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 44,846,618	\$ 45,117,346	\$ 41,153,196	\$ (3,964,150)
Local sources	<u>52,799,177</u>	<u>52,806,154</u>	<u>56,721,791</u>	<u>3,915,637</u>
Total LCFF	<u>97,645,795</u>	<u>97,923,500</u>	<u>97,874,987</u>	<u>(48,513)</u>
Federal sources	10,402,330	14,041,930	9,246,047	(4,795,883)
Other state sources	16,163,011	23,553,408	21,314,178	(2,239,230)
Other local sources	<u>62,309,506</u>	<u>64,559,979</u>	<u>67,453,465</u>	<u>2,893,486</u>
Total revenues	<u>186,520,642</u>	<u>200,078,817</u>	<u>195,888,677</u>	<u>(4,190,140)</u>
Expenditures:				
Current:				
Certificated salaries	76,621,743	78,468,049	78,838,391	(370,342)
Classified salaries	34,461,535	34,726,930	33,519,849	1,207,081
Employee benefits	45,682,820	43,290,944	42,844,558	446,386
Books and supplies	6,171,720	13,809,012	4,641,013	9,167,999
Contract services and operating expenditures	27,284,574	40,727,022	33,941,982	6,785,040
Other outgo	352,714	1,832,953	8,558	1,824,395
Capital outlay	<u>153,450</u>	<u>52,450</u>	<u>61,207</u>	<u>(8,757)</u>
Total expenditures	<u>190,728,556</u>	<u>212,907,360</u>	<u>193,855,558</u>	<u>19,051,802</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(4,207,914)</u>	<u>(12,828,543)</u>	<u>2,033,119</u>	<u>14,861,662</u>
Other financing sources (uses):				
Transfers in	-	2,308,000	583,069	(1,724,931)
Transfers out	<u>-</u>	<u>-</u>	<u>(123,608)</u>	<u>(123,608)</u>
Total other financing sources (uses)	<u>-</u>	<u>2,308,000</u>	<u>459,461</u>	<u>(1,848,539)</u>
Net change in fund balance	(4,207,914)	(10,520,543)	2,492,580	13,013,123
Fund balance, July 1, 2021	<u>37,445,467</u>	<u>37,445,467</u>	<u>37,445,467</u>	<u>-</u>
Fund balance, June 30, 2022	<u>\$ 33,237,553</u>	<u>\$ 26,924,924</u>	<u>\$ 39,938,047</u>	<u>\$ 13,013,123</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, 2022

	Last 10 Fiscal Years				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total OPEB liability					
Service cost	\$ 2,029,967	\$ 2,085,791	\$ 2,044,795	\$ 4,021,382	\$ 5,208,263
Interest	712,604	853,424	911,528	1,283,919	1,053,959
Changes of assumptions	-	(649,150)	1,092,771	6,519,222	(1,852,759)
Differences in experience	-	-	9,752,587	347,551	(5,863,152)
Benefit payments	<u>(686,277)</u>	<u>(713,728)</u>	<u>(1,877,785)</u>	<u>(1,547,599)</u>	<u>(1,002,062)</u>
Net change in total OPEB liability	2,056,294	1,576,337	11,923,896	10,624,475	(2,455,751)
Total OPEB liability, beginning of year	<u>19,716,196</u>	<u>21,772,490</u>	<u>23,348,827</u>	<u>35,272,723</u>	<u>45,897,198</u>
Total OPEB liability, end of year	<u>\$ 21,772,490</u>	<u>\$ 23,348,827</u>	<u>\$ 35,272,723</u>	<u>\$ 45,897,198</u>	<u>\$ 43,441,447</u>
Covered employee payroll	\$ 80,292,099	\$ 82,700,862	\$ 83,693,272	\$ 84,697,592	\$ 85,713,963
Total OPEB liability as a percentage of covered-employee payroll	27.12%	28.23%	42.15%	54.19%	50.68%

