

BERKELEY UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
June 30, 2023

BERKELEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

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 For the Year Ended June 30, 2023

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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, 2023, 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, 2023, 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.

(Continued)

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 16 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 56 to 62 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.

(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 15, 2024 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

Sacramento, California
February 15, 2024

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 17. 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 19.

Overview of the Financial Statements

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

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

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

Figure A-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	Fiduciary Funds
<i>Scope</i>	Entire district, except fiduciary activities	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses; food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position 	<ul style="list-style-type: none"> • Balance Sheet 	<ul style="list-style-type: none"> • Statement of Net Position 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
	<ul style="list-style-type: none"> • Statement of Activities 	<ul style="list-style-type: none"> • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Revenues, Expenses & Change in Fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Changes in Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; Standard's funds do not currently contain non-financial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District's financial position as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Position reports the difference between the District's assets and liabilities and can be used to measure the District's financial health or position.

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

The District ended the year with a Net Position of \$104,534,033, an increase of \$62,048,570 over prior year. This increase is due to significant increases in Capital Assets, and deferred outflows, which were partially offset by decreases in current assets and increases in long term debt.

Statement of Net Position

ASSETS	<u>Governmental Activities</u>		Percentage Change <u>2023-22</u>
	<u>2022</u>	<u>2023</u>	
Current and other assets	\$ 199,832,084	\$ 188,291,108	
Capital Assets	<u>394,311,092</u>	<u>434,582,744</u>	
Total assets	<u>594,143,176</u>	<u>622,873,852</u>	5%
DEFERRED OUTFLOWS			
Deferred outflow of resources - pensions and OPEB	52,592,072	65,295,176	
Deferred loss from refunding of debt	<u>4,142,587</u>	<u>3,466,578</u>	
	<u>56,734,659</u>	<u>68,761,754</u>	21%
LIABILITIES			
Long-term debt outstanding	393,300,866	368,031,437	
Net pension liability/Self-insurance claims liability	95,081,000	153,733,000	
Other liabilities	<u>40,071,266</u>	<u>34,081,489</u>	
Total liabilities	<u>528,453,132</u>	<u>555,845,926</u>	5%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	<u>79,939,250</u>	<u>31,255,647</u>	-61%
NET POSITION			
Invested in capital assets, net of related debt	137,308,951	156,520,451	
Restricted	48,508,153	81,834,400	
Unrestricted	<u>(143,331,641)</u>	<u>(133,820,818)</u>	
Total net position	<u>\$ 42,485,463</u>	<u>\$ 104,534,033</u>	146%

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>2022</u>	<u>2023</u>
REVENUES		
Program Revenues:		
Charges for Services	\$ 1,918,962	\$ 1,665,156
Operating Grants	53,479,872	64,195,623
Capital Grants		30,820,934
General Revenues:		
Property Taxes	145,426,302	143,373,090
Federal and State Aid	43,260,171	48,482,029
Other	<u>2,677,763</u>	<u>3,443,473</u>
Total Revenues	<u>246,763,070</u>	<u>291,980,305</u>
EXPENSES		
Instruction	126,890,422	128,427,559
Instruction Related Services	25,632,098	25,815,820
Pupil Services	18,774,669	21,727,962
Ancillary Services	448,349	1,160,220
Community Services	128,848	228,785
General Administration	12,932,341	16,342,644
Plant Services	23,567,934	27,131,943
Enterprise Services	279,006	220,923
Interest	15,271,538	8,866,869
Other and Other Outgo	<u>8,558</u>	<u>9,010</u>
Total Expenses	<u>223,933,763</u>	<u>229,931,735</u>
Increase (Decrease) in Net Position	22,829,307	62,048,570
Net Position - Beginning	<u>19,656,156</u>	<u>42,485,463</u>
Net Position - Ending	<u>\$ 42,485,463</u>	<u>\$ 104,534,033</u>

Capital Assets

At year-end, the District's capital assets had a net increase of \$40.3 million over the prior year. This represents a 10% increase over last year's total capital assets, and was primarily due to improvement of sites or land improvements which include parking lots, landscaping paving and signage. There was also an increase in construction projects in process.

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

	Governmental Activities		Percentage
	<u>2022</u>	<u>2023</u>	Change
			<u>2022-23</u>
Land	\$ 6,908,949	\$ 6,908,949	
Improvement of sites	9,285,461	34,560,518	
Buildings	276,122,303	268,156,061	
Equipment	1,671,467	2,361,416	
Work in Process	<u>100,322,912</u>	<u>122,595,796</u>	
Total	<u>\$ 394,311,092</u>	<u>\$ 434,582,740</u>	10%

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 Work in Progress is primarily due to the initiation of projects districtwide net of depreciation. Once projects are completed, costs are transferred from Work in Process to Buildings.

District Indebtedness

At year-end, the District has \$515.5 million of long-term debt. Of total long-term debt, approximately \$307 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>2022</u>	<u>2023</u>	Change
			<u>2022-23</u>
Compensated absences	\$ 4,312,010	\$ 3,912,481	
General obligation bonds	332,355,000	306,845,000	
Premiums on General Obligation Bonds	13,192,409	11,580,622	
Net pension liability	95,081,000	153,733,000	
Total OPEB liability	<u>43,441,447</u>	<u>39,418,334</u>	
Total	<u>\$ 488,381,866</u>	<u>\$ 515,489,437</u>	6%

The total OPEB liability represents the total unfunded liability estimated to be paid for future healthcare benefits of district retirees. The balance totaling \$39.4 million for the total OPEB liability at year end, is based on an actuarial study. Long term debt increased by 6% from the prior year due to the recognition of the net pension liability. 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 decreased 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 three kinds of funds:

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

Financial Condition of the General Fund

The District’s Unaudited Actuals demonstrate the District is fiscally solvent and has met the 3% reserve required by the State of California. The State of California requires all districts reserve 3% of their total expenditures (including transfers out) for economic uncertainties. The District’s 3% state reserve requirement of \$6.1 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, 2023, the District ended the year with \$5.7 million in excess of the 3% state reserve requirement in its Unrestricted General Fund 01, after Assignments of \$1.4 million. The supplemental grant LCAP reserves accounts for \$1.0 million of the assignments.

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

The following table summarizes General Fund financial statements:

	General Fund		Percentage Change
	<u>2022</u>	<u>2023</u>	<u>2022-23</u>
Total Revenues	\$ 195,888,677	\$ 217,755,145	11%
Total Expenditures	193,855,558	203,900,674	5%
Other financing sources (uses), net	<u>459,461</u>	<u>435,356</u>	-5%
Change in fund balance	<u>\$ 2,492,580</u>	<u>\$ 14,289,827</u>	473%

Revenues increased by \$21.8 million in 2023 despite a decrease of \$4 million in restricted federal Covid funds. The revenue increase was mainly due the receipt of one time in State restricted block grants and an increase in LCFF funding due to the COLA. The increase of expenditures of \$10 million is mainly due to an increase in salaries and benefits due to a negotiated salary increase of 6% for all employees. The contribution to the Special Education program increased by \$1.9 million over prior year due to increase in services provided. Since this contribution is from an unrestricted resource to a restricted program, the contribution is not reflected in the above balances. In FY 2022, the General Fund received contributions of \$1.8 million from Fund 20, Postemployment Benefits other than Pensions. This amount was reduced by \$.9 million in FY 2023, which mostly accounts for the change in other financing sources and uses.

Cost of General Fund Operations (Funds 01-04)

A deeper analysis of the expenditures reflect the year over year variance by major expenditure categories. At year-end, the General Fund’s total cost of operations was \$203.1 million which is an increase of \$10 million over the previous year due mainly to increases in certificated and classified salaries and benefits from a 6% negotiated salary increase.

	General Fund		Percentage
	<u>2022</u>	<u>2023</u>	<u>Change</u> <u>2022-23</u>
Certificated salaries	\$ 78,838,391	\$ 80,484,924	2%
Classified salaries	33,519,849	\$ 35,267,087	5%
Employee benefits	42,844,558	\$ 46,378,369	8%
Books and supplies	4,641,013	\$ 4,505,310	-3%
Contract services and operating expenditures	33,941,982	\$ 36,744,374	8%
Capital outlay	61,207	\$ 511,600	736%
Other outgo	8,558	9,010	5%
Subtotal	\$ 193,855,558	\$ 203,900,674	5%
Indirect Cost	(538,069)	(727,379)	35%
Total	\$ 193,317,489	\$ 203,173,295	

Budget to Actual Analysis – General Fund (Funds 01-04)

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:

When comparing budget to actual revenues, the District accurately projected overall revenues. There was significant underspending for books and supplies, and services and operating expenditures in Restricted programs and Parcel Taxes. Unspent balances will be rolled forward as carryover to be spent in the following year.

Cost of General Fund Operations (Fund 01 - Unrestricted)

The Unrestricted General fund, excludes the parcel taxes. At year-end, the cost of operations in the Unrestricted General Fund 01 was \$109 million. Total District expenditures were \$9.8 million more than the previous year primarily due to negotiated increase in salaries for all employees,

	<u>2022</u>	<u>2023</u>	Percentage Change <u>2022-23</u>
Expenditures			
Certificated salaries	\$ 50,330,499	\$ 53,044,538	
Classified salaries	15,330,574	16,930,535	
Employee benefits	20,357,264	24,117,529	
Books and supplies	1,050,645	1,328,409	
Contract services and operating expenditures	12,052,993	13,328,090	
Capital outlay	43,841	204,076	
Total	<u>\$ 99,165,816</u>	<u>\$ 108,953,177</u>	9.87%

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

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

	Final Budget <u>2023</u>	Actual <u>2023</u>	
Revenues			
LCFF Funding	\$ 107,452,261	\$ 107,544,126	
State Revenues	2,525,839	3,334,593	
Local Revenues	1,909,726	2,185,461	
Total Revenues	<u>\$ 111,887,826</u>	<u>\$ 113,064,180</u>	1.1%
Certificated salaries	\$ 51,349,483	\$ 53,044,538	3.30%
Classified salaries	16,479,808	16,930,535	2.74%
Employee benefits	24,206,326	24,117,529	-0.37%
Books and supplies	2,155,214	1,328,409	-38.36%
Contract services and operating expenditures	13,646,979	13,328,090	-2.34%
Capital outlay	51,628	204,076	295.28%
Total	<u>\$ 107,889,438</u>	<u>\$ 108,953,177</u>	

Total actual revenues were \$1.2 million higher than budgeted revenues due to state funding received for the transportation plan in 2023 exceeded the projections. While there were District-wide unspent balances in contracted services and site discretionary budgets, higher than projected expenditures for salaries was the main driver in the \$1.1 million variance in expenditures.

