

BERKELEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2015

12/15/15
December 15, 2015

BERKELEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015
(Continued)

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BERKELEY UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Berkeley Unified School District
Berkeley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Berkeley Unified School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Berkeley Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Berkeley Unified School District, as of June 30, 2015, 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.

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, in June 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". As discussed in Notes 7 and 8, GASB Statements No. 68 and No. 71 are effective for the District's fiscal year ending June 30, 2015. These Statements replace the requirements of GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB Statement No. 50, "Pension Disclosures." GASB Statements No. 68 and No. 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information (RSI) requirements about pensions are also addressed. Our opinion is not modified with respect to this matter.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Berkeley Unified School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

(Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015 on our consideration of Berkeley Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Berkeley Unified School District's internal control over financial reporting and compliance.


Crowe Horwath LLP

Sacramento, California
December 15, 2015



BERKELEY UNIFIED SCHOOL DISTRICT

2020 Bonar Street, Berkeley, California 94702

www.berkeley.k12.ca.us

Management's Discussion & Analysis

The Management's Discussion and Analysis Section of the audit report is District management's view of the District's financial condition, and provides an opportunity to discuss important fiscal issues with the Board and the public. Accounting rules require this discussion and analysis, which makes reporting of finances similar to that of private business.

Financial Reports

Two government-wide financial reports are included in the financial statements, the Statement of Net Position and the Statement of Activities, which begin on page 15. 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 17.

Overview of the Financial Statements

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

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

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

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. This overview section is the Management's Discussion and Analysis and highlights the structure and contents of each of the statements.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-wide	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire district, except fiduciary activities	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses; food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> 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.

Significant Accounting Change

The Governmental Accounting Standards Board approved GASB Statement No. 68 (GASB 68), Accounting and Financial Reporting for Pensions. The primary objective of this Statement, issued in June 2012, is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. Due to GASB 68, the District's beginning balance had to be restated by \$(115,895,417). The District now reports a net pension liability, as well as deferred outflows of resources and deferred inflows of resources in connection with the recognition of the net pension liability.

These changes are reflected in the following Statement of Net Position. It should be noted that these entries are only required for Government-wide reporting, and are not included in District's governmental fund financial statements.

Statement of Net Position

ASSETS	Governmental Activities		Percentage Change <u>2014-15</u>
	<u>2014</u>	<u>2015</u>	
Current and other assets	\$ 92,370,207	\$ 132,268,978	
Capital assets	<u>294,743,136</u>	<u>302,849,290</u>	
Total assets	<u>387,113,343</u>	<u>435,118,268</u>	12%
DEFERRED OUTFLOWS			
Deferred outflow of resources - pensions	-	7,895,063	
Deferred loss from refunding of debt	<u>2,086,997</u>	<u>1,871,024</u>	-10%
	<u>2,086,997</u>	<u>9,766,087</u>	
LIABILITIES			
Long-term debt outstanding	252,997,449	291,832,356	
Net pension liability		96,051,000	
Other liabilities	<u>25,181,213</u>	<u>26,480,922</u>	
Total liabilities	<u>278,178,662</u>	<u>414,364,278</u>	49%
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	<u>-</u>	<u>27,670,750</u>	100%
NET POSITION			
Invested in capital assets, net of related debt	48,066,183	77,320,588	
Restricted	57,733,399	33,194,625	
Unrestricted	<u>5,222,096</u>	<u>(107,665,886)</u>	
Total net position*	<u>\$ 111,021,678</u>	<u>\$ 2,849,327</u>	-97%

* The opening net position at July 1, 2014 was restated to reflect the implementation of GASB 68.

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>2014</u>	<u>2015</u>
REVENUES		
Program Revenues:		
Charges for Services	\$ 710,076	\$ 764,618
Operating Grants	28,373,385	33,751,257
Capital Grants and Contributions	559,607	-
General Revenues		
Property Taxes	83,596,543	84,785,951
Federal and State Aid	41,471,482	44,742,259
Other	<u>2,557,949</u>	<u>2,704,641</u>
Total Revenues	<u>157,269,042</u>	<u>166,748,726</u>
EXPENSES		
Instruction	82,751,816	88,924,019
Instruction Related Services	16,317,120	19,076,750
Pupil Services	13,095,589	13,711,300
Ancillary Services	236,170	257,003
Community Services	184,178	221,879
General Administration	10,737,939	11,391,384
Plant Services	15,401,396	15,334,534
Enterprise Services	128,458	87,733
Interest	9,968,246	9,997,188
Other and Other Outgo	<u>283,842</u>	<u>23,870</u>
Total Expenses	<u>149,104,754</u>	<u>159,025,660</u>
Increase in Net Position	8,164,288	7,723,066
Cumulative effect of implementation of GASB 68	-	(115,895,417)
Net Position - Beginning	<u>102,857,390</u>	<u>111,021,678</u>
Net Position - Ending	<u>\$ 111,021,678</u>	<u>\$ 2,849,327</u>

Capital Assets

At year-end, the District's capital assets had a net increase of \$8.1 million over the prior year. This represents a 2.8% increase over last year's total capital assets, and was primarily due to completion of construction projects in progress.

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

	<u>2014</u>	<u>2015</u>	Percentage Change <u>2014-2015%</u>
Land	6,908,949	6,908,949	
Improvement of sites	10,420,135	11,063,543	
Buildings	221,027,506	263,643,146	
Equipment	1,072,404	830,849	
Work in Process	<u>55,314,142</u>	<u>20,402,803</u>	
 Total	 <u>\$ 294,743,136</u>	 <u>\$ 302,849,290</u>	 2.8%

Land is accounted for at purchase value, not market value, and is not depreciated. Many of our school sites have low values for today's market because the District acquired the land many decades ago. We have determined the value of school buildings to be the depreciated cost of modernization unless the building is less than 25 years old. The increase in the value of Buildings and Improvement of Sites was primarily due to completion of the West Campus Classrooms and the Derby Field. Once these projects are completed, these costs are transferred to Improvement of Sites or Building assets.

District Indebtedness

At year-end, the District has \$291.8 million of long-term debt, which includes an additional \$96.1 million as a result of recognizing the District's share of the net pension liability through the implementation of GASB 68. Of total long term debt, \$278.6 million is for General Obligation Bonds secured by property tax increases voted on by local residents. General Obligation Bonds are a long term obligation issued in order to borrow up-front funds for bond measures until property tax proceeds are received from Berkeley residents.

	Governmental Activities		Percentage Change <u>2014-2015%</u>
	<u>2014</u>	<u>2015</u>	
Compensated absences	\$ 1,172,454	\$ 1,378,179	
General obligation bonds	240,944,222	278,615,000	
Premiums on General Obligation Bonds	7,819,728	8,327,691	
Post-employment medical benefits	<u>3,061,046</u>	<u>3,511,486</u>	
Total	\$ 252,997,450	\$ 291,832,356	15.3%
Restatement due to recognition of Net Pension Liability	<u>\$ 120,799,000</u>	<u>\$ 96,051,000</u>	
Balances as restated	<u>\$ 373,796,450</u>	<u>\$ 387,883,356</u>	

Post-Employment Medical Benefits represent the annual unfunded portion that has not yet been reserved for future payments. The accumulated liability balance of \$3.5 million for post-employment medical benefits is based on an actuarial study. Compensated Absences represent the amount of liability the District owes for vacation that has been earned but not yet taken or paid out.