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

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, 2022

	State Teachers' Retirement Plan Last 10 Fiscal Years							
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of the net pension liability	0.123%	0.123%	0.118%	0.104%	0.120%	0.117%	0.111%	0.110%
District's proportionate share of the net pension liability	\$ 71,617,000	\$ 82,985,000	\$ 95,395,000	\$ 95,921,000	\$ 110,639,000	\$ 105,667,000	\$ 107,152,000	\$ 50,148,000
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>	<u>63,346,000</u>	<u>57,649,000</u>	<u>58,558,000</u>	<u>29,837,000</u>
Total net pension liability	<u>\$ 114,863,000</u>	<u>\$ 126,875,000</u>	<u>\$ 149,707,000</u>	<u>\$ 152,668,000</u>	<u>\$ 173,985,000</u>	<u>\$ 163,316,000</u>	<u>\$ 165,710,000</u>	<u>\$ 79,985,000</u>
District's covered payroll	\$ 54,586,000	\$ 57,212,000	\$ 58,780,000	\$ 54,972,000	\$ 64,081,000	\$ 63,956,000	\$ 62,266,000	\$ 60,323,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	174.49%	172.65%	165.22%	172.09%	83.13%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%	87.21%

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.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2022

	Public Employer's Retirement Fund B Last 10 Fiscal Years							
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of the net pension liability	0.215%	0.216%	0.209%	0.203%	0.202%	0.197%	0.203%	0.221%
District's proportionate share of the net pension liability	\$ 24,434,000	\$ 31,837,000	\$ 41,254,000	\$ 48,528,000	\$ 53,820,000	\$ 57,286,000	\$ 62,134,000	\$ 44,933,000
District's covered payroll	\$ 22,594,000	\$ 23,912,000	\$ 25,060,000	\$ 25,918,000	\$ 26,624,000	\$ 27,951,000	\$ 29,595,000	\$ 31,727,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.14%	133.14%	164.62%	187.24%	202.15%	204.95%	209.95%	141.62%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%	70.05%	70.00%	80.97%

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.

See note to required supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
 For the Year Ended June 30, 2022

State Teachers' Retirement Plan  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contribution	\$ 5,080,410	\$ 6,307,138	\$ 6,915,419	\$ 9,246,888	\$ 10,412,096	\$ 11,288,785	\$ 11,521,682	\$ 12,425,898
Contributions in relation to the contractually required contribution	<u>(5,080,410)</u>	<u>(6,307,138)</u>	<u>(6,915,419)</u>	<u>(9,246,888)</u>	<u>(10,412,096)</u>	<u>(11,288,785)</u>	<u>(11,521,682)</u>	<u>(12,425,898)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 57,212,000	\$ 58,780,000	\$ 54,972,000	\$ 64,081,000	\$ 63,956,000	\$ 62,266,000	\$ 60,323,000	\$ 65,057,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10% *	16.15**	16.92%***

All years prior to 2015 are not available.

\* This rate reflects the original employer contribution rate of 18.13 percent under AB 1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB90.

\*\* This rate reflects the original employer contribution rate of 19.10 percent under AB 1469, reduced for the 2.95 percentage points to be paid on behalf of employers pursuant to SB90.

\*\*\* This rate reflects the original employer contribution rate of 19.10 percent under AB 1469, reduced for the 2.18 percentage points to be paid on behalf of employers pursuant to SB90.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
 For the Year Ended June 30, 2022

Public Employer's Retirement Fund B  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contribution	\$ 2,814,653	\$ 2,968,813	\$ 3,600,061	\$ 4,134,707	\$ 5,048,515	\$ 5,836,134	\$ 6,567,414	\$ 6,934,941
Contributions in relation to the contractually required contribution	<u>(2,814,653)</u>	<u>(2,968,813)</u>	<u>(3,600,061)</u>	<u>(4,134,707)</u>	<u>(5,048,515)</u>	<u>(5,836,134)</u>	<u>(6,567,414)</u>	<u>(6,934,941)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 23,912,000	\$ 25,060,000	\$ 25,918,000	\$ 26,624,000	\$ 27,951,000	\$ 29,595,000	\$ 31,727,000	\$ 30,270,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%	22.91%

All years prior to 2015 are not available.