Economic Factors and Subsequent Budgets

On June 27, 2023, Governor Gavin Newsom signed an on-time budget. During the preparation of the enacted state budget, there were components of the May Revision budget that either remained the same, were changed, or not included in the Enacted State Budget. Since districts' budgets are prepared based on the May Revision, the First Interim Report incorporates the applicable provisions from the enacted state budget and subsequent budget trailer bills.

Local Control Funding Formula Factors

Illustrated below is a comparison of projected statutory COLAs for the budget year and two subsequent years.

Description	2023-24	2024-25	2025-26
LCFF COLAs (23-24 Gov. Proposal)	8.13%	3.54%	3.31%
LCFF COLAs (23-24 May Revision)	8.22%	3.94%	3.29%
LCFF COLAs (23-24 Enacted Budget)	8.22%	3.94%	3.29%
LCFF COLAs (23-24 First Interim)	8.22%	3.94%*	3.29%*

*During budget development, the district utilized the Department of Finance projected COLA of 3.94%. However, based on the latest economic indicators, the 2024-25 projected COLA is approximately one percent or possibly below one percent. While professional organizations have not reassessed the 2025-26 projected COLA, it may be negatively impacted as well due to the latest economic indicators. Therefore, districts are advised to prepare multiple scenarios relating to revenues receiving COLA increases.

Based on the 2024-25 proposed budget, the COLA for FY 2024-25 is 0.76% and 2.73% in 2025-26. These assumptions will be included in the Multi-Year Projections for the 2023-24 Second Interim reporting.

Arts, Music, and Instructional Materials Discretionary Block Grant

As presented in the Governor's January budget, it was proposed to reduce the one-time Arts, Music, and Instructional Materials Block Grant by approximately 34%. The Governor's May Revision proposes a revised reduction of approximately 51% instead, which equals the amount remaining to be apportioned. Per the enacted state budget, the actual reduction was approximately 6%. Please note that the estimated reduction was captured in the district's 2022-23 unaudited actuals with any difference from actuals to estimates being accounted for in the First Interim.

Learning Recovery Emergency Block Grant

The Governor's May proposal also included a reduction to the one-time Learning Recovery Block Grant by 32%. This reduction was not part of the Governor's January budget proposal, and the original allocation was fully apportioned during the Winter and Spring. Per the enacted state budget, the actual reduction was approximately 14%. Please note that the estimated reduction was captured in the district's 2022-23 unaudited actuals by recording an estimated payable to the state. The difference between the estimated reduction/payable and the actual reduction was accounted for in the First Interim. While the legislature intends to restore \$378.7 million beginning in the 2025-26 fiscal year through the 2027-28 fiscal year, the district has not included those revenues in its multi-year projection.

Arts and Music Education Funding (Proposition 28)

On November 8, 2022, California voters approved Proposition 28: The Arts and Music in Schools Funding Guarantee and Accountability Act. The measure requires the state to establish a new, ongoing program supporting arts instruction in schools beginning in 2023-24. The amount of funding available each fiscal year for the Arts

and Music in Schools (AMS) program will be one percent of the K–12 portion of the Proposition 98 funding guarantee provided in the prior fiscal year, excluding funding appropriated for the AMS program. The amount of funding that the district expects to receive is \$1.2 million. The revenues will be budgeted in an unrestricted resource at Second Interim and will be appropriated once the schools develop a plan of how to expend the funds.

Other Enacted Budget Components

Below is a summary of some of the other provisions of the state’s enacted budget:

- The following programs are projected to continue in a similar manner as contained in the Governor’s May Revision:
 - Expanded Learning Opportunities Program
 - SB 114 contained the Governor’s proposal of allowing the 2021-22 and 2022-23 ELO-P funds being expended or encumbered by June 30, 2024
 - Universal School Meals
 - Transportation
- Special Education Local Plan Areas (SELPA) are required to allocate base funding of at least the same amount provided to their member LEAs in 2022-23 for the 2023-24 fiscal year. This minimum allocation should be increased by the 8.22% COLA and adjusted to account for any changes in the funded ADA.
- Changes to Local Control Accountability Plan (LCAP) requirements that include the following:
 - Present an update on the current year LCAP on or before February 28th.
 - Long-term English learner students must be accounted for separate from English learner students and are defined as “a pupil who has not attained English language proficiency within five years of initial classification as an English learner”.
 - Include actions to implement work associated with differentiated assistance.
 - Add focused goals to address educator preparation and student performance for schools receiving Equity Multiplier funding.
 - Add specific actions to address any school or student group assigned the lowest performance level on any California School Dashboard indicator.
 - Change actions deemed ineffective over a three-year period.
 - Tie schoolwide and districtwide actions to specific outcome metrics.
- The delay of the \$550 million in planned support from 2023-24 to 2024-25 for the California Preschool, Transitional Kindergarten (TK) and Full-Day Kindergarten Facilities Grant Program. This program provides funding for the construction of new classrooms or the retrofit of existing school facilities for these programs.
- TK staffing requirement changes from the May Revision:
 - Beginning in 2025-26, all TK classrooms must be staffed at a 10-to-1 student-to-adult ratio. While it is the intent of the legislature to provide funding to support this staffing ratio, the 10-to-1 requirement is **no longer** contingent upon the receipt of additional funding.
 - Beginning in 2023-24, any LEA that opts to enroll children in TK who meet the definition of “early enrollment children” (those whose fourth birthday falls between June 2 and September 1 preceding the school year in which they are enrolled in TK) must adhere to a 10-to-1 student-to-adult ratio and maintain a maximum class size of 20 for classes that include an early enrollment child.
 - The credentialed teacher requirement and the qualification requirements for adults assigned to a TK classroom that were part of the Governor’s January Budget and May Revision are not included in the state’s adopted budget.

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)

- Based on enacted bills from 2019-20 through 2021-22, total general fund expenditures for RRMA purposes do not include STRS on-behalf (Resource 7690) expenditures, and one-time funding sources to address COVID-19 challenges (Resources 3210, 3212, 3213, 3214, 3215, 3216, 3218, 3219, 3225-3228, 5316, 5632-5634 and 7027).
- 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.

Reserves

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 all conditions have been met regarding enacting LEA reserve cap, Districts are subject to the statutory reserve cap described above beginning 2022-23. Berkeley Unified has committed the parcel tax fund balances and therefore the reserves are within the cap requirements.

2023-24 Berkeley School District Primary Budget Components

- ❖ Average Daily Attendance (ADA) is estimated at 8,653.34 but is funded at an ADA of 8,938.11 as a result of the three-year averaging method in 2023-24.
- ❖ The district's estimated unduplicated pupil percentage for supplemental and concentration funding is estimated to be 29.09%. The percentage will be revised based on actual data.
- ❖ Lottery revenue is estimated to be \$177 per ADA for unrestricted purposes and \$72 per ADA for restricted purposes.
- ❖ Transitional Kindergarten ratio "add-on" is \$3,044 per transitional kindergarten ADA.

- ❖ Mandated Cost Block Grant is \$37.63 for K-8 ADA and \$72.49 for 9-12 ADA.
 - The amounts per ADA incorporate a reduction of 0.47% due to insufficient funds appropriated for the program.

Except as illustrated under Contributions to Restricted Programs, all federal and state restricted categorical programs are self-funded.

General Fund Summary

The District’s 2023-24 Unrestricted General Fund (01) projects a total operating deficit of \$1.8 million with an estimated undesignated ending fund balance of \$3.0 million. Changes in Unrestricted General Fund expenses since Budget Adoption are mainly due to loading expenditures in expenses at the First Interim that were assigned in the Adopted Ending Fund balance.

Multi-Year Projections

The Multi-Year projections for the Unrestricted General Fund reflect the following balances for each year when COLA is 3.94% for 2024-25.

	2023-24	2024-25	2025-26
Budget Reductions			\$2.5 Million
Deficit Spending	\$1.8 Million	\$3.1 Million	\$0.1 Million
Undesignated Ending Fund Balance	\$3.0 Million	\$0.1 Million	\$0.4 Million

Budget reductions in the amount of \$2.5 million are necessary in 2025-26 to maintain a balanced budget.

