

BERKELEY UNIFIED SCHOOL DISTRICT
Audit Committee Minutes
March 4, 2024

In attendance:

Pauline Follansbee, Emily Mayer, Dan Lindheim, Laura Snowden, Isaiah Roter, Charles Raibley, Crowe

Absent: Mike Chang, Laura Babbitt

Quorum established

Minutes approved

No public comments

Meeting is called to order

AGENDA

2023-24 Financials - Audit Review

APPROVED

2nd Interim

Audit Review

Charles Raibley presenting 2023-24 Financials.

Assistant Superintendents comments;. Introduced the auditor to review the financials. We will look at the second interim presentation after Mr. Raibley's review of the financials.

Mr. Raibley begins his review of the 2023 Audit year ending June 30th. Reiterated required communications when discussing with the board as responsibilities as it relates to the audit. The financial statements that are provided are an opinion on the financial statements for the district that are management financial statements as we have been engaged to assist in the completion of the document itself the statements in the documents are the responsibility of management.

In addition, the district is required to comply with federal and state compliance funds received and expended, management also retains the responsibility of compliance and establishes internal controls over the compliance to make sure what is produced to the state and the federal government complies with all requirements.

Our responsibility as your auditor is to give an opinion over the financials whether they are fairly stated and in compliance with the federal government and the state of California.

If there are any issues in conducting the audit, we would formally communicate with you.

No issue to report in regards to that

- GASBY 96 newly implemented this year, as it relates to subscription-based IT arrangements, education software, often they are done on an annual basis or month to month. This law is based on a multiyear contract (paid annually) with future debt. If material.
- Audit adjustments, this year we have a couple of waived adjustments, asking the District not to post, in order we did not ask the District to disclose to give our opinion.
 1. Self Insurance fund; technically under accounting standards portion of pension liability from STR/PER should be reported in unaudited actuals presented in September. Not material

Questions to auditor regarding #1 on audit adjustments.

DL: asks why would you have unfunded liability with STRS?

It is determined based on how much you report to the fund annually. Berkeley is reporting their share of the liability. At the fund level a portion is to show in the self insurance fund, but that is the nature of the type of fund, it's considered a " Proprietary fund". No issue with not showing a sliver of liability.

DL: CalPers is different for each entity, but STR is one program across all districts. Why is it not an issue for all districts?

Every district has to report their share; only districts who have self insurance funds, are allocated based on how much you contribute.

IR : Are we going to start allocating funds?

I wanted
Something to bring to your attention. '

PF: One year it will be significant. Are we going to get a finding?

Depends on the activity, which is being paid through the self insurance fund. You have employees who are paid through the fund. Portion to self insurance fund is \$502K. \$7M in total assets Self Insurance Fund.

IR: How much of the district level and how much is government level reporting

District share is PERS/STRS \$153.7M

IR: How much we have to pay into our self insurance fund, that is for liability, is it also for expenses?

Contributions are from employee members, we calculate liability based on those contributions as a percentage of all contributions.

2. GASB 31 accounting standard is the fair value of cash held in the county treasure. Every county invests funds differently. The cost (how much the district put in) is close to the fair market value. The last two years FY 22, and FY 23, have decreased. This year it was significant to note the difference was larger. \$3.5 M in the aggregate between cost and market value of \$162M. Unrealised loss.
3. Self Insurance liability; claims liability. Actuarial report received every three years. This shows an increase in liability at the end of June based on the most recent actuarial

study. \$474K more liability should have been recognized based on the study. Not asking to make an adjustment this year. Consider booking in this FY.

Those are three uncorrected mistakes we identified.

Financial Statements - *unmodified opinion

Federal Awards - *unmodified opinion

Covid 19 funds

Child Nutrition

Those are done on a rotating basis. Government tells us how to select programs.

State Compliance - *unmodified opinion

Two findings for state compliance, not significant; 1. after school program attendance counts that were different, 2. instructional materials, (ed code requires at board take action in public hearing, and follow up next meeting). It happened in the 9th week, it should happen at the end of 8th week of the school year. CDE will follow up.

* Unmodified opinions provide a reasonable level of assurance from the auditor that the financial statements present a true and fair reflection of an entity's results for the period reported.

— SPALC

ASB briefly discussed accountability with these cash funds.

Audit review concluded

Financials are located on the web: <https://www.berkeleyschools.net/audits/>

2nd Interim Review

Pauline begins by presenting the slide deck. Dan Lindheim asked about the significance cost of SPEd. Emily reintets that it is always expensive to contract out vs inhouse. We are investigating the reason for these increased costs for contractors. NPA and NPS services are significant. Reviewing the contracts and student needs and how to move forward.

High turnover in the department challenges historical record keeping to evaluate trends. Need more site oversight.

Going to board on the 6th of March for approval. Also a Special Board meeting tonight to look at budget targets.

Budget Summary and Highlights

Budget summary highlights the need for budget reductions in the out years.

Positive Certification. BUSD is maintaining a positive ending fund balance for the current year and two subsequent years. However, budget reductions are necessary to have a positive certification. Alameda

County Office of Education is requiring formal recognition of the budget reductions by the board
 Additional budget reductions will be necessary to address the District’s structural deficit
 Updated LCFF calculation based on CALPADS data

Variance Reports

Refer to pages 23,24,25 in the 2nd interim report ;
https://www.berkeleyschools.net/wp-content/uploads/2024/03/FY24_2ndInterim_BudgetBookCombined_24-03-05_v2-Optimized.pdf

We did have an increase in funded ADA and an increase in unduplicated pupil count.

DL: ask what is the cause of the increase in funded ADA?

The portion of LCFF gives us a 3 yr avg., when we put in the CALPAD number it was a bump.

MYP

The Multi-Year projections for the Unrestricted General Fund reflect the following balances for each year.

	2023-24	2024-25	2025-26
Budget Reduction		\$6.0 Million	\$8.6 Million
Deficit Spending	\$2.5 Million	\$1.7 Million	+\$0.6 Million
Undesignated Ending Fund Balance	\$2.6 Million	\$0.9 Million	\$1.9 Million

While these budget reductions result in a positive ending fund balance, they do not address the District’s structural deficit.

Next Steps

- Continue to solicit feedback from community, committees and staff and update budget priorities and reductions
- Update projections as additional budget information from the Governor’s budget is shared
- Continue to review district programs to identify budget efficiencies/savings, and review administrative support needed to support expanded programming
- Update budget assumptions and cut target based on 2024-25 Governor’s May Revision and enacted budget
- Board approval of budget reductions June 12, 2024
- Near and long term challenges
 - Risk to state revenue forecast
 - Reduced ADA - no longer benefiting from State mitigating measures
 - Expiring one-time funds/grants
- Need to develop comprehensive plans to maintain: fiscal solvency and preserve the integrity of

our educational programs

— SPACE

Audit committee archive can be found at:

<https://Audit Committee | Berkeley Unified School District/www.berkeleyschools.net/schoolboard/committees/audit-committee/>

Next meeting: June 2024 Preliminary Budget Review