District Indebtedness (continued)

Fund 20 – Special Reserve Fund for Postemployment Benefits

In FY 2014-15, the District established Fund 20 for funds the District has set aside for the future cost of Post-Employment benefits, and transferred \$4 million to this fund. For financial reporting purposes, the District's Fund 20 is included within the District's General Fund.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

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

Financial Condition of the General Fund

The District's Unaudited Actuals demonstrate the District is fiscally solvent and has met the 3% reserve required by the State of California. The State of California requires all districts reserve 3% of their total expenditures (including transfers out) for economic uncertainties. The District's 3% state reserve requirement of \$4.1 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, 2015, the District ended the year with \$3.5 million in excess of the 3% state reserve requirement in its Unrestricted General fund, after assigning \$1.5 million for instructional programs and carryovers.

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 Your pupils.

Financial Condition of the General Fund (continued)

The following table summarizes General Fund financial statements:

	General Fund		Percentage
	<u>2014</u>	<u>2015</u>	<u>2014-2015%</u>
Total Revenues	124,255,374	134,397,213	8.2%
Total Expenditures	120,387,939	128,530,787	6.8%
Other financing sources	<u>(3,305,777)</u>	<u>(1,585,300)</u>	<u>-52.0%</u>
Change in fund balance	<u>\$ 561,658</u>	<u>\$ 4,281,126</u>	<u>662.2%</u>

The surplus in FY 2014-15 is mainly as a result of additional funding received due to the increase in gap funding in State's new LCFF.

Cost of General Fund Operations (Funds 01-08)

At year-end, the District's cost of operations was \$128.5 million. Total District expenditures were \$8.1 million more than the previous year due to expenditures for programs that are now included in the Unrestricted General Fund as a result of the LCFF. These are Continuation Education, Home to School, Transportation and Special Education Transportation Programs.

	General Fund		Percentage
	<u>2014</u>	<u>2015</u>	<u>2014-2015%</u>
Certificated salaries	53,661,372	55,923,700	4.2%
Classified salaries	22,136,863	23,686,472	7.0%
Employee benefits	21,033,653	24,661,427	17.2%
Books and supplies	3,981,281	3,883,420	-2.5%
Contract services and operating expenditures	19,445,206	20,262,029	4.2%
Capital outlay	118,770	23,870	-79.9%
Other outgo	<u>10,794</u>	<u>89,869</u>	<u>732.6%</u>
Total	<u>\$ 120,387,939</u>	<u>\$ 128,530,787</u>	<u>6.8%</u>

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

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

	Final Budget <u>2015</u>	Actual <u>2015</u>	Percentage Variance
Revenues			
Local Control Funding Formula	\$ 75,235,205	\$ 74,836,595	
Federal Revenues	3,638,811	3,247,367	
State Revenues	5,886,203	8,402,544	
Local Revenues	<u>43,360,961</u>	<u>47,910,707</u>	
Total Revenues	<u>\$ 128,121,180</u>	<u>\$ 134,397,213</u>	4.90%
Expenditures			
Salaries & Benefits	101,676,901	104,271,599	
Books & Supplies	6,372,120	3,883,420	
Services & Other Operating	21,321,954	20,262,029	
Capital Outlay Other Outgo	<u>336,949</u>	<u>113,739</u>	
Total Expenditures	<u>\$ 129,707,924</u>	<u>\$ 128,530,787</u>	-0.91%

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

Revenues were \$6.3 million more than budgeted, due in part to revenue transfer from Fund 76 for retirement benefits, and revenues for STRS On-Behalf Payment which was recognized in conjunction with the implementation of GASB 68. Since both items had an offset entry in transfers out and benefits, the increased revenue did not generate additional fund balance. Salaries and benefits were more than budgeted due to recording the STRS on-Behalf Payment. However, total expenditures were \$1.2 million less than budgeted due partly to unexpended program funding that was assigned in ending fund balance, and significant savings in books and supplies, due to unspent balances in restricted programs and the parcel tax funds.

Cost of General Fund Operations (Fund 01 - Unrestricted)

At year-end, the District’s cost of operations in the Unrestricted General Fund 01 was \$78.4 million. Total District expenditures were \$5.3 million more than the previous year primarily due to increase in salaries and benefits as a result of a salary increase in FY 2014-15, and an increase in STRS and PERS retirement rates. A summary of the cost of operations is as follows:

	Fund 01- Unrestricted General Fund		Percentage
	<u>2014</u>	<u>2015</u>	<u>2014-2015%</u>
Certificated salaries	39,722,442	42,040,548	5.8%
Classified salaries	10,910,795	11,961,575	9.6%
Employee benefits	13,346,583	14,327,037	7.3%
Books and supplies	1,793,938	1,713,519	-4.5%
Contract services and operating expenditures	7,274,044	8,354,890	14.9%
Capital outlay	23,648	38,789	64.0%
Total	<u>\$ 73,071,450</u>	<u>\$ 78,436,358</u>	7.3%

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	Actual	Percentage
	<u>2015</u>	<u>2015</u>	Variance
Revenues			
LCFF Funding	74,825,405	74,943,406	
State Revenues	2,399,788	1,935,072	
Local Revenues	<u>1,867,912</u>	<u>2,047,881</u>	
Total Revenues	<u>\$ 79,093,105</u>	<u>\$ 78,926,359</u>	-0.2%
Expenditures			
Salaries & Benefits	68,369,129	68,329,160	
Books & Supplies	1,973,661	1,713,519	
Services & Other Operating	8,969,884	8,354,890	
Capital Outlay	<u>78,719</u>	<u>38,789</u>	
Total Expenditures	<u>\$ 79,391,393</u>	<u>\$ 78,436,358</u>	-1.2%

Total budgeted revenues were \$.2 million higher than actual revenues received due to a reduction in prior year state aid revenue. Total expenditures were \$1 million less than budgeted due to savings generated from budget reductions and unexpended funds. Unexpended funds were assigned in the fund balance.

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

As of October 31, 2015, the District's Unrestricted General Fund has a projected ending fund balance of \$9.4 million in excess of the State reserve requirement, which includes \$5.6 million in one-time funding received for mandated cost reimbursement. A substantial amount of the projected \$9.4 million in ending fund balance is reserved as follows:

- \$1.2 million is committed for common core implementation for 2016-17
- \$2 million is committed for BSEP program support for 2016-17,
- \$2.4 million is reserved for proposed and negotiation salary bonus for 2016-17
- \$1.1 Million for other education programs and revolving fund
- \$2.7 million is undesignated above the 3% State reserve maintained in the Special Reserve fund.

The budget assumptions used for projecting revenue are based on the enacted State Budget which reduced gap funding in the Local Control Funding Formula (LCFF) from 53.08% to 51.52%, and reduced one-time discretionary funding from \$601 per ADA to \$530 per ADA. In addition, the State now funds the Adult Education Program directly and the District did not have to contribute \$2.7 million in base grant funding to the program in 2015-16. In the future, Adult Education revenue of \$2.7 million will be decided and funded through a regional consortium in which the District has representation. There is no indication at this point that the regional consortium will not continue to fund the District's program at the same level as 2015-16. Funds apportioned for the program are required to be used only for programs specified in EC 8491.3a which includes certain programs for older adults.