See note to required supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2022

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**NOTE 1 - PURPOSE OF SCHEDULES**

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.

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. 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.

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.

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.

Changes of Benefit Terms: There are no changes in benefit terms reported in the Required Supplementary Information.

Changes of Assumptions: The discount rate used for the total OPEB liability was 3.80, 3.50, 2.20, and 2.16 percent at the June 30, 2018, 2019, 2020 and 2021 measurement dates, respectively.

The discount rates used for the Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, 7.15, 7.15, 7.15, 7.15 and 7.15 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020 actuarial reports, respectively. The following are the assumptions for the State Teachers' Retirement Plan:

<u>Assumptions</u>	<u>Measurement Period</u>						
	As of June 30, 2021	As of June 30, 2020	As of June 30, 2019	As of June 30, 2018	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015
Consumer price inflation	2.75%	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10	7.10	7.10	7.10	7.10	7.60	7.60
Wage growth	3.50	3.50	3.50	3.50	3.50	3.75	3.75

**SUPPLEMENTARY INFORMATION**

BERKELEY UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 ALL NON-MAJOR FUNDS  
 June 30, 2022

	Student Activity Fund	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	\$ -	\$ 882,863	\$ 1,430,407	\$ 1,225,582	\$ 9,997	\$ 5,225,157	\$ 1,710	\$ 61,364	\$ 8,837,080
Cash on hand and in banks	465,339	24,026	79,731	43,142	-	-	-	-	612,238
Receivables	-	1,105,314	129,815	737,043	16	8,027	3	-	1,980,218
Due from other funds	-	6,177	14,676	5,887	-	-	-	-	26,740
Stores inventory	-	-	-	76,852	-	-	-	-	76,852
	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,852</u>
Total assets	<u>\$ 465,339</u>	<u>\$ 2,018,380</u>	<u>\$ 1,654,629</u>	<u>\$ 2,088,506</u>	<u>\$ 10,013</u>	<u>\$ 5,233,184</u>	<u>\$ 1,713</u>	<u>\$ 61,364</u>	<u>\$ 11,533,128</u>
<b>LIABILITIES AND FUND BALANCES</b>									
Liabilities:									
Accounts payable	\$ -	\$ 155,929	\$ 457,019	\$ 353,013	\$ -	\$ 83,107	\$ -	\$ -	\$ 1,049,068
Unearned revenue	-	-	284,465	-	-	-	-	-	284,465
Due to other funds	-	173,053	300,127	168,771	-	-	-	-	641,951
Total liabilities	<u>-</u>	<u>328,982</u>	<u>1,041,611</u>	<u>521,784</u>	<u>-</u>	<u>83,107</u>	<u>-</u>	<u>-</u>	<u>1,975,484</u>
Fund balances:									
Nonspendable	-	-	-	76,852	-	-	-	-	76,852
Restricted	465,339	1,689,398	613,018	1,489,870	10,013	5,150,077	1,713	61,364	9,480,792
Total fund balance	<u>465,339</u>	<u>1,689,398</u>	<u>613,018</u>	<u>1,566,722</u>	<u>10,013</u>	<u>5,150,077</u>	<u>1,713</u>	<u>61,364</u>	<u>9,557,644</u>
Total liabilities and fund balances	<u>\$ 465,339</u>	<u>\$ 2,018,380</u>	<u>\$ 1,654,629</u>	<u>\$ 2,088,506</u>	<u>\$ 10,013</u>	<u>\$ 5,233,184</u>	<u>\$ 1,713</u>	<u>\$ 61,364</u>	<u>\$ 11,533,128</u>



BERKELEY UNIFIED SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES ALL  
 NON-MAJOR FUNDS  
 For the Year Ended June 30, 2022