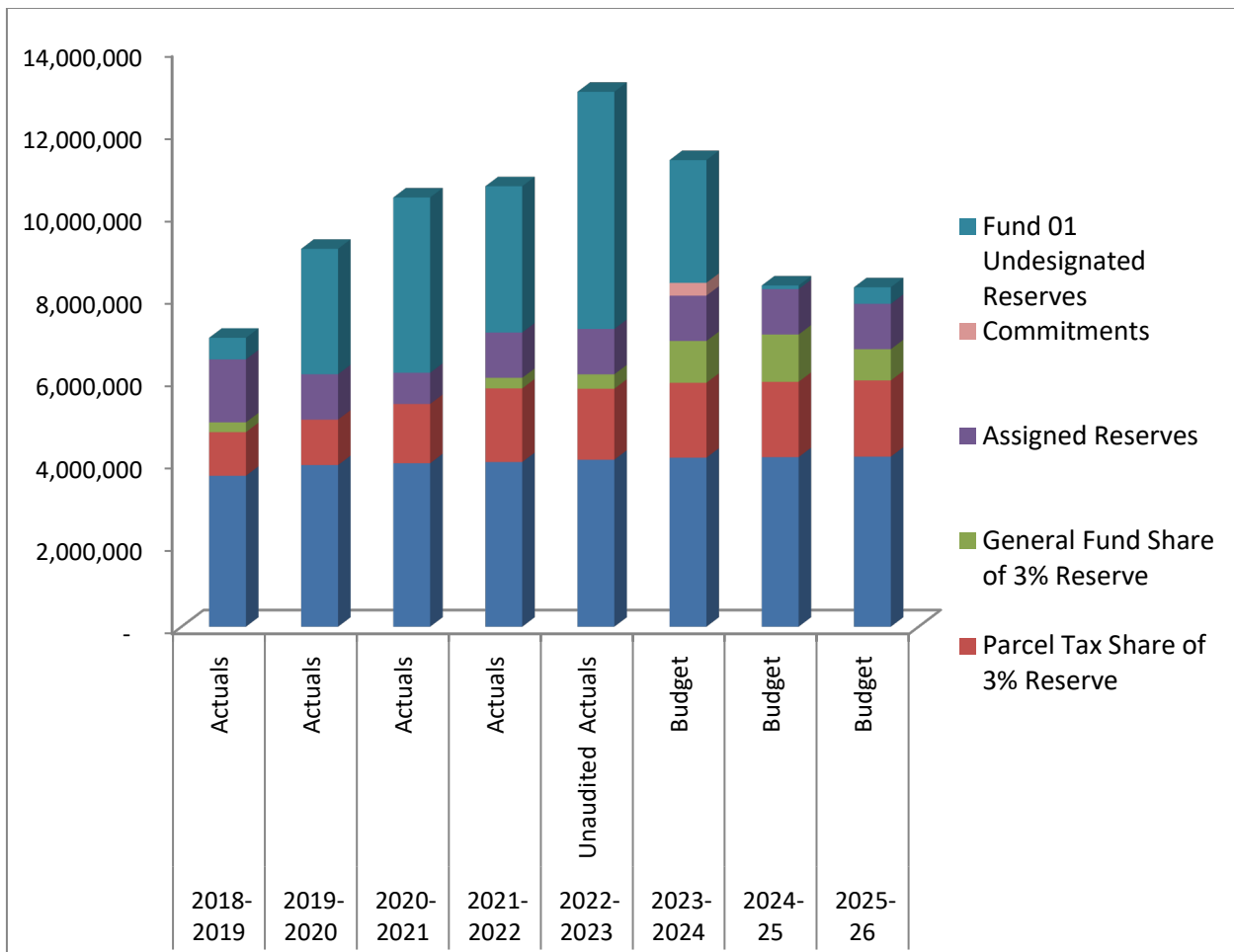
The Multi-Year projections for the Unrestricted General Fund reflect the following balances for each year when **COLA is 1% for 2024-25.**

	2023-24	2024-25	2025-26
Budget Reductions			\$2.5 Million
Additional Ongoing Budget Reductions		\$3.1 Million	\$3.1 Million
Deficit Spending	\$1.8 Million	\$3.0 Million	\$0.1 Million
Undesignated Ending Fund Balance	\$3.0 Million	\$0.2 Million	\$0.5 Million

Additional Ongoing Budget Reductions in the amount of \$3.1 Million are needed in 2024-25 to maintain a positive ending fund balance and meet the 3% minimum reserve requirement.

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. This downward trend in the fund balances highlight the need to build and sustain fiscal resilience.



Conclusion

Despite current year and future projected deficit spending, the projected budget and multi-year projections show the District will be able to meet its financial obligations for the current and subsequent two years after making significant budget adjustments.

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, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 170,320,589
Receivables	17,805,761
Stores inventory	66,308
Prepaid expenses	98,454
Non-depreciable capital assets (Note 4)	129,504,745
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>305,077,995</u>
Total assets	<u>622,873,852</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 7 and 8)	52,257,539
Deferred outflows of resources - OPEB (Note 9)	13,037,637
Deferred loss from refunding of debt	<u>3,466,578</u>
Total deferred outflows of resources	<u>68,761,754</u>
LIABILITIES	
Accounts payable	27,637,339
Self-insurance claims liability (Note 10)	6,275,000
Unearned revenue	6,444,150
Long-term liabilities (Note 5):	
Due within one year	20,050,699
Due after one year	<u>495,438,738</u>
Total liabilities	<u>555,845,926</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - OPEB (Note 9)	13,423,647
Deferred inflows of resources - pensions (Notes 7 and 8)	<u>17,832,000</u>
Total deferred inflows of resources	<u>31,255,647</u>
NET POSITION	
Net investment in capital assets	156,520,451
Restricted:	
Legally restricted programs	25,696,856
Capital projects	34,465,932
Debt service	21,057,035
Self Insurance	614,577
Unrestricted	<u>(133,820,818)</u>
Total net position	<u>\$ 104,534,033</u>

See notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

		Program Revenues			Net (Expense) Revenues and Change in <u>Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction	\$ 128,427,559	\$ 313,970	\$ 35,081,552	\$ 30,820,934	\$ (62,211,103)
Instruction-related services:					
Supervision of instruction	12,694,961	64,516	4,118,294	-	(8,512,151)
Instructional library, media and technology	2,764,853	-	54,856	-	(2,709,997)
School site administration	10,356,006	1,488	1,901,572	-	(8,452,946)
Pupil services:					
Home-to-school transportation	4,929,940	-	-	-	(4,929,940)
Food services	4,819,560	9,486	5,827,326	-	1,017,252
All other pupil services	11,978,462	8,641	4,353,974	-	(7,615,847)
General administration:					
Data processing	2,684,182	-	-	-	(2,684,182)
All other general administration	13,658,462	42,300	4,414,480	-	(9,201,682)
Plant services	27,131,943	3,868	783,474	-	(26,344,601)
Ancillary services	1,160,220	589	783,908	-	(375,723)
Community services	228,785	-	-	-	(228,785)
Enterprise services	220,923	683	3,849	-	(216,391)
Interest on long-term liabilities	8,866,869	-	-	-	(8,866,869)
Other outgo	9,010	1,219,615	6,872,338	-	8,082,943
Total governmental activities	<u>\$ 229,931,735</u>	<u>\$ 1,665,156</u>	<u>\$ 64,195,623</u>	<u>\$ 30,820,934</u>	<u>(133,250,022)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					63,211,200
Taxes levied for debt service					24,244,505
Taxes levied for other specific purposes					55,917,385
Federal and state aid not restricted to specific purposes					48,482,029
Interest and investment earnings					2,058,084
Miscellaneous					<u>1,385,389</u>
Total general revenues					<u>195,298,592</u>
Change in net position					62,048,570
Net position, July 1, 2022					<u>42,485,463</u>
Net position, June 30, 2023					<u>\$ 104,534,033</u>

See notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS						
Cash and investments:						
Cash in County Treasury	\$ 60,179,239	\$ 41,715,248	\$ 31,069,396	\$ 20,867,268	\$ 7,957,521	\$ 161,788,672
Cash on hand and in banks	-	-	-	-	1,033,002	1,033,002
Cash in revolving fund	100,000	-	-	-	-	100,000
Cash with fiscal agent	135,000	-	-	2	-	135,002
Collections awaiting deposit	1,673,395	6,720	-	-	2,137,323	3,817,438
Receivables	15,961,169	218,967	116,340	129,874	1,367,028	17,793,378
Due from other funds	798,955	-	-	-	27,375	826,330
Stores inventory	-	-	-	-	66,308	66,308
Prepaid expenditures	98,454	-	-	-	-	98,454
Total assets	<u>\$ 78,946,212</u>	<u>\$ 41,940,935</u>	<u>\$ 31,185,736</u>	<u>\$ 20,997,144</u>	<u>\$ 12,588,557</u>	<u>\$ 185,658,584</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 16,015,468	\$ 5,044,180	\$ -	\$ -	\$ 910,334	\$ 21,969,982
Unearned revenue	5,175,411	-	-	-	1,268,739	6,444,150
Due to other funds	3,527,459	-	-	-	798,955	4,326,414
Total liabilities	<u>24,718,338</u>	<u>5,044,180</u>	<u>-</u>	<u>-</u>	<u>2,978,028</u>	<u>32,740,546</u>
Fund balances:						
Nonspendable	198,454	-	-	-	66,308	264,762
Restricted	19,426,414	36,896,755	31,185,736	20,997,144	9,544,221	118,050,270
Committed	14,479,458	-	-	-	-	14,479,458
Assigned	8,351,966	-	-	-	-	8,351,966
Unassigned	11,771,582	-	-	-	-	11,771,582
Total fund balances	<u>54,227,874</u>	<u>36,896,755</u>	<u>31,185,736</u>	<u>20,997,144</u>	<u>9,610,529</u>	<u>152,918,038</u>
Total liabilities and fund balances	<u>\$ 78,946,212</u>	<u>\$ 41,940,935</u>	<u>\$ 31,185,736</u>	<u>\$ 20,997,144</u>	<u>\$ 12,588,557</u>	<u>\$ 185,658,584</u>

See notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
For the Year Ended June 30, 2023

Total fund balances - Governmental Funds \$ 152,918,038

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 \$614,898,434 and the accumulated depreciation is \$180,315,694 (Note 4). 434,582,740

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, 2023 consisted of (Note 6):

General Obligation Bonds	\$ (306,845,000)	
Unamortized premiums	(11,580,622)	
Net pension liability (Notes 7 and 8)	(153,733,000)	
Total OPEB liability (Note 9)	(39,418,334)	
Compensated absences	<u>(3,912,481)</u>	(515,489,437)

In governmental funds, losses on the refunding of debt are recognized as expenditure in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding debt. 3,466,578

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	13,037,637	
Deferred inflows of resources relating to OPEB	(13,423,647)	
Deferred outflows of resources relating to pensions	52,257,539	
Deferred inflows of resources relating to pensions	<u>(17,832,000)</u>	34,039,529

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: 614,577

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. (5,597,992)