Another significant change to the budget affects the Restricted General Fund, with the addition of new funding for the Educator Effectiveness Program. The District allocation of this funding is approximately \$1 million. This is one-time funding to promote educator quality and effectiveness, including, but not limited to, training on mentoring and coaching certificated staff and training certificated staff to support effective teaching and learning. These funds may be expended anytime during the 2015-16, 2016-17, and 2017-18 fiscal years. School Districts must adopt a plan showing how these funds will be spent. The local board approves the plan after a public meeting. A final expenditure report will be due at the end of FY 2017-18. Any funds not expended by June 30, 2018 must be returned to the CDE. The impact of these changes was presented to the board with the 45 Day Budget Revision.

In addition to the changes in revenue, other significant changes in the Budget since Adoption include additional staffing to support operational and student needs approved by the Board since adoption, increase in health benefits and cash-in-lieu as negotiated with employee unions, board approved one-time expenditures necessary to support operations, new BSEP measure planning and student safety needs for various departments.

The District is in the third year of the State's new funding formula (LCFF) that includes base and supplemental grants and the second year of supporting the District's new Local Control Accountability Plan (LCAP). LCAP establishes goals to increase and improve services for all students with the primary focus on improving the achievement of our lowest performing students. The new funding formula provides funding based on the District's targeted students, which include free and reduced price eligible students, English Language Learners and Foster Youth.

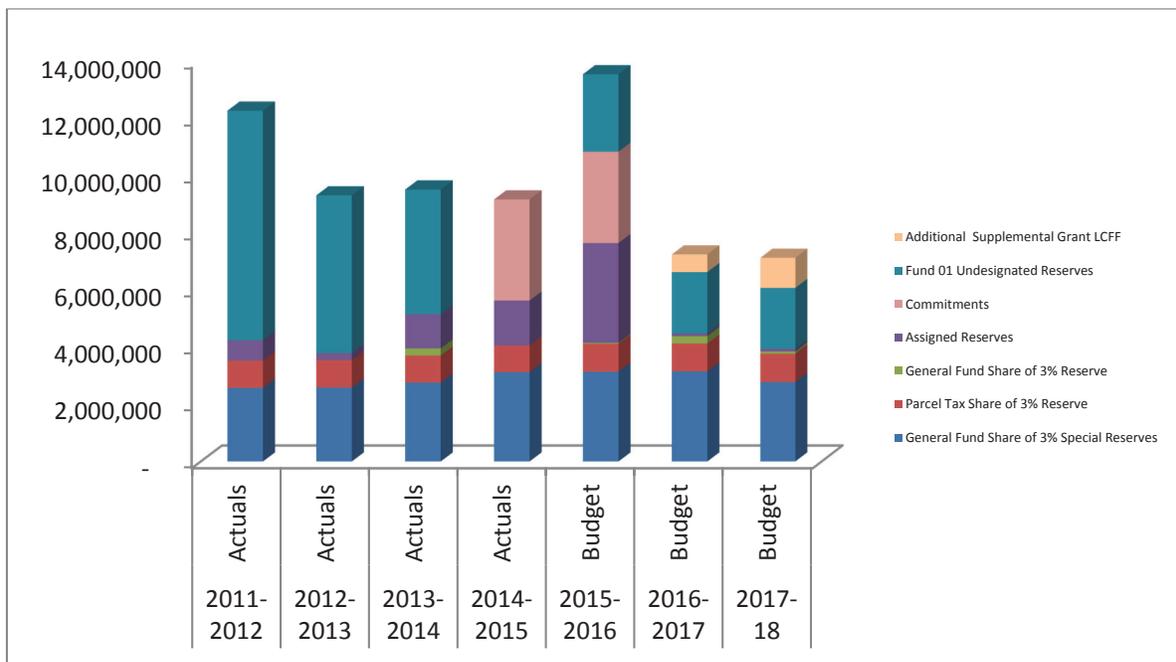
Important note regarding BSEP/Class Size Reduction (CSR) Budget

The BSEP CSR (Class Size Reduction) fund is approaching the end of the measure in 2016-17. In FY 2015-16, \$348,000 in literacy coaches was transferred from BSEP/CSR program support into the base grant funding. Additionally, the BSEP/CSR budget is not able to support its share of the current negotiated salary increases and additional staffing related to growth. Previous COLAs funded by BSEP during the State recession was applied to program support and not reserved for future raises. Now that the State is restoring prior unfunded COLA's and previous State budget cuts to the District's General Fund, the District salary increases are outpacing the BSEP revenue.

In 2015-16, the budgeted transfer from the BSEP fund to the General Fund for CSR was not increased by \$524,600 of BSEP’s share of the negotiated salary increase. The General Fund also funded \$348,000 of BSEP CSR program support. For 2016-17, a partial amount of the projected transfer from the BSEP fund to the General Fund to support increasing staff cost for CSR of \$920,534 cannot be funded. Additionally, the General Fund is projected to expend an additional \$1,051,740 to continue CSR program support in 2016-17 due to the insufficiency of BSEP funding in the last year of the BSEP measure. Based on current level of BSEP revenue, there is insufficient funding to support increasing staff cost for CSR and program support which includes expanded course offerings, literacy coaches, counselors and Response to Intervention (RTI). The budget assumptions used in the multi-year projections for 2017-18 assumes that the BSEP measure will be sufficient to make the full transfer to support CSR without support from the General Fund. The General Fund will not be able to fully absorb the increasing staff cost of BSEP’s share of CSR and fully fund program support if BSEP revenue does not increase in the new measure or if program reductions are not made.

Multi-Year Projections

Based on the District’s Multi-year Projections, the District is projected to have an undesignated fund balance of \$2.1 million and designated fund balance of \$1 million for a total of \$3.1 million for 2016-17. For 2017-18, the District is projected to have an undesignated fund balance of \$2.1 million and designated fund balance of \$1.2 million for a total of \$3.2 million. In addition, 2017-18 does not include future negotiated salary increases, a possible new school and assumes that the full share of the BSEP/CSR transfer to the General Fund will be made.



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 Javetta Cleveland, Deputy Superintendent or Pauline Follansbee, Director of Fiscal Services at 510-644-8593.