	Student Activity Fund	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>Revenues:</b>									
Federal sources	\$ -	\$ 671,174	\$ 951,309	\$ 4,613,216	\$ -	\$ -	\$ -	\$ -	\$ 6,235,699
Other state sources	-	3,544,755	4,556,977	482,728	-	-	-	-	8,584,460
Other local sources	380,637	115,142	968,652	(178,012)	74	1,702,901	13	-	2,989,407
Total revenues	<u>380,637</u>	<u>4,331,071</u>	<u>6,476,938</u>	<u>4,917,932</u>	<u>74</u>	<u>1,702,901</u>	<u>13</u>	<u>-</u>	<u>17,809,566</u>
<b>Expenditures:</b>									
<b>Current:</b>									
Certificated salaries	-	2,005,474	2,160,115	-	-	-	-	-	4,165,589
Classified salaries	-	783,639	1,609,278	1,753,763	-	-	-	-	4,146,680
Employee benefits	-	794,240	1,508,691	756,436	-	-	-	-	3,059,367
Books and supplies	450,906	200,685	359,115	1,348,273	-	37,615	-	-	2,396,594
Contract services and operating expenditures	-	328,451	512,761	(306,660)	-	4,202	-	-	538,754
Capital outlay	-	-	23,955	-	-	150,000	-	-	173,955
Total expenditures	<u>450,906</u>	<u>4,112,489</u>	<u>6,173,915</u>	<u>3,551,812</u>	<u>-</u>	<u>191,817</u>	<u>-</u>	<u>-</u>	<u>14,480,939</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(70,269)</u>	<u>218,582</u>	<u>303,023</u>	<u>1,366,120</u>	<u>74</u>	<u>1,511,084</u>	<u>13</u>	<u>-</u>	<u>3,328,627</u>
<b>Other financing uses:</b>									
Transfers out	-	(167,053)	(299,127)	(116,889)	-	-	-	-	(583,069)
Net change in fund balances	(70,269)	51,529	3,896	1,249,231	74	1,511,084	13	-	2,745,558
Fund balances, July 1, 2021	<u>535,608</u>	<u>1,637,869</u>	<u>609,122</u>	<u>317,491</u>	<u>9,939</u>	<u>3,638,993</u>	<u>1,700</u>	<u>61,364</u>	<u>6,812,086</u>
Fund balances, June 30, 2022	<u>\$ 465,339</u>	<u>\$ 1,689,398</u>	<u>\$ 613,018</u>	<u>\$ 1,566,722</u>	<u>\$ 10,013</u>	<u>\$ 5,150,077</u>	<u>\$ 1,713</u>	<u>\$ 61,364</u>	<u>\$ 9,557,644</u>

BERKELEY UNIFIED SCHOOL DISTRICT  
ORGANIZATION  
June 30, 2022

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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>
Ka' Dijah Brown	President	2024
Laura Babitt	Vice President	2024
Ana Vasudeo	Clerk	2022
Julie Sinai	Director	2022
Ty Alper	Director	2022

**ADMINISTRATION**

Brent Stephens\*  
Superintendent

Pauline Follansbee, CPA  
Assistant Superintendent, Business Services

Ruben Aurelio\*\*  
Associate Superintendent, Educational Services

Samantha Tobias-Espinosa  
Assistant Superintendent, Human Resource

\* Mr. Stephens' last day with the District was June 30, 2022. Ms. Enikia Ford Morthel was appointed as Superintendent effective July 1, 2022.

\*\* Mr. Aurelio's last day with the District was June 30, 2022. Ms. Jill Hoogendyk was appointed as Associate Superintendent, Educational Services effective August 1, 2022.