Total net position - governmental activities \$ 104,534,033

See 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, 2023

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:						
Local Control Funding Formula (LCFF):						
State apportionment	\$ 45,147,436	\$ -	\$ -	\$ -	\$ -	\$ 45,147,436
Local sources	63,211,200	-	-	-	-	63,211,200
Total LCFF	<u>108,358,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,358,636</u>
Federal sources	4,852,199	-	-	540,488	4,025,339	9,418,026
Other state sources	31,800,678	-	30,820,934	98,108	12,970,034	75,689,754
Other local sources	72,743,632	972,521	363,089	23,885,917	3,292,195	101,257,354
Total revenues	<u>217,755,145</u>	<u>972,521</u>	<u>31,184,023</u>	<u>24,524,513</u>	<u>20,287,568</u>	<u>294,723,770</u>
Expenditures:						
Current:						
Certificated salaries	80,484,924	-	-	-	4,285,219	84,770,143
Classified salaries	35,267,087	386,774	-	-	4,601,810	40,255,671
Employee benefits	46,378,369	194,454	-	-	3,480,131	50,052,954
Books and supplies	4,505,310	1,228,194	-	-	2,315,833	8,049,337
Contract services and operating expenditures	36,744,374	1,649,068	-	-	1,120,762	39,514,204
Other outgo	9,010	-	-	-	-	9,010
Capital outlay	511,600	45,019,957	-	-	3,692,726	49,224,283
Debt service:						
Principal retirement	-	-	-	25,510,000	-	25,510,000
Interest	-	-	-	10,301,223	-	10,301,223
Total expenditures	<u>203,900,674</u>	<u>48,478,447</u>	<u>-</u>	<u>35,811,223</u>	<u>19,496,481</u>	<u>307,686,825</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,854,471</u>	<u>(47,505,926)</u>	<u>31,184,023</u>	<u>(11,286,710)</u>	<u>791,087</u>	<u>(12,963,055)</u>
Other financing sources (uses):						
Transfers in	736,489	-	-	-	-	736,489
Transfers out	(301,133)	-	-	-	(736,489)	(1,037,622)
Total other financing sources (uses)	<u>435,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(736,489)</u>	<u>(301,133)</u>
Net change in fund balances	14,289,827	(47,505,926)	31,184,023	(11,286,710)	54,598	(13,264,188)
Fund balances, July 1, 2022	39,938,047	84,402,681	1,713	32,283,854	9,555,931	166,182,226
Fund balances, June 30, 2023	<u>\$ 54,227,874</u>	<u>\$ 36,896,755</u>	<u>\$ 31,185,736</u>	<u>\$ 20,997,144</u>	<u>\$ 9,610,529</u>	<u>\$ 152,918,038</u>

See 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, 2023

Net change in fund balances - Total Governmental Funds	\$ (13,264,188)
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).	49,373,214
Depreciation of capital assets is an expense that is not recorded in governmental funds (Note 4).	(9,101,566)
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.	(676,009)
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).	25,510,000
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).	1,611,787
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:	10,035,700
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).	(3,277,890)
Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds.	498,576

(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, 2023

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). \$ 399,529

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. 939,417

Change in net position of governmental activities \$ 62,048,570

See notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND
June 30, 2023

ASSETS

Cash and investments:	
Cash in County Treasury	\$ 3,002,600
Cash with Fiscal Agent	443,875
Receivables	12,383
Due from other funds	<u>3,500,084</u>
 Total current assets	 <u>6,958,942</u>

LIABILITIES

Current liabilities:	
Self-insurance claims liability - current portion	1,569,000
Accounts payable	<u>69,365</u>
 Total current liabilities	 1,638,365
 Self-insurance claims liability - less current portion	 <u>4,706,000</u>
 Total liabilities	 <u>6,344,365</u>

NET POSITION

Restricted for self-insurance	<u><u>\$ 614,577</u></u>
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See 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, 2023

Operating revenues:	
In-district contributions	\$ <u>3,199,202</u>
Operating expenses:	
Classified salaries	251,956
Employee benefits	109,074
Material and supplies	1,596
Claims and claims adjustment expense	<u>2,256,046</u>
 Total operating expense	 <u>2,618,672</u>
 Operating income	 580,530
Non-operating revenues:	
Interest income	<u>57,754</u>
 Income before transfers	 638,284
 Transfers from other funds	 <u>301,133</u>
 Change in net position	 939,417
Net position, July 1, 2022	<u>(324,840)</u>
Net position, June 30, 2023	<u>\$ <u>614,577</u></u>

See notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2023

Cash flows from operating activities:	
Cash paid for in-district contributions	\$ (242,962)
Cash paid to employees for services	(361,030)
Cash paid for supplies	(1,596)
Cash paid for insurance claims	<u>(2,256,046)</u>
Net cash used in operating activities	(2,861,634)
Cash flows from non-capital financing activities:	
Transfer from other funds	<u>301,133</u>
Cash flows from investing activities:	
Interest income	<u>57,754</u>
Change in cash and investments	(2,502,747)
Cash and investments, July 1, 2022	<u>5,949,222</u>
Cash and investments, June 30, 2023	<u>\$ 3,446,475</u>
Reconciliation of operating income to net cash used in operating activities:	
Operating income	\$ 580,530
Adjustments to reconcile operating income to net cash used in operating activities:	
Increase in receivables	(3,833)
Decrease in accounts payable	(221,355)
Increase in self-insurance claims liabilities	162,000
Decrease in due to other funds	(2,500)
Increase in due from other funds	<u>(3,376,476)</u>
Total adjustments	<u>(3,442,164)</u>
Net cash used in operating activities	<u>\$ (2,861,634)</u>

See notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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.

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.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

County School Facilities Fund - The County School Facilities Fund is a capital projects fund used to account for State of California facilities grant apportionments used for the District's school facility construction and modernization projects.

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.

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.

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 other funds of the District. All revenues not meeting this definition within the internal service fund are reported as non-operating revenues.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2023.

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.

The following is a summary of pension amounts in aggregate:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 25,666,142	\$ 26,591,397	\$ 52,257,539
Deferred inflows of resources	\$ 15,076,000	\$ 2,756,000	\$ 17,832,000
Net pension liability	\$ 79,197,000	\$ 74,536,000	\$ 153,733,000
Pension expense	\$ 8,536,608	\$ 59,630,001	\$ 68,166,609

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$3,912,481 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. The restriction for self-insurance represents the portion of net position restricted for self-insured programs and activities. It is the District's policy to first use restricted net position when allowable expenditures are incurred.

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

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2023 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.

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, 2023, 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.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 defines a subscription-based information technology arrangement and requires the recognition of a right to use subscription asset and corresponding subscription liability. This statement was effective for fiscal years beginning after June 15, 2022. There was no impact to the District's July 1, 2022 net position as a result of the implementation of GASB Statement No. 96.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2023, consisted of the following:

	Governmental Activities		
	Governmental Funds	Proprietary Funds	Total
Pooled funds:			
Cash in County Treasury	\$ 161,788,672	\$ 3,002,600	\$ 164,791,272
Cash awaiting deposit	3,817,438	-	3,817,438
Deposits:			
Cash in revolving fund	100,000	-	100,000
Cash on hand and in banks	1,033,002	-	1,033,002
Cash with fiscal agent	135,002	443,875	578,877
Total cash and investments	\$ 166,874,114	\$ 3,446,475	\$ 170,320,589

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, 2023, the carrying amount of the District's accounts was \$1,133,002 and the bank balance was \$1,036,093. Of the bank balances, \$729,972 was FDIC insured and \$306,121 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.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - CASH AND INVESTMENTS (Continued)

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, 2023, 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, 2023, the District had no concentration of credit risk.

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, 2023 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	\$ 798,955	\$ 3,527,459
Non-Major Funds:		
Adult Education	1,030	182,649
Child Development	842	392,215
Cafeteria	25,503	224,091
Proprietary Fund:		
Self-Insurance	<u>3,500,084</u>	<u>-</u>
Totals	<u>\$ 4,326,414</u>	<u>\$ 4,326,414</u>

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

Transfers for the 2022-23 fiscal year were as follows:

Transfer from the General Fund to the Self-Insurance Fund to provide required reserves for property and liability insurance.	\$ 301,133
Transfer from the Adult Education Fund to the General Fund for indirect costs support.	179,871
Transfer from the Child Development Fund to the General Fund for indirect costs support.	391,174
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	<u>165,444</u>
	<u>\$ 1,037,622</u>

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2023, is shown below:

	Balance July 1, <u>2022</u>	<u>Additions</u>	Transfers and <u>Deletions</u>	Balance June 30, <u>2023</u>
Non-depreciable:				
Land	\$ 6,908,949	\$ -	\$ -	\$ 6,908,949
Work-in-process	100,322,912	48,267,302	(25,994,418)	122,595,796
Depreciable:				
Improvement of sites	21,266,962	-	25,994,418	47,261,380
Buildings	423,336,036	-	-	423,336,036
Equipment	<u>13,690,361</u>	<u>1,105,912</u>	<u>-</u>	<u>14,796,273</u>
Totals, at cost	<u>565,525,220</u>	<u>49,373,214</u>	<u>-</u>	<u>614,898,434</u>
Less accumulated depreciation:				
Improvement of sites	(11,981,501)	(719,361)	-	(12,700,862)
Buildings	(147,213,733)	(7,966,242)	-	(155,179,975)
Equipment	<u>(12,018,894)</u>	<u>(415,963)</u>	<u>-</u>	<u>(12,434,857)</u>
Total accumulated depreciation	<u>(171,214,128)</u>	<u>(9,101,566)</u>	<u>-</u>	<u>(180,315,694)</u>
Capital assets, net	<u>\$ 394,311,092</u>	<u>\$ 40,271,648</u>	<u>\$ -</u>	<u>\$ 434,582,740</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 5,401,481
Supervision of instruction	436,859
Instructional library, media and technology	129,061
School site administration	516,118
Home-to-school transportation	261,291
Food services	233,440
All other pupil services	328,723
Ancillary services	16,540
Community services	14,273
Enterprise activities	178,023
All other general administration	533,791
Centralized data processing	86,558
Plant services	<u>965,408</u>
Total depreciation expense	<u>\$ 9,101,566</u>

(Continued)

NOTE 5 - LONG-TERM LIABILITIES

General Obligation Bonds: On May 10, 2011, the District issued General Obligation Bonds, Election of 2010, Series B totaling \$25,000,000 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.