BASIC FINANCIAL STATEMENTS

BERKELEY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 120,287,056
Receivables	11,818,386
Stores inventory	163,536
Non-depreciable capital assets (Note 4)	27,311,752
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>275,537,538</u>
Total assets	<u>435,118,268</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources - pensions (Notes 7 and 8)	7,895,063
Deferred loss from refunding of debt	<u>1,871,024</u>
Total deferred outflows	<u>9,766,087</u>
LIABILITIES	
Accounts payable	21,361,785
Unpaid claims and claim adjustment expenses (Note 10)	3,832,367
Unearned revenue	1,286,770
Long-term liabilities (Note 5):	
Due within one year	11,920,000
Due after one year	<u>375,963,356</u>
Total liabilities	<u>414,364,278</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 7 and 8)	<u>27,670,750</u>
NET POSITION	
Net investment in capital assets	77,320,588
Restricted (Note 6)	33,194,625
Unrestricted	<u>(107,665,886)</u>
Total net position	<u>\$ 2,849,327</u>

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	Program Revenues				Net (Expense) Revenues and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction	\$ 88,924,019	\$ 227,219	\$ 17,087,483	\$ -	\$ (71,609,317)
Instruction-related services:					
Supervision of instruction	9,541,661	39,432	2,896,037	-	(6,606,192)
Instructional library, media and technology	1,986,455	53,724	-	-	(1,932,731)
School site administration	7,548,634	-	238,952	-	(7,309,682)
Pupil services:					
Home-to-school transportation	3,662,491	-	31,725	-	(3,630,766)
Food services	3,369,737	389,255	2,369,485	-	(610,997)
All other pupil services	6,679,072	-	1,265,797	-	(5,413,275)
General administration:					
Data processing	1,537,440	-	44	-	(1,537,396)
All other general administration	9,853,944	48,503	1,192,780	-	(8,612,661)
Plant services	15,334,534	6,485	172,741	-	(15,155,308)
Ancillary services	257,003	-	1,277	-	(255,726)
Community services	221,879	-	24,008	-	(197,871)
Enterprise services	87,733	-	-	-	(87,733)
Interest on long-term liabilities	9,997,188	-	-	-	(9,997,188)
Other outgo	23,870	-	8,470,928	-	8,447,058
	<u>\$ 159,025,660</u>	<u>\$ 764,618</u>	<u>\$ 33,751,257</u>	<u>\$ -</u>	<u>(124,509,785)</u>
General revenues:					
Taxes and subventions:					
					32,600,859
					20,962,263
					31,222,829
					44,742,259
					152,941
					313,234
					2,238,466
					132,232,851
					7,723,066
					111,021,678
					(115,895,417)
					(4,873,739)
					\$ 2,849,327

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 23,077,408	\$ 70,223,457	\$ 18,570,719	\$ 1,472,570	\$ 113,344,154
Cash on hand and in banks	50,923	-	-	454,024	504,947
Cash in revolving fund	100,000	-	-	-	100,000
Receivables	7,554,121	13,273	9,481	923,787	8,500,662
Due from other funds	5,606,287	-	-	720	5,607,007
Stores inventory	-	-	-	163,536	163,536
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 36,388,739</u>	<u>\$ 70,236,730</u>	<u>\$ 18,580,200</u>	<u>\$ 3,014,637</u>	<u>\$ 128,220,306</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 14,140,750	\$ 2,949,578	\$ -	\$ 492,209	\$ 17,582,537
Unearned revenue	776,114	-	-	510,656	1,286,770
Due to other funds	720	1,616,409	-	673,108	2,290,237
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>14,917,584</u>	<u>4,565,987</u>	<u>-</u>	<u>1,675,973</u>	<u>21,159,544</u>
Fund balances:					
Nonspendable	100,000	-	-	163,536	263,536
Restricted	4,658,463	65,670,743	18,580,200	1,175,128	90,084,534
Assigned	9,113,124	-	-	-	9,113,124
Unassigned	7,599,568	-	-	-	7,599,568
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>21,471,155</u>	<u>65,670,743</u>	<u>18,580,200</u>	<u>1,338,664</u>	<u>107,060,762</u>
Total liabilities and fund balances	<u>\$ 36,388,739</u>	<u>\$ 70,236,730</u>	<u>\$ 18,580,200</u>	<u>\$ 3,014,637</u>	<u>\$ 128,220,306</u>

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2015

Total fund balances - Governmental Funds		\$ 107,060,762
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 \$419,397,208 and the accumulated depreciation is \$116,547,918 (Note 4).		
		302,849,290
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2015 consisted of (Note 5):		
General Obligation Bonds	\$ (278,615,000)	
Premiums on General Obligation Bonds	(8,327,691)	
Net pension liability (Notes 7 and 8)	(96,051,000)	
Other postemployment benefits (Note 9)	(3,511,486)	
Compensated absences	<u>(1,378,179)</u>	
		(387,883,356)
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.		
		1,871,024
In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 7 and 8).		
Deferred outflows of resources relating to pensions	\$ 7,895,063	
Deferred inflows of resources relating to pensions	<u>(27,670,750)</u>	
		(19,775,687)
The Self-Insurance Fund is used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because the Self-Insurance Fund is presumed to operate for the benefit of governmental activities, assets and liabilities of the Self-Insurance Fund are reported with governmental activities in the statement of net position.		
		2,489,520
In governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.		
		<u>(3,762,226)</u>
Total net position - governmental activities		<u>\$ 2,849,327</u>

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 44,308,597	\$ -	\$ -	\$ -	\$ 44,308,597
Local sources	<u>30,527,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,527,998</u>
Total LCFF	<u>74,836,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,836,595</u>
Federal sources	3,247,367	-	1,095,500	3,984,591	8,327,458
Other state sources	8,402,544	274	158,977	3,936,383	12,498,178
Other local sources	<u>47,910,707</u>	<u>90,011</u>	<u>20,834,173</u>	<u>1,223,604</u>	<u>70,058,495</u>
Total revenues	<u>134,397,213</u>	<u>90,285</u>	<u>22,088,650</u>	<u>9,144,578</u>	<u>165,720,726</u>
Expenditures:					
Current:					
Certificated salaries	55,923,700	-	-	4,229,364	60,153,064
Classified salaries	23,686,472	224,330	-	3,554,494	27,465,296
Employee benefits	24,661,427	64,346	-	2,296,732	27,022,505
Books and supplies	3,883,420	425,233	-	1,700,118	6,008,771
Contract services and operating expenditures	20,262,029	793,070	-	374,033	21,429,132
Other outgo	23,870	-	-	-	23,870
Capital outlay	89,869	13,696,313	-	11,388	13,797,570
Debt service:					
Principal retirement	-	-	12,329,222	-	12,329,222
Interest	<u>-</u>	<u>-</u>	<u>9,909,388</u>	<u>-</u>	<u>9,909,388</u>
Total expenditures	<u>128,530,787</u>	<u>15,203,292</u>	<u>22,238,610</u>	<u>12,166,129</u>	<u>178,138,818</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,866,426</u>	<u>(15,113,007)</u>	<u>(149,960)</u>	<u>(3,021,551)</u>	<u>(12,418,092)</u>
Other financing sources (uses):					
Transfers in	2,325,557	-	-	3,667,361	5,992,918
Transfers out	(3,910,857)	(1,616,400)	-	(709,157)	(6,236,414)
Proceeds from issuance of long-term liabilities	-	50,000,000	-	-	50,000,000
Debt issuance premium	<u>-</u>	<u>323,725</u>	<u>714,775</u>	<u>-</u>	<u>1,038,500</u>
Total other financing sources (uses)	<u>(1,585,300)</u>	<u>48,707,325</u>	<u>714,775</u>	<u>2,958,204</u>	<u>50,795,004</u>
Net change in fund balances	4,281,126	33,594,318	564,815	(63,347)	38,376,912
Fund balances, July 1, 2014	<u>17,190,029</u>	<u>32,076,425</u>	<u>18,015,385</u>	<u>1,402,011</u>	<u>68,683,850</u>
Fund balances, June 30, 2015	<u>\$ 21,471,155</u>	<u>\$ 65,670,743</u>	<u>\$ 18,580,200</u>	<u>\$ 1,338,664</u>	<u>\$ 107,060,762</u>