BERKELEY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
June 30, 2022

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	Second Period <u>Report</u>	Annual <u>Report</u>
Certificate Number:	F06EDF50	E82938F2
Elementary:		
Transitional Kindergarten through Third	2,394	2,397
Fourth through Sixth	1,799	1,800
Seventh and Eighth	1,295	1,295
Special Education	<u>203</u>	<u>203</u>
Subtotal Elementary	<u>5,691</u>	<u>5,695</u>
Secondary:		
Ninth through Twelfth	3,053	3,036
Special Education	54	52
Continuation Education	<u>48</u>	<u>47</u>
Subtotal Secondary	<u>3,155</u>	<u>3,135</u>
District Total	<u><u>8,846</u></u>	<u><u>8,830</u></u>

BERKELEY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF INSTRUCTIONAL TIME  
For the Year Ended June 30, 2022

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<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2021-2022 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	45,660	180	In Compliance
Grade 1	50,400	53,670	180	In Compliance
Grade 2	50,400	54,570	180	In Compliance
Grade 3	50,400	54,570	180	In Compliance
Grade 4	54,000	54,570	180	In Compliance
Grade 5	54,000	54,570	180	In Compliance
Grade 6	54,000	66,874	180	In Compliance
Grade 7	54,000	66,874	180	In Compliance
Grade 8	54,000	66,874	180	In Compliance
Grade 9	64,800	65,570	180	In Compliance
Grade 10	64,800	65,570	180	In Compliance
Grade 11	64,800	65,570	180	In Compliance
Grade 12	64,800	65,570	180	In Compliance

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See accompanying notes to supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
For the Year Ended June 30, 2022

Assistance Listing (AL) Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
Special Education Cluster:			
84.027	COVID-19: Special Ed: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement	15638	\$ 339,436
84.027	COVID-19: Special Ed: ARP IDEA Local Assistance Private School Individual Service Plans	10169	1,422
84.173	COVID-19: Special Ed: ARP IDEA Part B, Sec. 619, Preschool Grants	15639	20,351
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	13379	1,539,415
84.027	Special Ed: IDEA Local Assistance, Part B, Sec 611, Private School Individual Service Plans (ISPs)	10115	6,595
84.027	Special Ed: IDEA Local Assistance, Part B, Sec 611, Early Intervening Services	10119	67,466
84.173	Special Ed: IDEA Preschool Grants, Part B Sec 619	13430	27,723
84.173	Special Ed: IDEA Preschool Grants Early Intervening Svcs.	13430	9,594
84.027A	Special Ed: IDEA Mental Health Allocation Plan	15197	<u>109,593</u>
Subtotal Special Education Cluster			<u>2,121,595</u>
Adult Education Programs:			
84.002A	Adult Education: Adult Basic Education & ESL	14508	310,250
84.002	Adult Education: Adult Secondary Education	13978	149,972
84.002A	Adult Education: English Literacy and Civics Education	14109	<u>210,952</u>
Subtotal Adult Education Programs			<u>671,174</u>
COVID 19: Education Stabilization Fund (ESF) Programs			
84.425	COVID 19: Elementary and Secondary School Emergency Relief Fund I (ESSER I)	15536	250,651
84.425	COVID 19: Elementary and Secondary School Emergency Relief Fund III (ESSER II)	15547	916,588
84.425	COVID 19: Elementary and Secondary School Emergency Relief Fund III (ESSER III)	15559	3,235,883
84.425U	COVID 19: Elementary and Secondary School Emergency Relief Fund III (ESSER III): Learning Loss	10155	494,477
84.425C	COVID 19: Governor's Emergency Education Relief Fund: Learning Loss Mitigation	15517	216,438

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
For the Year Ended June 30, 2022

Assistance Listing (AL) Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.425	COVID 19: Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	15618	\$ 475,686
84.425	COVID 19: Child Nutrition -COVID CARES Act Supplemental Meal Reimbursement	15535	79,481
84.425	COVID 19: Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Learning Loss	15621	<u>137,287</u>
	Subtotal COVID 19: ESF Programs		<u>5,806,491</u>
84.010	ESEA: Title I, Part A Basic Grants	14329	879,257
84.048	Carl D. Perkins Career and Technical Education: Secondary	14894	45,927
84.126	Department of Rehabilitation: Workability II, Transitions	10006	80,743
84.365	ESEA: Title III, English Learner Student Program	14346	110,913
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761	41,004
84.424	ESEA: Title IV, Part A, Support & Academic Enrichment	15396	44,582
84.367	ESEA: Title II, Part A, Supporting Effective Instruction	14341	<u>195,017</u>
	Total U.S. Department of Education		<u>9,996,703</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.575	Child Dev. Federal General Child Care and Development	15136	<u>784,345</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	166,964
10.555	Child Nutrition: School Programs - Child Nutrition Cluster	13390	<u>4,613,216</u>
	Total U.S. Department of Agriculture		<u>4,780,180</u>
	Total Federal Programs		<u>\$ 15,561,228</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, 2022