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 and 2011 GO Bonds reached their respective crossover dates, and therefore 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% and matured on August 1, 2022.

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.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 - LONG-TERM LIABILITIES (Continued)

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.

A summary of General Obligation Bonds payable as follows:

Issue Date	Original Maturity Date	Interest Rate %	Original Issue	Outstanding July 1, 2022	Issued	Refunded and Redeemed	Outstanding June 30, 2023
05/10/11	05/01/26	3.50% - 5.50%	\$ 25,000,000	\$ 12,675,000	\$ -	\$ 2,515,000	\$ 10,160,000
06/11/15	08/01/45	3.375% - 5.00%	50,000,000	1,535,000	-	-	1,535,000
07/09/15	08/01/24	2.00% - 5.00%	23,665,000	6,455,000	-	3,420,000	3,035,000
05/19/16	08/01/31	2.00% - 5.00%	17,905,000	12,845,000	-	1,110,000	11,735,000
04/25/17	08/01/35	3.375% - 5.00%	23,965,000	22,455,000	-	835,000	21,620,000
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	19,605,000	-	3,740,000	15,865,000
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	-	8,975,000	58,825,000
11/05/20	08/01/29	5.00%	10,275,000	9,230,000	-	960,000	8,270,000
09/21/21	08/01/45	0.196% - 2.798%	96,055,000	96,055,000	-	1,755,000	94,300,000
				<u>\$ 332,355,000</u>	<u>\$ -</u>	<u>\$ 25,510,000</u>	<u>\$ 306,845,000</u>

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

Year Ending June 30.	Principal	Interest	Total
2024	\$ 14,845,000	\$ 9,470,049	\$ 24,315,049
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	14,055,000	7,449,534	21,504,534
2029-2033	57,720,000	30,971,221	88,691,221
2034-2038	51,420,000	25,111,541	76,531,541
2039-2043	56,170,000	14,931,206	71,101,206
2044-2048	56,635,000	6,407,428	63,042,428
2049-2053	<u>18,685,000</u>	<u>713,175</u>	<u>19,398,175</u>
	<u>\$ 306,845,000</u>	<u>\$ 120,246,882</u>	<u>\$ 427,091,882</u>

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2023, is shown below:

	Balance			Balance	Amounts
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>	<u>Due Within</u>
					<u>One Year</u>
<u>Debt:</u>					
General Obligation Bonds	\$ 332,355,000	\$ -	\$ 25,510,000	\$ 306,845,000	\$ 14,845,000
Unamortized premiums	13,192,409	-	1,611,787	11,580,622	1,293,218
 <u>Other Long-Term Liabilities:</u>					
Net pension liability (Notes 7 and 8)	95,081,000	58,652,000	-	153,733,000	-
Total OPEB liability (Note 9)	43,441,447	-	4,023,113	39,418,334	-
Compensated absences	<u>4,312,010</u>	<u>-</u>	<u>399,529</u>	<u>3,912,481</u>	<u>3,912,481</u>
	<u>\$ 488,381,866</u>	<u>\$ 58,652,000</u>	<u>\$ 31,544,429</u>	<u>\$ 515,489,437</u>	<u>\$ 20,050,699</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, 2023

NOTE 6 - FUND BALANCES

Fund balances, by category, at June 30, 2023 consisted of the following:

	General <u>Fund</u>	Building <u>Fund</u>	County School Facilities <u>Fund</u>	Bond Interest and Redemption <u>Fund</u>	All Non-Major <u>Funds</u>	<u>Total</u>
Nonspendable:						
Revolving cash fund	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ 100,000
Stores inventory	-	-	-	-	66,308	66,308
Prepaid expenditures	<u>98,454</u>	-	-	-	-	<u>98,454</u>
Subtotal						
nonspendable	<u>198,454</u>	-	-	-	66,308	<u>264,762</u>
Restricted:						
Legally restricted:						
Grants	19,426,414	-	-	-	-	19,426,414
Student activities	-	-	-	-	501,057	501,057
Adult ed programs	-	-	-	-	1,700,495	1,700,495
Child development	-	-	-	-	1,075,027	1,075,027
Other programs	-	-	-	-	2,927,555	2,927,555
Capital projects	-	36,896,755	31,185,736	-	3,280,196	71,362,687
Debt service	-	-	-	<u>20,997,144</u>	<u>59,891</u>	<u>21,057,035</u>
Subtotal						
restricted	<u>19,426,414</u>	<u>36,896,755</u>	<u>31,185,736</u>	<u>20,997,144</u>	<u>9,544,221</u>	<u>118,050,270</u>
Committed:						
Measure H Parcel Tax	947,132	-	-	-	-	947,132
Berkeley Schools						
Excellence Program	11,491,538	-	-	-	-	11,491,538
Berkeley Educator						
Recruitment and						
Retention Act	<u>2,040,788</u>	-	-	-	-	<u>2,040,788</u>
Subtotal						
committed	<u>14,479,458</u>	-	-	-	-	<u>14,479,458</u>
Assigned:						
Supplemental LCAP	1,000,000	-	-	-	-	1,000,000
OPEB	<u>7,351,966</u>	-	-	-	-	<u>7,351,966</u>
Subtotal						
assigned	<u>8,351,966</u>	-	-	-	-	<u>8,351,966</u>
Unassigned:						
Designated for						
economic uncertainty	6,122,515	-	-	-	-	6,122,515
Undesignated	<u>5,649,067</u>	-	-	-	-	<u>5,649,067</u>
Subtotal						
unassigned	<u>11,771,582</u>	-	-	-	-	<u>11,771,582</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.

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.

(Continued)

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

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 2022-23.

Under CalSTRS 2% at 62, pay 9% toward the normal cost and an additional 1.205 percent as per the CalSTRS Funding Plan for a total member contribution rate of 10.205 percent. The contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1% since the last time the member contribution rate was set. Based on the June 30, 2021, valuation adopted by the CalSTRS board in May 2022, 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, 2022.

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 – Employers are required to contribute a base contribution rate set in statute at 8.25%. Pursuant to the CalSTRS Funding Plan, employers also have a supplemental contribution rate to eliminate their share of the CalSTRS unfunded actuarial obligation by 2046.

Beginning in fiscal year 2021–22, the CalSTRS Funding Plan authorized the CalSTRS 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 May 2022, the CalSTRS board voted to keep the employer supplemental contribution rate at 10.85% for fiscal year 2022–23 for a total employer contribution rate of 19.10%.

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.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

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

The CalSTRS employer contribution rates effective for fiscal year 2022-23 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>Total</u>
July 1, 2022	8.250%	10.850%	19.100%
July 1, 2023 to June 30, 2046	8.250%	(1)	(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 20.250% total and no lower than 8.250%.

The District contributed \$15,323,142 to the plan for the fiscal year ended June 30, 2023.

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 May 2022, the CalSTRS board voted to keep the state supplemental contribution rate at 6.311% for fiscal year 2022-23 for a total contribution rate of 10.828%.

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 2021-22. These contributions are funded from future excess General Fund revenues, pursuant to the requirements of California Proposition 2, the "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 2021-22, CalSTRS received \$410.0 million in supplemental state contributions from Proposition 2 funds. Additionally, CalSTRS received a one-time supplemental payment of \$173.7 million from the General Fund in fiscal year 2021-22 to offset forgone contributions due to the suspension of the 0.5% increase to the state supplemental contribution rate in fiscal year 2020-21.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

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

The CalSTRS state contribution rates effective for fiscal year 2022-23 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⁽¹⁾</u>	<u>Total</u>
July 01, 2022	2.017%	6.311%	2.50%	10.828%
July 01, 2023 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 CalSTRS 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 supplemental rate by more than 0.5% in a fiscal year, and if there is no unfunded actuarial obligation, the supplemental contribution rate imposed would be reduced to 0%.
- (3) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining unfunded actuarial obligation.

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

At June 30, 2023, 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	\$ 79,197,000
State's proportionate share of the net pension liability associated with the District	<u>44,764,000</u>
Total	<u>\$ 123,961,000</u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. 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, 2023, the District's proportion was 0.114 percent, which was an increase of 0.004 percent from its proportion measured as of June 30, 2022.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

For the year ended June 30, 2023, the District recognized pension expense of \$8,536,608 and revenue of \$6,335,612 for support provided by the State. At June 30, 2023, 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	\$ 65,000	\$ 5,938,000
Changes of assumptions	3,928,000	-
Net differences between projected and actual earnings on investments	-	3,873,000
Changes in proportion and differences between District contributions and proportionate share of contributions	6,350,000	5,265,000
Contributions made subsequent to measurement date	<u>15,323,142</u>	<u>-</u>
Total	<u>\$ 25,666,142</u>	<u>\$ 15,076,000</u>

\$15,323,142 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, 2024. 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>	
2024	\$ (286,867)
2025	(3,116,867)
2026	(6,530,867)
2027	5,480,467
2028	(437,033)
2029	158,167

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, 2022 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, 2023

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, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2021
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.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

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	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>\$ 134,506,000</u>	<u>\$ 79,197,000</u>	<u>\$ 33,274,000</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 non-certified 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-2022.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, 2023 were as follows:

Members - The member contribution rate was 7.0 percent of applicable member earnings for fiscal year 2022-23.

Employers - The employer contribution rate was 25.37 percent of applicable member earnings. The District contributed \$8,931,397 to the plan for the fiscal year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$74,536,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. 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, 2023 the District's proportion was 0.217 percent, which was a decrease of 0.004 percent from its proportion measured as of June 30, 2022.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

For the year ended June 30, 2023 the District recognizes pension expense of \$59,630,001. At June 30, 2023, 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	\$ 337,000	\$ 1,855,000
Changes of assumptions	5,514,000	-
Net differences between projected and actual earnings on investments	8,801,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	3,008,000	901,000
Contributions made subsequent to measurement date	<u>8,931,397</u>	<u>-</u>
Total	<u>\$ 26,591,397</u>	<u>\$ 2,756,000</u>

\$8,931,397 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, 2024. 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>	
2024	\$ 4,409,333
2025	3,521,333
2026	1,606,834
2027	5,366,500

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 3.9 years as of the June 30, 2022 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, 2023

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, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2021
Experience Study	June 30, 2000 through June 30, 2019
Actuarial Cost Method	Entry age normal
Investment Rate of Return	6.90%
Consumer Price Inflation	2.30%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies, 2.30% thereafter

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 80% of scale MP2020. For more details on this table, please refer to the 2021 experience study report.