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Net change in fund balances - Total Governmental Funds	\$ 38,376,912
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).	14,983,601
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(6,877,447)
Proceeds from debt are recognized as other financing sources in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 5).	(50,000,000)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	12,329,222
In governmental funds, premiums on debt issuance is recognized as revenue. In government-wide statements, premiums are reported as adjustments to the related debt (Note 5).	(507,963)
In government 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 (Notes 5, 7 and 8).	68,729
In the statement of activities, expenses related to post-retirement employee benefits and compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Notes 5 and 9).	(656,165)
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.	(215,973)
Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds.	(78,639)
The Self-Insurance Fund is used to conduct certain activities for the benefit of governmental activities for which costs are charged to other funds on a full cost-recovery basis. Self-Insurance Fund activities are reported with governmental activities in the statement of activities.	<u>300,789</u>
Change in net position of governmental activities	<u>\$ 7,723,066</u>

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND
June 30, 2015

ASSETS

Cash and investments:	
Cash in County Treasury	\$ 5,894,080
Cash with Fiscal Agent	443,875
Receivables	<u>3,454</u>
Total current assets	<u>6,341,409</u>

LIABILITIES

Accounts payable	17,022
Self-insurance claims liabilities	3,832,367
Due to other funds	<u>2,500</u>
Total current liabilities	<u>3,851,889</u>

NET POSITION

Restricted	<u><u>\$ 2,489,520</u></u>
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See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2015

Operating revenues:	
In-district contributions	\$ <u>1,895,684</u>
Operating expenses:	
Classified salaries	173,725
Employee benefits	55,217
Books and supplies	12,312
Claims expense	<u>1,613,463</u>
Total operating expenses	<u>1,854,717</u>
Operating income	<u>40,967</u>
Non-operating income:	
Interest income	16,326
Transfers from other funds	<u>243,496</u>
Total non-operating income	<u>259,822</u>
Change in net position	300,789
Net position, July 1, 2014	<u>2,188,731</u>
Net position, June 30, 2015	<u><u>\$ 2,489,520</u></u>

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2015

Cash flows from operating activities:	
Cash received from user charges	\$ 1,720,763
Cash paid to employees for services	(228,942)
Cash paid for insurance claims	(1,610,963)
Cash paid for books and supplies	<u>(12,312)</u>
Net cash used in operating activities	(131,454)
Cash flows provided by non-capital financing activities:	
Transfer from other funds	243,496
Cash flows provided by investing activities:	
Interest income	<u>16,326</u>
Change in cash and investments	128,368
Cash and investments, July 1, 2014	<u>6,209,587</u>
Cash and investments, June 30, 2015	<u>\$ 6,337,955</u>
Reconciliation of operating income to net cash used in operating activities:	
Operating income	<u>\$ 40,967</u>
Adjustments to reconcile operating income to net cash used in operating activities:	
Decrease in receivables	1,002
Decrease in accounts payable	(596,827)
Increase in claims liabilities	420,904
Increase in due to other funds	<u>2,500</u>
Total adjustments	<u>(172,421)</u>
Net cash used in operating activities	<u>\$ (131,454)</u>

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
June 30, 2015

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 2):	
Cash in County Treasury	\$ 1,260,791
Cash on hand and in banks	344,857
Receivables	<u>2,053,479</u>
Total assets	<u>\$ 3,659,127</u>
LIABILITIES	
Due to other funds	3,314,270
Due to student groups	<u>344,857</u>
Total liabilities	<u>\$ 3,659,127</u>

See accompanying notes to financial statements.

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Berkeley Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity: The Board of Trustees is the level of government which has governance responsibilities over all activities related to public elementary school education in Berkeley Unified School District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

Basis of Presentation - Financial Statements: The financial statements include a Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure, and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Assets and Liabilities at the fund financial statement level.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Major Funds

General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. The activity of the Special Reserve for Other than Capital Outlay Projects Fund and the Special Reserve for Postemployment Benefits Fund are included with the General Fund for financial reporting purposes.

Building Fund:

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

Bond Interest and Redemption Fund:

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

B - Other Funds

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

The County School Facilities Fund is a capital projects fund used to account for resources used for new school facilities construction, modernization projects, facility hardship grants, and for acquisition of capital facilities of the District.

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

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

Agency Funds are Fiduciary Funds which are used to account for assets of others, for which the District has an agency relationship with the activity of the fund. This classification consists of the Warrant/Pass-Through and the Student Body Funds.

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

Accrual: Governmental activities in the government-wide financial statements, and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: By state law, the Board of Trustees must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Trustees complied with these requirements.

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, 2015.

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 fair market value as of the date received. 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, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported, which is in the statement of net position. A deferred loss on refunding 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. Amortization for the year ended June 30, 2015 totaled \$215,973. Additionally, the District has recognized a deferred outflow of resources related to the payments made subsequent to the measurement date for the pensions.

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, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the pension liability reported which is in the Statement of Net Position.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The following is a summary of pension amounts in aggregate:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 5,080,410</u>	<u>\$ 2,814,653</u>	<u>\$ 7,895,063</u>
Deferred inflows of resources	<u>\$ 17,636,000</u>	<u>\$ 10,034,750</u>	<u>\$ 27,670,750</u>
Net pension liability	<u>\$ 71,617,000</u>	<u>\$ 24,434,000</u>	<u>\$ 96,051,000</u>
Pension expense	<u>\$ 7,233,362</u>	<u>\$ 1,620,971</u>	<u>\$ 8,854,333</u>

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

Compensated Absences: Compensated absences in the amount of \$1,378,179 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 STRS and CalPERS 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.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2 - Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for unspent categorical program revenues represents the portion of net position restricted to specific program expenditures. The restrictions for special revenues, capital projects and debt repayment represents the portion of net position restricted for special purposes, capital projects and the retirement of debt. The restriction for self-insurance represents the portion of net position which will be used for payment of workers compensation claims. It is the District's policy to first use restricted net position when allowable expenditures are incurred.

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

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

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide and fiduciary fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Trustees. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Trustees is required to remove any commitment from any fund balance. At June 30, 2015, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Trustees has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Trustees can designate personnel with the authority to assign fund balances, however, as of June 30, 2015, no such designation has occurred.

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.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Alameda bills and collects taxes for the District. Tax revenues are recognized by the District when received.

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

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

New Accounting Pronouncements: In June 2012 the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement GASB No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 68, the District's July 1, 2014 governmental activities net position was restated by \$115,895,417 because of the recognition of the beginning of year net pension liability and deferred outflows of resources.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

In November 2013 the GASB issued GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 71, the District established a Deferred Outflow category to report the payments made subsequent to the measurement date of the pensions as well as deferred inflow category to report the net differences between projected and actual earnings on investments of the pensions in the statement of net position.