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	Student Activity Fund
June 30, 2022 Unaudited Actual Financial Reporting Ending Fund Balance	\$ -
Entry to record activity and balances of Student Activities Fund in the Student Activity fund.	<u>465,339</u>
June 30, 2022 Audited Financial Statements Ending Fund Balance	<u>\$ 465,339</u>

There were no audit adjustments proposed to any other 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, 2022  
(UNAUDITED)

	(Budget) <u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 207,803,059	\$ 196,471,746	\$ 184,134,996	\$ 164,180,784
Expenditures	191,030,213	193,855,558	176,110,879	166,087,009
Other uses and transfers out	<u>215,132</u>	<u>123,608</u>	<u>1,508,740</u>	<u>801,373</u>
Total outgo	<u>191,245,345</u>	<u>193,979,166</u>	<u>177,619,619</u>	<u>166,888,382</u>
Change in fund balance	<u>\$ 16,557,714</u>	<u>\$ 2,492,580</u>	<u>\$ 6,515,377</u>	<u>\$ (2,707,598)</u>
Ending fund balance	<u>\$ 56,495,761</u>	<u>\$ 39,938,047</u>	<u>\$ 37,445,467</u>	<u>\$ 30,930,090</u>
Available reserves	<u>\$ 17,822,752</u>	<u>\$ 9,279,209</u>	<u>\$ 7,971,142</u>	<u>\$ 5,999,119</u>
Designated for economic uncertainties	<u>\$ 17,822,752</u>	<u>\$ 9,279,209</u>	<u>\$ 5,388,685</u>	<u>\$ 5,023,948</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,582,457</u>	<u>\$ 975,171</u>
Available reserves as percentages of total outgo	<u>9.3%</u>	<u>4.8%</u>	<u>4.5%</u>	<u>3.6%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 456,948,069</u>	<u>\$ 488,381,866</u>	<u>\$ 573,829,285</u>	<u>\$ 509,915,769</u>
Average daily attendance at P-2	<u>9,426</u>	<u>8,846</u>	<u>9,426</u>	<u>9,426</u>

The fund balance of the General Fund has increased by \$6,300,359 over the past three fiscal years. The District projects an increase of \$16,557,714 for the year ending June 30, 2023. 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, 2022, 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, and anticipates incurring an operating surplus during 2022-23 fiscal year.

Total long-term liabilities have decreased by \$21,533,903 over the past two years.

Average daily attendance has decreased by 580 over the past two years. The District anticipates an increase of 580 ADA during the fiscal year ending June 30, 2023.

See accompanying notes to supplementary information.



BERKELEY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
For the Year Ended June 30, 2022

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Charter Schools Chartered by District

Included in District  
Financial Statements, or  
Separate Report

The District does not sponsor any charter schools.

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See accompanying notes to supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT  
NOTES TO SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2022

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**NOTE 1 - PURPOSE OF SCHEDULES**

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.

Schedule of Instructional Time: The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District, and notes to supplementary information whether the District complied with the provisions of Education Code Sections 46201 through 46206.

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.

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.

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 2022-23 fiscal year, as required by the State Controller's Office.

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, 2022, 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**

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

We have audited Stockton Unified School District's (District) compliance with the types of compliance requirements described in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide) applicable to the state laws and regulations listed below for the year ended June 30, 2022.