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from 2000 to 2019, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

During the 2021-22 measurement period, the financial reporting discount rate for PERF B was lowered from 7.15 percent to 6.90 percent. In addition, the inflation assumption was reduced from 2.50 percent to 2.30 percent. Lastly, demographic assumptions for mortality rates were updated.

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Expected Real Rates of Return Years 1-10 (1, 2)</u>
Global Equity – cap-weighted	30.00%	4.45%
Global Equity non-cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	.27%
Mortgage-backed Securities	5.00%	.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)

- (1) An expected inflation rate of 2.30% used for this period
(2) Figures are based on the 2021-22 CalPERS Asset Liability Management Study

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

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

Discount Rate: The discount rate used to measure the total pension liability was 6.90 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS' website.

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

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

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 6.90 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 (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	<u>\$ 107,671,000</u>	<u>\$ 74,536,000</u>	<u>\$ 47,151,000</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.

(Continued)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

General Information about the Other Postemployment Benefits Plan (OPEB)

Plan Description: In addition to the benefits described in Notes 7 and 8, 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, 2023, the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's total OPEB liability, and the plan does not issue separate financial statements

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

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

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

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

Employees Covered by Benefit Terms: The following is a table of plan participants in the June 30, 2021 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 \$1,078,661 for the year ended June 30, 2023. Employees are not required to contribute to the OPEB plan.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Total OPEB Liability - The District's total OPEB liability was measured as of June 30, 2022, determined on an actuarial valuation as of June 30, 2021.

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, 2021
<u>Measurement Date</u>	June 30, 2022
<u>Actuarial Method</u>	Entry Age actuarial cost method.
<u>Discount Rate</u>	3.54%, per the Bond Buyer 20 Bond Index.
<u>Health Care Increases</u>	4.00% per annum.
<u>Mortality Rates</u>	2017 CalPERS OPEB Assumptions Model (for classified and other non-certificated members) and from the 2020 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

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2022	\$ 43,441,447
Changes for the year:	
Service cost	3,231,624
Interest	967,010
Changes in assumptions	(7,645,230)
Differences in experience	510,798
Benefit payments	<u>(1,087,315)</u>
Net change	<u>(4,023,113)</u>
Balance at June 30, 2023	<u>\$ 39,418,334</u>

The changes in assumptions primarily comprised of a change in the discount rate from 2.16% in the prior valuation, to 3.54% in the current valuation. There were no changes between the measurement date and the year ended June 30, 2023 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 <u>(2.54%)</u>	Current Discount Rate <u>(3.54%)</u>	1% Increase <u>(4.54%)</u>
Total OPEB liability	<u>\$ 44,876,215</u>	<u>\$ 39,418,334</u>	<u>\$ 35,480,361</u>

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

	1% Decrease <u>(3.00%)</u>	Healthcare Cost Trend Rates Rate <u>(4.00%)</u>	1% Increase <u>(5.00%)</u>
Total OPEB liability	<u>\$ 33,332,172</u>	<u>\$ 39,418,334</u>	<u>\$ 46,670,430</u>

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$4,356,551. At June 30, 2023, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 5,288,808	\$ 8,757,057
Differences in experience	6,670,168	4,666,590
Contributions subsequent to measurement date	<u>1,078,661</u>	<u>-</u>
Totals	<u>\$ 13,037,637</u>	<u>\$ 13,423,647</u>

\$1,078,661 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, 2024.

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>	
2024	\$ 157,917
2025	157,917
2026	157,917
2027	157,917
2028	157,917
Thereafter	(2,254,256)

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

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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

Unpaid Claims Liabilities: The Self-Insurance Fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses, developed through both the workers compensation and property and liability programs. The self-insurance program was initiated on January 1, 2004. The following represents the changes in approximate aggregate liabilities for the District from July 1, 2021 to June 30, 2023:

<u>Self-Insurance Programs</u>	
Liability balance, July 1, 2021	\$ <u>9,548,000</u>
Claims and changes in estimates	(2,427,979)
Claims payments	<u>(1,007,021)</u>
Liability balance, June 30, 2022	6,113,000
Claims and changes in estimates	1,119,651
Claims payments	<u>(957,651)</u>
Liability balance, June 30, 2023	<u>\$ 6,275,000</u>

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 11 - JOINT POWERS AUTHORITIES

The District is a member with other school districts in two Joint Powers Authorities, Public Risk Innovation, Solutions and Management (PRISM) 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. PRISM and ASCIP are governed by Governing Boards consisting of representatives from each member district. The Boards control the operations of PRISM 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, 2023:

	<u>PRISM</u>	<u>ASCIP</u>
Total assets	\$ 1,184,851,570	\$ 519,383,817
Deferred outflows of resources	4,727,766	2,445,419
Total liabilities	921,522,389	347,789,357
Deferred inflows of resources	<u>4,229,528</u>	<u>42,609</u>
 Total net position	 <u>\$ 263,827,419</u>	 <u>\$ 173,997,270</u>
 Total revenues	 \$ 1,610,800,387	 \$ 295,054,036
Total expenditures	<u>1,491,011,440</u>	<u>339,498,606</u>
 Change in net position	 <u>\$ 119,788,947</u>	 <u>\$ (44,444,570)</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, 2023, the District has approximately \$18.8 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, 2023

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 47,709,440	\$ 42,931,070	\$ 45,147,436	\$ 2,216,366
Local sources	<u>57,589,485</u>	<u>65,190,582</u>	<u>63,211,200</u>	<u>(1,979,382)</u>
Total LCFF	<u>105,298,925</u>	<u>108,121,652</u>	<u>108,358,636</u>	<u>236,984</u>
Federal sources	4,150,333	7,884,660	4,852,199	(3,032,461)
Other state sources	30,954,382	32,179,295	31,800,678	(378,617)
Other local sources	<u>29,818,707</u>	<u>33,396,167</u>	<u>72,743,632</u>	<u>39,347,465</u>
Total revenues	<u>170,222,347</u>	<u>181,581,774</u>	<u>217,755,145</u>	<u>36,173,371</u>
Expenditures:				
Current:				
Certificated salaries	61,412,190	65,888,382	80,484,924	(14,596,542)
Classified salaries	25,082,603	26,365,885	35,267,087	(8,901,202)
Employee benefits	40,924,621	41,653,712	46,378,369	(4,724,657)
Books and supplies	4,270,929	13,508,082	4,505,310	9,002,772
Contract services and operating expenditures	23,891,492	41,736,530	36,744,374	4,992,156
Other outgo	(3,915,651)	(4,189,166)	9,010	(4,198,176)
Capital outlay	<u>52,819</u>	<u>211,628</u>	<u>511,600</u>	<u>(299,972)</u>
Total expenditures	<u>151,719,003</u>	<u>185,175,053</u>	<u>203,900,674</u>	<u>(18,725,621)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,503,344</u>	<u>(3,593,279)</u>	<u>13,854,471</u>	<u>17,447,750</u>
Other financing sources (uses):				
Transfers in	650,000	889,531	736,489	(153,042)
Transfers out	<u>(865,132)</u>	<u>(1,104,663)</u>	<u>(301,133)</u>	<u>803,530</u>
Total other financing (uses) sources	<u>(215,132)</u>	<u>(215,132)</u>	<u>435,356</u>	<u>650,488</u>
Net change in fund balance	18,288,212	(3,808,411)	14,289,827	18,098,238
Fund balance, July 1, 2022	<u>39,938,047</u>	<u>39,938,047</u>	<u>39,938,047</u>	<u>-</u>
Fund balance, June 30, 2023	<u>\$ 58,226,259</u>	<u>\$ 36,129,636</u>	<u>\$ 54,227,874</u>	<u>\$ 18,098,238</u>

See notes to required supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
For the Year Ended June 30, 2023

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total OPEB liability						
Service cost	\$ 2,029,967	\$ 2,085,791	\$ 2,044,795	\$ 4,021,382	\$ 5,208,263	\$ 3,231,624
Interest	712,604	853,424	911,528	1,283,919	1,053,959	967,010
Changes of assumptions	-	(649,150)	1,092,771	6,519,222	(1,852,759)	(7,645,230)
Differences in experience	-	-	9,752,587	347,551	(5,863,152)	510,798
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>	<u>(1,087,315)</u>
Net change in total OPEB liability	2,056,294	1,576,337	11,923,896	10,624,475	(2,455,751)	(4,023,113)
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>	<u>43,441,447</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>	<u>\$39,418,334</u>
Covered employee payroll	\$80,292,099	\$82,700,862	\$83,693,272	\$84,697,592	\$85,713,963	\$86,742,530
Total OPEB liability as a percentage of covered-employee payroll	27.12%	28.23%	42.15%	54.19%	50.68%	45.44%

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 notes 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, 2023

	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>	<u>2023</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%	0.114%
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	\$ 79,197,000
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>	<u>44,764,000</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>	<u>\$123,961,000</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	\$ 65,057,000
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%	121.73%
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%	81.20%

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, 2023

	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>	<u>2023</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%	0.217%
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	\$ 74,536,000
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	\$ 30,270,000
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%	246.24%
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%	69.76%

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 notes to required supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2023

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>	<u>2023</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	\$ 15,323,142
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>	<u>(15,323,142)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 80,226,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10% *	16.15**	16.92%***	19.10%

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, 2023

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>	<u>2023</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	\$ 8,931,397
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>	<u>(8,931,397)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 35,205,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%	22.91%	25.37%

All years prior to 2015 are not available.

BERKELEY UNIFIED SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2023

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 rates used for the total OPEB liability were 3.80, 3.50, 2.20, 2.16 and 3.54 percent at the June 30, 2018, 2019, 2020, 2021 and 2022 measurement dates, respectively.