In February 2015, the GASB has issued its final standard on accounting and financial reporting issues related to fair value measurements, applicable primarily to investments made by state and local governments. GASB Statement No. 72, Fair Value Measurement and Application, defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this GASB statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, completes the suite of pension standards. GASB Statement 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by GASB Statements 67 and 68). The requirements in GASB Statement 73 for reporting pensions generally are the same as in GASB Statement 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in GASB Statement 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement 68, which are effective for fiscal years beginning after June 15, 2016. Management has not determined what impact this GASB statement will have on its financial statements.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This statement is effective for the District's fiscal year ending June 30, 2017. Management has not determined what impact this GASB statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances (called special funding situations) GASB Statement No. 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. This statement is effective for the District's fiscal year ending June 30, 2018. Earlier application is encouraged. Management has not determined what impact this GASB Statement will have on its financial statements, although it is expected to be significant.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. In connection with Statement No. 76, the GASB also recently cleared Implementation Guide No. 2015-1, which incorporates changes resulting from feedback received during the public exposure of all of implementation guidance previously issued. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this GASB statement will have on its financial statements.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2015 consisted of the following:

	Governmental Activities			Fiduciary Activities
	Governmental Funds	Proprietary Fund	Total	
Pooled funds:				
Cash in County Treasury	\$ 113,344,154	\$ 5,894,080	\$ 119,238,234	\$ 1,260,791
Deposits:				
Cash in revolving fund	100,000	-	100,000	-
Cash on hand and in banks	504,947	-	504,947	344,857
Cash with Fiscal Agent	-	443,875	443,875	-
Total cash and investments	\$ 113,949,101	\$ 6,337,955	\$ 120,287,056	\$ 1,605,648

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Alameda County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - CASH AND INVESTMENTS (Continued)

In accordance with applicable state laws, the Alameda County Treasurer may invest in derivative securities. However, at June 30, 2015, the Alameda County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

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, 2015, the carrying amount of the District's accounts was \$949,804 and the bank balance was \$923,603. \$551,644 of the bank balance was FDIC insured and \$371,959 remained uninsured but fully collateralized.

Cash with Fiscal Agent: Cash with Fiscal Agent in the Self-Insurance Fund represents a security deposit held by a third party.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2015, 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, 2015, 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, 2015 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 5,606,287	\$ 720
Building	-	1,616,409
Non-Major Funds:		
Adult Education	-	168,215
Child Development	-	334,017
Cafeteria	720	170,876
Proprietary Fund:		
Self-Insurance	-	2,500
Agency Fund:		
Warrant Pass-Through	-	3,314,270
Totals	<u>\$ 5,607,007</u>	<u>\$ 5,607,007</u>

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

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

Interfund transfers for the 2014-2015 fiscal year were as follows:

Transfer from the General Fund to the Adult Education Fund for support.	\$ 2,723,819
Transfer from the General Fund to the Child Development Fund for support.	311,000
Transfer from the General Fund to the Cafeteria Fund for Meals for the needy due to LCFF.	632,542
Transfer from the General Fund to the Self-Insurance Fund for indirect cost support.	243,496
Transfer from the Adult Education Fund to the General Fund for indirect cost support.	162,193
Transfer from the Child Development Fund to the General Fund for indirect cost support.	326,477
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	220,487
Transfer from the Building Fund to the Special Reserve for Postemployment Benefits Fund for retiree benefits.	416,400
Transfer from the Building Fund to the General Fund to support one-time expenditures.	1,200,000
	\$ 6,236,414

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2015, is shown below:

	Balance July 1, <u>2014</u>	Additions and <u>Transfers</u>	Deletions and <u>Transfers</u>	Balance June 30, <u>2015</u>
Non-depreciable:				
Land	\$ 6,908,949	\$ -	\$ -	\$ 6,908,949
Work-in-process	55,314,142	14,797,325	(49,708,664)	20,402,803
Depreciable:				
Improvement of sites	17,083,547	-	1,217,830	18,301,377
Buildings	314,489,390	-	48,490,834	362,980,224
Equipment	<u>10,617,579</u>	<u>186,276</u>	<u>-</u>	<u>10,803,855</u>
Totals, at cost	<u>404,413,607</u>	<u>14,983,601</u>	<u>-</u>	<u>419,397,208</u>
Less accumulated depreciation:				
Improvement of sites	(6,663,412)	(574,422)	-	(7,237,834)
Buildings	(93,461,884)	(5,875,194)	-	(99,337,078)
Equipment	<u>(9,545,175)</u>	<u>(427,831)</u>	<u>-</u>	<u>(9,973,006)</u>
Total accumulated depreciation	<u>(109,670,471)</u>	<u>(6,877,447)</u>	<u>-</u>	<u>(116,547,918)</u>
Capital assets, net	<u>\$ 294,743,136</u>	<u>\$ 8,106,154</u>	<u>\$ -</u>	<u>\$ 302,849,290</u>

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 4,081,539
Instructional supervision and administration	330,106
Instructional library, media and technology	97,522
School site administration	389,996
Home-to-school transportation	197,440
Food services	176,395
All other pupil services	248,394
Ancillary services	12,498
Community services	10,785
Enterprise activities	134,520
All other general administration	403,350
Centralized data processing	65,406
Plant services	<u>729,496</u>
Total depreciation expense	<u>\$ 6,877,447</u>

NOTE 5 - LONG-TERM LIABILITIES

General Obligation Bonds: In June 2007, the District issued General Obligation Bonds, Election of 2000, Series 2007 totaling \$24,500,000, for the purpose of financing projects to repair, upgrade and add new classrooms. The Series 2007 General Obligation Bonds bear interest at rates ranging from 4.75% to 5.00% and are scheduled to mature through August 1, 2031.

In July 2008, the District issued 2008 General Obligation Refunding Bonds, totaling \$43,300,000, for the purpose of refunding the District's 1992 General Obligation Bonds, Series G and H, and General Obligation Bonds, Election of 2000, Series 2001. The 2008 General Obligation Refunding Bonds bear interest at rates ranging from 3.00% to 4.60% and are scheduled to mature through August 1, 2024.

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

In November 2009, the District issued 2009 General Obligation Refunding Bonds, totaling \$25,440,000, for the purpose of refunding the District's 1998 General Obligation Refunding Bonds. The 2009 General Obligation Refunding Bonds bear interest at rates ranging from 2.00% to 5.00% and are scheduled to mature through August 1, 2020.

In May 2011, the District issued General Obligation Bonds, Election of 2010, Series A and General Obligation Bonds, Election of 2010, Series B totaling \$25,000,000 and \$10,000,000, respectively, for the purpose of financing renovations and modernization projects of school facilities. The 2010 Series A General Obligation Bonds bear interest at rates ranging from 3.50% to 5.00% and are scheduled to mature through May 1, 2026. The 2010 Series B General Obligation Bonds bear interest at rates ranging from 5.00% to 5.375% and are scheduled to mature through August 1, 2035.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - LONG-TERM LIABILITIES (Continued)

In September 2011, the District issued 2011 General Obligation Refunding Bonds, totaling \$55,625,000, for the purpose of refunding the District's General Obligation Bonds, Election of 2000, Series 2003 and the District's 2004 General Obligation Refunding Bonds. The 2011 General Obligation Refunding Bonds bear interest at rates ranging from 2.00% to 5.00% and are scheduled to mature through August 1, 2027.