<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
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
California Clean Energy Jobs Act	No, see below
After/Before School Education and Safety Program	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
Immunizations	No, see below
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes

(Continued)

Career Technical Education Incentive Grant	Yes
In Person Instruction Grant	Yes
Charter Schools - Attendance	No, see below
Charter Schools - Mode of Instruction	No, see below
Charter Schools - Nonclassroom-Based Instruction/Independent Study	No, see below
Charter Schools - Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instructional Minutes, for charter schools – Classroom based	No, see below
Charter Schools - Charter School Facility Grant Program	No, see below

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

The District did not operate any Juvenile Court Schools or Middle/Early College High Schools in the current audit year; therefore, we did not perform any procedures related to Juvenile Court Schools or Middle/Early College High Schools.

The District did not offer an Apprenticeship: Related and Supplemental Instruction program in the current year; therefore, we did not perform any procedures related to this program.

The District did not elect to operate as a District of Choice in the current year; therefore, we did not perform any procedures related to District of Choice.

The District expended all funds in prior fiscal years; therefore, we did not perform any procedures related to California Clean Energy Jobs Act.

We did not perform any procedures related to Immunizations because the District did not have any schools sites included on the California Department of Public Health reporting of sites requiring testing during the current audit year

The District did not report ADA from Independent Study-Course Based in the current audit year; 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.

In our opinion, except for the noncompliance described in the Basis of Qualified Opinion paragraph, 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, 2022.

***Basis for Qualified Opinion on Compliance with State Laws and Regulations***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Our responsibilities under those standards and the Audit Guide are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above.

### *Matters Giving Rise to Qualified Opinion on State Laws and Regulations*

As described in Findings 2022-001 and 2022-002 in the accompanying Schedule of Audit Findings and Questioned Costs, Berkeley Unified School District did not comply with the requirements regarding Unduplicated Local Control Funding Formula Pupil Counts and School Accountability Report Card. Compliance with such requirements is necessary, in our opinion, for Berkeley Unified School District to comply with the requirements applicable to the state laws and regulations referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's government programs.

#### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Audit Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### ***Other Matter***

Berkeley Unified School District's responses to the noncompliance findings identified in our audit are included in the accompanying Schedule of Audit Findings and Questioned Costs. Berkeley Unified School District's responses were not subjected to the auditing procedures applied in the audit of State Compliance and, accordingly, we express no opinion on them.

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(Continued)

## 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 *2021-22 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*  
Crowe LLP

Sacramento, California  
February 23, 2023

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, 2022, 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 February 23, 2023.

#### **Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

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(Continued)

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Berkeley Unified School District's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control 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*  
Crowe LLP

Sacramento, California  
February 23, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
AS REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees  
Berkeley Unified School District  
Berkeley, California

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

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

We have audited Berkeley Unified School District's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, Berkeley Unified School District complied, in all material respects, with the 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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Berkeley Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Berkeley Unified School District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Berkeley Unified School District's federal programs.

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(Continued)

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Berkeley Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Berkeley Unified School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we,

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Berkeley Unified School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Berkeley Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Berkeley Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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*  
Crowe LLP

Sacramento, California  
February 23, 2023

## **FINDINGS AND RECOMMENDATIONS**

BERKELEY UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

**FINANCIAL STATEMENTS**

Type of auditors' 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
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**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 auditors' 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
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Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	ESEA: Title I, Part A Basic Grants
84.027, 84.027A, 84.173	Special Education Cluster
93.575	Child Development – Federal Child Care and Development
84.425, 84.425C, 84.425U	COVID 19: ESF Programs

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

Auditee qualified as low-risk auditee?

	_____ Yes	_____ X	_____ No
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**STATE AWARDS**

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

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2022

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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, 2022

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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, 2022

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

**2022-001 – STATE COMPLIANCE – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)**

Criteria: Any student who meets the federal income eligibility criteria or is deemed to be categorically eligible for FRPM under the National School Lunch Program (NSLP) will be counted as FRPM-eligible. Except for directly certified and foster students identified through a statewide match, LEAs must submit the appropriate student program (SPRG) records to CALPADS in order for the students to be counted as FRPM-eligible. Authority cited: Section 14502.1, Education Code. Reference: Sections 14502.1, 14503, 2574(b)(3)(C), 44238.02(b)(3)(B), and 41020, Education Code.