The discount rates used for the Public Employer's Retirement Fund B (PERF B) plan were 7.50, 7.65, 7.65, 7.15, 7.15, 7.15, 7.15, 7.15 and 6.90 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, and 2021 actuarial reports, respectively.

The inflation rates used for the PERF B plan were 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, and 2.30 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 actuarial reports, respectively.

<u>Assumption</u>	<u>Measurement Period</u>							
	<u>As of June 30, 2022</u>	<u>As of June 30, 2021</u>	<u>As of June 30, 2020</u>	<u>As of June 30, 2019</u>	<u>As of June 30, 2018</u>	<u>As of June 30, 2017</u>	<u>As of June 30, 2016</u>	<u>As of June 30, 2015</u>
Consumer price inflation	2.75%	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%	7.10%	7.60%	7.60%
Wage growth	3.50%	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, 2023

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Pupil Trans- portation Equipment Fund	Capital Facilities Fund	Tax Override Fund	Total
ASSETS								
Cash and investments:								
Cash in County Treasury	\$ -	\$ 549,168	\$ 1,804,644	\$ 2,310,889	\$ 10,115	\$ 3,222,814	\$ 59,891	\$ 7,957,521
Cash on hand and in banks	501,057	156,810	323,585	51,550	-	-	-	1,033,002
Collections awaiting deposit	-	908,302	700,942	475,778	-	52,301	-	2,137,323
Receivables	-	412,399	155,278	787,018	38	12,295	-	1,367,028
Due from other funds	-	1,030	842	25,503	-	-	-	27,375
Stores inventory	-	-	-	66,308	-	-	-	66,308
Total assets	\$ 501,057	\$ 2,027,709	\$ 2,985,291	\$ 3,717,046	\$ 10,153	\$ 3,287,410	\$ 59,891	\$ 12,588,557
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ 144,565	\$ 249,310	\$ 509,245	\$ -	\$ 7,214	\$ -	\$ 910,334
Unearned revenue	-	-	1,268,739	-	-	-	-	1,268,739
Due to other funds	-	182,649	392,215	224,091	-	-	-	798,955
Total liabilities	-	327,214	1,910,264	733,336	-	7,214	-	2,978,028
Fund balances:								
Nonspendable	-	-	-	66,308	-	-	-	66,308
Restricted	501,057	1,700,495	1,075,027	2,917,402	10,153	3,280,196	59,891	9,544,221
Total fund balance	501,057	1,700,495	1,075,027	2,983,710	10,153	3,280,196	59,891	9,610,529
Total liabilities and fund balances	\$ 501,057	\$ 2,027,709	\$ 2,985,291	\$ 3,717,046	\$ 10,153	\$ 3,287,410	\$ 59,891	\$ 12,588,557

BERKELEY UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 For the Year Ended June 30, 2023

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Pupil Trans- portation Equipment Fund	Capital Facilities Fund	Tax Override Fund	Total
Revenues:								
Federal sources	\$ -	\$ 736,955	\$ 1,157,746	\$ 2,130,638	\$ -	\$ -	\$ -	\$ 4,025,339
Other state sources	-	3,749,950	5,405,191	3,814,893	-	-	-	12,970,034
Other local sources	<u>780,747</u>	<u>149,293</u>	<u>830,136</u>	<u>74,357</u>	<u>140</u>	<u>1,458,995</u>	<u>(1,473)</u>	<u>3,292,195</u>
Total revenues	<u>780,747</u>	<u>4,636,198</u>	<u>7,393,073</u>	<u>6,019,888</u>	<u>140</u>	<u>1,458,995</u>	<u>(1,473)</u>	<u>20,287,568</u>
Expenditures:								
Current:								
Certificated salaries	-	2,104,398	2,180,821	-	-	-	-	4,285,219
Classified salaries	-	872,835	1,759,121	1,969,854	-	-	-	4,601,810
Employee benefits	-	900,625	1,710,972	868,534	-	-	-	3,480,131
Books and supplies	-	304,418	323,995	1,687,420	-	-	-	2,315,833
Contract services and operating expenditures	745,029	242,511	490,019	(367,991)	-	11,194	-	1,120,762
Capital outlay	-	20,443	74,762	279,839	-	3,317,682	-	3,692,726
Total expenditures	<u>745,029</u>	<u>4,445,230</u>	<u>6,539,690</u>	<u>4,437,656</u>	<u>-</u>	<u>3,328,876</u>	<u>-</u>	<u>19,496,481</u>
Excess (deficiency) of revenues over (under) expenditures	<u>35,718</u>	<u>190,968</u>	<u>853,383</u>	<u>1,582,232</u>	<u>140</u>	<u>(1,869,881)</u>	<u>(1,473)</u>	<u>791,087</u>
Other financing uses:								
Transfers out	-	(179,871)	(391,374)	(165,244)	-	-	-	(736,489)
Net change in fund balances	35,718	11,097	462,009	1,416,988	140	(1,869,881)	(1,473)	54,598
Fund balances, July 1, 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>61,364</u>	<u>9,555,931</u>
Fund balances, June 30, 2023	<u>\$ 501,057</u>	<u>\$ 1,700,495</u>	<u>\$ 1,075,027</u>	<u>\$ 2,983,710</u>	<u>\$ 10,153</u>	<u>\$ 3,280,196</u>	<u>\$ 59,891</u>	<u>\$ 9,610,529</u>

BERKELEY UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2023

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>
Laura Babitt	President	2024
Ana Vasudeo	Vice President	2024
Jennifer Shanoski	Clerk	2026
Ka'Dijah Brown	Director	2026
Mike Chang	Director	2026

ADMINISTRATION

Enikia Ford Morthel
Superintendent

Pauline Follansbee, CPA
Assistant Superintendent, Business Services

Jill Hoogendyk
Associate Superintendent, Educational Services

Samantha Tobias-Espinosa
Assistant Superintendent, Human Resource

BERKELEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
June 30, 2023

	Second Period <u>Report</u>	Annual <u>Report</u>
Certificate Number:	4BE7AF5	8810A56A
Elementary:		
Transitional Kindergarten through Third	2,396	2,405
Fourth through Sixth	1,781	1,785
Seventh and Eighth	1,231	1,235
Special Education	<u>138</u>	<u>29</u>
Subtotal Elementary	<u>5,546</u>	<u>5,454</u>
Secondary:		
Ninth through Twelfth	3,031	3,032
Special Education	42	26
Continuation Education	<u>44</u>	<u>43</u>
Subtotal Secondary	<u>3,117</u>	<u>3,101</u>
District Total	<u><u>8,663</u></u>	<u><u>8,555</u></u>

BERKELEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2023

<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2022-2023 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	53,520	180	In Compliance
Grade 2	50,400	54,412	180	In Compliance
Grade 3	50,400	54,412	180	In Compliance
Grade 4	54,000	54,420	180	In Compliance
Grade 5	54,000	54,420	180	In Compliance
Grade 6	54,000	57,262	180	In Compliance
Grade 7	54,000	57,262	180	In Compliance
Grade 8	54,000	57,262	180	In Compliance
Grade 9	64,800	65,078	180	In Compliance
Grade 10	64,800	65,078	180	In Compliance
Grade 11	64,800	65,078	180	In Compliance
Grade 12	64,800	65,078	180	In Compliance

BERKELEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Assistance Listing (AL) <u>Number</u>	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:			
84.173	COVID-19: Special Ed: ARP IDEA Early Intervention	10170	\$ 60,152
84.173	COVID-19: Special Ed: ARP IDEA PreK Early Intervening	10171	3,591
84.027	Special Ed: Individuals with Disabilities Act (IDEA) Basic Local Assistance Entitlement, Part B, Sec 611	13379	1,641,757
84.027	Special Ed: IDEA Local Assistance, Part B, Sec 611, Private School Individual Service Plans (ISPs)	10115	7,013
84.173	Special Ed: IDEA Preschool Grants, Part B, Sec 619	13430	29,969
84.027A	Special Ed: IDEA Mental Health Allocation Plan, Part B	15197	111,081
	Subtotal: Special Education Cluster		<u>1,853,563</u>
Adult Education Programs:			
84.002A	Adult Education: Adult Basic Education & ESL	14508	358,320
84.002	Adult Education: Adult Secondary Education	13978	157,065
84.002A	Adult Education: English Literacy and Civics Education	14109	221,570
	Subtotal: Adult Education Programs		<u>736,955</u>
COVID-19: Education Stabilization Fund (ESF) Programs:			
84.425	COVID-19: Elementary and Secondary School Emergency Relief Fund I (ESSER I)	15536	336,416
84.425	COVID-19: Elementary and Secondary School Emergency Relief Fund III (ESSER II)	15547	154,269
84.425U	COVID-19: Elementary and Secondary School Emergency Relief Fund III (ESSER III): Learning Loss	10155	254,777
84.425C	COVID-19: Governor's Emergency Education Relief Fund: Learning Loss Mitigation	15517	63,827
84.425	COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER II State Reserve	15618	360,723
84.425	COVID-19: Child Nutrition -COVID CARES Act Supplemental Meal Reimbursement	15619	78,645
84.425	COVID-19: Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Learning Loss	15621	300,835
	Subtotal: COVID-19: ESF Programs		<u>1,549,492</u>

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Assistance Listing (AL) <u>Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	Pass- Through Entity <u>Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
84.010	NCLB: Title I, Part A, Basic Grants Low Income and Neglected	14329	\$ 797,091
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131	14894	51,240
84.126	Department of Rehab: Workability II, Transition Partnership	10006	97,358
84.365	NCLB: Title III, Limited English Proficiency (LEP) Student Program	14346	126,392
84.181	Special Ed: IDEA Early Intervention Grants, Part C	23761	71,074
84.424	ESSA: Title IV, Part A, Student Support and Academic Enrichment	15396	137,937
84.367	NCLB: Title II, Part A, Teacher Quality	14341	<u>168,052</u>
	Total U.S. Department of Education		<u>5,589,154</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.575	Child Development: Federal Child Care, Center-based	15136	<u>987,386</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
	Child Nutrition Cluster:		
10.555	Child Nutrition: School Programs	13390	1,899,513
10.555	Supply Chain Assistance	15655	<u>231,125</u>
	Subtotal Child Nutrition Cluster		<u>2,130,638</u>
10.558	Child Nutrition: Child Care Food Program (CCFP)	13393	<u>162,121</u>
	Total U.S. Department of Agriculture		<u>2,292,759</u>
	Total Federal Programs		<u>\$ 8,869,299</u>

BERKELEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
June 30, 2023

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

BERKELEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2023
(UNAUDITED)

	(Budget) <u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 213,380,555	\$ 218,491,634	\$ 196,471,746	\$ 184,134,996
Expenditures	215,289,226	203,900,674	193,855,558	176,110,879
Other uses and transfers out	<u>250,000</u>	<u>301,133</u>	<u>123,608</u>	<u>1,508,740</u>
Total outgo	<u>215,539,226</u>	<u>204,201,807</u>	<u>193,979,166</u>	<u>177,619,619</u>
Change in fund balance	<u>\$ (2,158,671)</u>	<u>\$ 14,289,827</u>	<u>\$ 2,492,580</u>	<u>\$ 6,515,377</u>
Ending fund balance	<u>\$ 52,069,203</u>	<u>\$ 54,227,874</u>	<u>\$ 39,938,047</u>	<u>\$ 37,445,467</u>
Available reserves	<u>\$ 23,090,888</u>	<u>\$ 11,771,582</u>	<u>\$ 9,279,209</u>	<u>\$ 7,971,142</u>
Designated for economic uncertainties	<u>\$ 2,380,489</u>	<u>\$ 6,122,515</u>	<u>\$ 9,279,209</u>	<u>\$ 5,388,685</u>
Undesignated fund balance	<u>\$ 20,710,399</u>	<u>\$ 5,649,067</u>	<u>\$ -</u>	<u>\$ 2,582,457</u>
Available reserves as percentages of total outgo	<u>10.7%</u>	<u>5.8%</u>	<u>4.8%</u>	<u>4.5%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 495,438,738</u>	<u>\$ 515,489,437</u>	<u>\$ 488,381,866</u>	<u>\$ 573,829,285</u>
Average daily attendance at P-2	<u>8,779</u>	<u>8,663</u>	<u>8,846</u>	<u>9,426</u>

The fund balance of the General Fund has increased by \$23,297,784 over the past three fiscal years. The District projects an decrease of \$2,158,671 for the year ending June 30, 2024. 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, 2023, 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 each of the past three years, and anticipates incurring an operating deficit during 2023-24 fiscal year.

Total long-term liabilities have decreased by \$58,339,848 over the past two years.

Average daily attendance has decreased by 763 over the past two years. The District anticipates an increase of 116 ADA during the fiscal year ending June 30, 2024.

BERKELEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2023

Included in District
Financial Statements, or
Charter Schools Chartered by District

Separate Report

The District does not sponsor any charter schools.

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

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 Expenditures 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 2023-24 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, 2023, the District did not adopt such a program.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Berkeley Unified School District
Berkeley, California

Report on Compliance***Opinion on State Compliance***

We have audited Berkeley Unified School District's (the District) compliance with the requirements specified in the State of California *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's state program requirements identified below for the year ended June 30, 2023.

In our opinion, the District complied, in all material respects, with the compliance requirements that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Basis for Opinions

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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* 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 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 opinion. Our audit does not provide a legal determination of the 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 the District's state 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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a 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 state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 consider 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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items:

<u>2022-23 K-12 Audit Guide Procedures</u>	<u>Procedures Performed</u>
<i>Local Education Agencies Other than Charter Schools:</i>	
A. Attendance	Yes
B. Teacher Certification and Misassignments	Yes
C. Kindergarten Continuance	Yes
D. Independent Study	Yes
E. Continuation Education	N/A, see below
F. Instructional Time	Yes
G. Instructional Materials	Yes
H. Ratio of Administrative Employees to Teachers	Yes
I. Classroom Teacher Salaries	Yes
J. Early Retirement Incentive	N/A, see below
K. Gann Limit Calculation	Yes
L. School Accountability Report Card	Yes
M. Juvenile Court Schools	N/A, see below
N. Middle or Early College High Schools	N/A, see below
O. K-3 Grade Span Adjustment	Yes
P. Transportation Maintenance of Effort	Yes
Q. Apprenticeship: Related and Supplemental Instruction	N/A, see below
R. Comprehensive School Safety Plan	Yes
S. District of Choice	N/A, see below
TT. Home to School Transportation Reimbursement	Yes
UU. Independent Study Certification for ADA Loss Mitigation	Yes

(Continued)

School Districts, County Offices of Education, and Charter Schools:

T. California Clean Energy Jobs Act	N/A, see below
U. After/Before School Education and Safety Program	Yes
V. Proper Expenditure of Education Protection Account Funds	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts	Yes
X. Local Control and Accountability Plan	Yes
Y. Independent Study – Course-Based	N/A, see below
Z. Immunizations	N/A, see below
AZ. Educator Effectiveness	Yes
BZ. Expanded Learning Opportunities Grant (ELO-G)	Yes
CZ. Career Technical Education Incentive Grant	Yes
EZ. Transitional Kindergarten	Yes

Charter Schools:

AA. Attendance	N/A, see below
BB. Mode of Instruction	N/A, see below
CC. Nonclassroom-Based Instruction/Independent Study	N/A, see below
DD. Determination of Funding for Nonclassroom-Based Instruction	N/A, see below
EE. Annual Instructional Minutes-Classroom Based	N/A, see below
FF. Charter School Facility Grant Program	N/A, see below

We did not perform any procedures related to Continuation Education programs, because the District's reported ADA for Continuation Education was below the level that requires testing in the current audit year.

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

We did not perform any procedures related to Juvenile Court Schools because the District does not offer this program.

We did not perform any procedures related to Middle or Early College High Schools because the District did not operate any qualifying Middle or Early College High Schools in the current audit year.

We did not perform any procedures related to Apprenticeship - Related and Supplemental Instruction because the District did not report attendance hours for applicable Apprenticeship courses in the current audit year.

We did not perform any procedures related to District of Choice because the District was not identified as a District of Choice by the California Department of Education.

We did not perform any procedures related to California Clean Energy Jobs Act because there were no clean energy jobs act expenditures incurred or projects completed in the current audit year.

We did not perform any procedures related to Independent Study-Course based because the District did not report ADA generated from Independent Study - Course Based in the current audit year.

The District's schools submitted timely immunization assessment reports to the California Department of Public Health; therefore, we did not perform any procedures related to Immunizations program.

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

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.

(Continued)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance regarding After/Before School Education and Safety Program and Instructional Materials, which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2023-001 and 2023-002.

The District's responses to the noncompliance findings identified in our audit are included in the accompanying Schedule of Audit Findings and Questioned Costs. The 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.

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 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 a material noncompliance with compliance requirement 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 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.

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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Sacramento, California
February 15, 2024

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, 2023, 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 15, 2024.

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.

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

Sacramento, California
February 15, 2024

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, 2023. 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, 2023.

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.

(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.

(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

Sacramento, California
February 15, 2024

FINDINGS AND RECOMMENDATIONS

BERKELEY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2023

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

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

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425, 84.425C, 84.425U 10.555	COVID 19: ESF Programs Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? _____ Yes X No

STATE AWARDS

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

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2023-001 - DEFICIENCY - STATE COMPLIANCE - AFTER/BEFORE SCHOOL EDUCATION AND SAFETY (40000)

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

Condition: Within a sample of attendance days and District sites tested for the after school program, the total number of pupils reported did not agree with supporting records A total error of 10 attendance days was identified from all sites.

Within a sample of attendance days and District sites tested for the before school program, the total number of pupils reported did not agree with supporting records A total error of 1 attendance day was identified from all sites.

Context: We performed the audit procedures enumerated in the State of California *2022-23 Guide Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above.

Effect: The District did not comply with the requirements for the After/Before School Education and Safety Program attendance reporting.

Cause: The error was the result of a clerical error in accounting for student attendance.

Fiscal Impact: The fiscal impact is a total of 11 attendance days reported for the After/Before School Education and Safety Program.

Recommendation: The District should enforce controls to ensure accurate accounting for attendance of students participating in After/Before School Education and Safety Program.

Views of Responsible Officials and Planned Corrective Action: Management concurs with the finding and will continue to work to implement necessary internal controls to ensure that the District meets all compliance requirements for After/Before School Education and Safety in future periods.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2023-002 – DEFICIENCY – STATE COMPLIANCE – INSTRUCTIONAL MATERIALS (70000)

Criteria: California Education Code section 60119 requires that each school district governing board hold a public hearing within the eighth week from the first day that pupils attended school for the year prior to making a determination through resolution as to the sufficiency of textbooks or other instructional materials.

Condition: The District held the public hearing regarding the sufficiency of its instructional materials on October 12, 2022, which is after the end of the eighth week of the start of the 2022-23 school year.

Context: We performed the audit procedures enumerated in the State of California *2022-23 Guide Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above.

Effect: The District was not in compliance with the requirements of Education Code section 60119.

Cause: The District's process for establishing the governing board agenda did not include necessary internal controls to ensure the District met this compliance requirement.

Fiscal Impact: Not applicable.

Recommendation: The process for developing the governing board agenda should be modified to ensure that a public hearing be held before the end of the eighth week of the start of classes, and that a subsequent resolution be passed by the governing board to evidence such determination.

Views of Responsible Officials and Planned Corrective Action: Management concurs with the finding and will work to implement necessary internal controls to ensure that the District meets all compliance requirements for Instructional Materials in future periods.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

BERKELEY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2023

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

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	<u>9,179</u>	<u>1,462</u>	<u>228</u>	<u>447</u>	<u>2,137</u>

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.

Current Status: Implemented.

District Explanation if Not Implemented: Not applicable.

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

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.

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.

Current Status: Implemented.

District Explanation if Not Implemented: Not applicable.