In February 2013, the District issued 2013 General Obligation Refunding Bonds, Series A, totaling \$19,590,000. The proceeds of the Bonds were used to refund a portion of the outstanding balance of the Election of 2000, Series 2005 General Obligation Bonds. The 2013 General Obligation Refunding Bonds, Series A bear interest at rates ranging from 2.00% to 4.00% and are scheduled to mature through August 1, 2029. As of June 30, 2013, \$19,830,000 of the Election of 2000, Series 2005 General Obligation Bonds outstanding are considered defeased.

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

In June 2013, the District issued 2013 General Obligation Refunding Bonds, Series B, totaling \$13,000,000. The proceeds of the Bonds were used to refund a portion of the outstanding balance of the 2005 General Obligation Refunding Bonds. The 2013 General Obligation Refunding Bonds, Series B bear interest at rates ranging from 3.00% to 5.00% and are scheduled to mature through August 1, 2024.

In June 2015, the District issued General Obligation Bonds, Election of 2010, Series D totaling \$50,000,000, for the purpose of financing the acquisition and construction of educational facilities. The Series 2015 General Obligation Bonds bear interest at rates ranging from 3.375% to 5.00% and are scheduled to mature through August 1, 2045.

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

Issue Date	Original Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2014	Bonds Issued	Bonds Redeemed	Bonds Outstanding June 30, 2015
06/28/07	08/01/31	4.75 - 5.00%	\$ 24,500,000	\$ 21,065,000	\$ -	\$ 790,000	\$ 20,275,000
07/30/08	08/01/24	3.00 - 4.60%	43,300,000	31,325,000	-	2,615,000	28,710,000
05/26/09	08/01/33	3.375 - 5.00%	17,774,222	17,774,222	-	4,222	17,770,000
11/10/09	08/01/20	2.00 - 5.00%	25,440,000	16,275,000	-	2,440,000	13,835,000
05/10/11	05/01/26	3.50 - 5.50%	25,000,000	25,000,000	-	-	25,000,000
05/10/11	08/01/35	5.00 - 5.375%	10,000,000	10,000,000	-	-	10,000,000
09/29/11	08/01/27	2.00 - 5.00%	55,625,000	47,185,000	-	4,125,000	43,060,000
02/05/13	08/01/29	2.00 - 4.00%	19,590,000	19,590,000	-	975,000	18,615,000
05/13/13	08/01/52	3.00 - 4.12%	40,000,000	40,000,000	-	-	40,000,000
06/27/13	08/01/24	3.75 - 4.25%	13,000,000	12,730,000	-	1,380,000	11,350,000
06/11/15	08/01/45	3.375 - 5.00%	50,000,000	-	50,000,000	-	50,000,000
			<u>\$ 324,229,222</u>	<u>\$ 240,944,222</u>	<u>\$ 50,000,000</u>	<u>\$ 12,329,222</u>	<u>\$ 278,615,000</u>

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - LONG-TERM LIABILITIES (Continued)

General Obligation Bonds mature as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 11,920,000	\$ 10,165,265	\$ 22,085,265
2017	13,025,000	10,503,762	23,528,762
2018	14,555,000	9,982,474	24,537,474
2019	14,725,000	9,415,803	24,140,803
2020	15,750,000	8,810,648	24,560,648
2021-2025	69,955,000	35,649,220	105,604,220
2026-2030	47,490,000	23,525,018	71,015,018
2031-2035	29,590,000	15,465,049	45,055,049
2036-2040	19,585,000	10,458,969	30,043,969
2041-2045	21,750,000	6,426,750	28,176,750
2046-2050	13,055,000	2,619,853	15,674,853
2051-2053	<u>7,215,000</u>	<u>455,503</u>	<u>7,670,503</u>
	<u>\$ 278,615,000</u>	<u>\$ 143,478,314</u>	<u>\$ 422,093,314</u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2015, is shown below:

	Balance July 1, 2014, as Restated	Additions	Deductions	Balance June 30, 2015	Amounts Due Within One Year
General Obligation Bonds	\$ 240,944,222	\$ 50,000,000	\$ 12,329,222	\$ 278,615,000	\$ 11,920,000
Premiums on General Obligation Bonds	7,819,728	1,038,500	530,537	8,327,691	-
Net pension liability (Notes 7 and 8)	120,799,000	-	24,748,000	96,051,000	-
Other postemployment benefits (Note 8)	3,061,046	2,442,230	1,991,790	3,511,486	-
Compensated absences	<u>1,172,454</u>	<u>216,325</u>	<u>10,600</u>	<u>1,378,179</u>	<u>-</u>
	<u>\$ 373,796,450</u>	<u>\$ 53,697,055</u>	<u>\$ 39,610,149</u>	<u>\$ 387,883,356</u>	<u>\$ 11,920,000</u>

Payments on the General Obligation Bonds were made from the Bond Interest and Redemption Funds. Payments on the net pension liability, other postemployment benefits 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, 2015

NOTE 6 - NET POSITION / FUND BALANCES

The restricted net position as of June 30, 2015 consisted of the following:

	<u>Governmental Activities</u>
Restricted for:	
Unspent categorical program revenues	\$ 4,660,448
Special revenue	1,273,731
Capital projects	6,129,362
Debt service	18,641,564
Self-insurance	<u>2,489,520</u>
	<u><u>\$ 33,194,625</u></u>

Fund balances, by category, at June 30, 2015 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:					
Revolving cash fund	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000
Stores inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,536</u>	<u>163,536</u>
Subtotal nonspendable	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>163,536</u>	<u>263,536</u>
Restricted:					
Unspent categorical revenues	4,658,463	-	-	1,985	4,660,448
Special revenue	-	-	-	1,110,195	1,110,195
Capital projects	-	65,670,743	-	1,584	65,672,327
Debt service	<u>-</u>	<u>-</u>	<u>18,580,200</u>	<u>61,364</u>	<u>18,641,564</u>
Subtotal restricted	<u>4,658,463</u>	<u>65,670,743</u>	<u>18,580,200</u>	<u>1,175,128</u>	<u>90,084,534</u>
Assigned:					
Mandated claims	610,739	-	-	-	610,739
EIA Replacement Funds	853,040	-	-	-	853,040
Parcel Taxes	3,653,786	-	-	-	3,653,786
Post Employment Benefits	<u>3,995,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,995,559</u>
Subtotal assigned	<u>9,113,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,113,124</u>
Unassigned:					
Designated for economic uncertainty	4,069,823	-	-	-	4,069,823
Undesignated	<u>3,529,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,529,745</u>
Subtotal unassigned	<u>7,599,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,599,568</u>
Total fund balances	<u><u>\$ 21,471,155</u></u>	<u><u>\$ 65,670,743</u></u>	<u><u>\$ 18,580,200</u></u>	<u><u>\$ 1,338,664</u></u>	<u><u>\$ 107,060,762</u></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/comprehensive-annual-financial-report>.

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

CalSTRS 2% at 60

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

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

(Continued)

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

CalSTRS 2% at 62

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

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

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

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

Members - Under CalSTRS 2% at 60, the member contribution rate was 8.15 percent of applicable member earnings for fiscal year 2014-15. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.15 percent of applicable member earnings for fiscal year 2014-15.

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

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 8.88 percent of applicable member earnings.