Condition: We performed the specific audit procedures enumerated in the *State of California 2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified an initial error. An extrapolated total of 1,611 students were improperly identified as the Free and Reduced Priced Meal eligible in the District's CALPADS reporting for the 2021-22 school year for purposes of Unduplicated Local Control Funding Formula Pupil Counts.

Berkeley Unified School District					
Unduplicated pupil count based on:	<u>Enrollment</u>	<u>FRPM</u>	<u>ELAS</u>	<u>Both</u>	<u>TOTAL</u>
As certified on CALPADS	9,179	2301	228	447	2,976
Audit Adjustments	-	(839)	-	-	(839)
Adjusted Counts	9,179	1,462	228	447	2,137

Effect: The District did not comply with state requirements for Unduplicated Local Control Funding Formula Pupil Counts.

Cause: The condition is the result of clerical errors in accounting and accumulation of date for unduplicated pupil counts in the CALPADS reporting system.

Fiscal Impact: The District's Unduplicated Pupil Percentage for the 2021-22 school year was originally reported at 30.74% and the revised School District Unduplicated Pupil Percentage is reported at 27.79%; the fiscal impact is a reduction of LCFF revenues of approximately \$505,231.

Recommendation: The District should ensure that all students are properly reflected in the CALPADS reporting under the appropriate free or reduced-price meal program status.

Views of Responsible Officials and Planned Corrective Actions: Management of the District concurs with the auditor's recommendation and has implemented processes for ensuring accurate reporting of unduplicated pupil counts are reported in future years.

(Continued)



BERKELEY UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2022

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

**2022-002 – STATE COMPLIANCE – SCHOOL ACCOUNTABILITY REPORT CARD (72000)**

Criteria: Education Code section 33126 requires Local Education Agencies to complete, for each school site, School Accountability Report Card for the school site, annually. To facilitate the completion of these reports, all school sites within the District must maintain quarterly reports of summarized complaint data compiled pursuant to Education Code section 35186(d). Sites also must complete a “Facility Inspection Tool (FIT), School Facility Conditions Evaluation” developed by the Office of Public School Construction and approved by the State Allocation Board and applicable to the School Accountability Report Cards, or a local evaluation instrument that meets the same criteria, pursuant to subdivision (d) of Education Code section 17002.

Condition: The District was unable to provide School Accountability Report Cards, quarterly reports, or “Facility Inspection Tool (FIT) reports for any of the selected school sites.

Effect: The District did not comply with state requirements for School Accountability Report Card, during the year ended June 30, 2022.

Cause: The District did not sufficiently maintain or summarize the underlying data necessary to complete a School Accountability Report Card for any selected school sites.

Recommendation: The District should ensure that all sites’ school accountability report cards are completed appropriately and agree to the supporting information for each relevant reporting area required by the Education Code.

Views of Responsible Officials and Planned Corrective Actions: Management of the District concurs with the auditor’s recommendation and will work to ensure that the school accountability report cards are completed appropriately for future fiscal periods.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

BERKELEY UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2022

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**2021-001 MATERIAL WEAKNESS - INTERNAL CONTROL OVER FINANCIAL REPORTING (30000)**

Condition: The District's self-insurance fund claims reserve includes programs for workers compensation and general liability and is based on actuarial studies performed every three years. The total liability is updated for actual claims experience during fiscal years between each full study. For the year ended June 30, 2021, the District did not adjust the total reported claims reserve for the estimates from their actuary and actual performance to reflect the liability as of that fiscal year end. An audit adjustment was proposed to correct the combined claims reserve liability for both programs to the total estimated value at year-end.

Recommendation: Management should include the evaluation and any necessary adjustments of the self-insurance fund claims reserve liability, in its year-end close checklist for future periods. Further, management should record the audit adjustment to reflect the total discounted claims reserve as of June 30, 2021.

Implementation: Implemented.

District Explanation if Not Implemented: N/A