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

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

The CalSTRS employer contribution rate increases effective for fiscal year 2014-15 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2014	8.25%	0.63%	8.88%
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

The District contributed \$5,080,410 to the plan for the fiscal year ended June 30, 2015.

State - 5.954 percent of the members’ creditable earnings from the fiscal year ending in the prior calendar year.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed \$200.7 million of the \$267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of \$66.9 million was included in an increased first quarter payment of \$94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-2047.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

The CalSTRS state contribution rates effective for fiscal year 2014-15 and beyond are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2014	2.017%	1.437%	2.50%	5.954%
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.571%*

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure shall be reduced to 0 percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

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

At June 30, 2015, 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	\$ 71,617,000
State’s proportionate share of the net pension liability associated with the District	<u>43,246,000</u>
Total	<u>\$ 114,863,000</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. 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, 2014, the District’s proportion was 0.123 percent, which was an increase of zero from its proportion measured as of June 30, 2013.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

For the year ended June 30, 2015, the District recognized pension expense of \$7,233,362 and revenue of \$2,857,043 for support provided by the State. At June 30, 2015, 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	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	17,636,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	<u>5,080,410</u>	<u>-</u>
Total	<u>\$ 5,080,410</u>	<u>\$ 17,636,000</u>

\$5,080,410 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2016	\$ 4,409,000
2017	\$ 4,409,000
2018	\$ 4,409,000
2019	\$ 4,409,000

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2014. The STRP net pension liability as of June 30, 2013 and the STRP net pension liability as of June 30, 2014 are based on the June 30, 2013 actuarial valuation for the first year of implementation. As a result there are no differences between expected and actual experience or changes in assumptions subject to amortization. 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, 2015

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, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. Based on the model from CalSTRS consulting actuary’s investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12	6.20
Real Estate	15	4.35
Inflation Sensitive	5	3.20
Fixed Income	20	0.20
Cash / Liquidity	1	0.00

* 10-year geometric average

(Continued)

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

Discount Rate: The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 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 (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease <u>(6.60%)</u>	Current Discount Rate <u>(7.60%)</u>	1% Increase <u>(8.60%)</u>
District’s proportionate share of the net pension liability	<u>\$111,633,000</u>	<u>\$ 71,617,000</u>	<u>\$ 38,252,000</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.

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

General Information about the Public Employer’s Retirement Fund B

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2014.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.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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 agencies first join the PERF, 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, 2015 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2014-15.

Employers - The employer contribution rate was 11.771 percent of applicable member earnings.

The District contributed \$2,814,653 to the plan for the fiscal year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$24,434,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. 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, 2014, the District’s proportion was 0.229 percent, which was an increase of 0.014 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$1,620,971. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	8,396,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,638,750
Contributions made subsequent to measurement date	<u>2,814,653</u>	<u>-</u>
Total	<u>\$ 2,814,653</u>	<u>\$ 10,034,750</u>

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

\$2,814,653 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2016	\$ 2,645,250
2017	\$ 2,645,250
2018	\$ 2,645,250
2019	\$ 2,099,000

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2013. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

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

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	47%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	12	6.83
Real Estate	11	4.50
Infrastructure & Forestland	3	4.50
Liquidity	2	(0.55)

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.50 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.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in the actuarial valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Plan and the District.

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

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

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
District’s proportionate share of the net pension liability	<u>\$ 42,743,000</u>	<u>\$ 24,434,000</u>	<u>\$ 8,908,000</u>

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

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description: The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Berkeley Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. The plan does not issue separate financial statements.

Funding Policy: The contribution requirements of plan members of the District are established and may be amended by the District and the California Teachers Association (CTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, CTA, CSEA and the unrepresented groups. For the fiscal year ended June 30, 2015, the District contributed \$1,991,790 to the plan.

The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation:

Annual required contribution	\$ 2,446,593
Interest on net OPEB obligation	145,400
Adjustment to annual required contribution	<u>(149,763)</u>
Annual OPEB cost (expense)	2,442,230
Contributions made	<u>(1,991,790)</u>
Increase in net OPEB obligation	450,440
Net OPEB obligation - beginning of year	<u>3,061,046</u>
Net OPEB obligation - end of year	<u>\$ 3,511,486</u>

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2015 and preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 2,458,967	83.3%	\$ 2,592,005
June 30, 2014	\$ 2,562,805	81.7%	\$ 3,061,046
June 30, 2015	\$ 2,442,230	81.6%	\$ 3,511,486

As of June 1, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$16.4 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$82.3 million, and the ratio of the UAAL to the covered payroll was 19.9 percent. The OPEB plan is currently operated as a pay-as-you-go plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as Required Supplementary Information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 1, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.75 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, an annual healthcare cost trend rate of 4.0 percent, and a payroll increase of 2.75 percent, annually. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was 28 years.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 10 - RISK MANAGEMENT

Workers' Compensation: The District's workers' compensation activities are recorded in the Internal Service Fund. The purpose of the Fund is to administer employee's compensation on a cost reimbursement basis. The program accounts for the risk financing activities of the District, but does not constitute a transfer of risk from the District.

<u>Insurance Program / Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
Berkeley Unified School District Workers' Compensation Insurance Program	Workers' Compensation	Statutory Limit
Berkeley Unified School District	Property & Liability	\$1,000,000
Schools Excess Liability Fund	Excess Property and Liability	Limits vary depending 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 Fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The self insurance program was initiated in January 1, 2004. The following represents the changes in approximate aggregate liabilities for the District from July 1, 2009 to June 30, 2015:

<u>Self Insurance Programs</u>	
Liability balance, June 30, 2013	<u>\$ 3,411,463</u>
Claims and changes in estimates	2,438,013
Claims payments	<u>(2,438,013)</u>
Liability balance, June 30, 2014	3,411,463
Claims and changes in estimates	2,034,367
Claims payments	<u>(1,613,463)</u>
Liability balance, June 30, 2015	<u><u>\$ 3,832,367</u></u>

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 - JOINT POWERS AGREEMENT

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

The following is a summary of financial information for SELF at June 30, 2015:

Total assets	\$ 154,727,271
Deferred outflows of resources	\$ 99,437
Total liabilities	\$ 122,470,926
Deferred inflows of resources	\$ 166,153
Total net position	\$ 32,189,629
Total revenues	\$ 11,968,752
Total expenditures	\$ 23,063,637
Change in net position	\$ (11,094,885)

The relationship between the District and SELF is such that SELF is not a component unit of the District for financial reporting purposes.

NOTE 12 - 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, 2015, the District has approximately \$ million in outstanding commitments on ongoing construction contracts.

REQUIRED SUPPLEMENTARY INFORMATION

BERKELEY UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2015

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula:				
State apportionment	\$ 43,853,284	\$ 44,544,602	\$ 44,308,597	\$ (236,005)
Local sources	<u>30,214,294</u>	<u>30,690,603</u>	<u>30,527,998</u>	<u>(162,605)</u>
Total LCFF	<u>74,067,578</u>	<u>75,235,205</u>	<u>74,836,595</u>	<u>(398,610)</u>
Federal sources	3,482,766	3,638,811	3,247,367	(391,444)
Other state sources	4,989,345	5,886,203	8,402,544	2,516,341
Other local sources	<u>40,852,306</u>	<u>43,360,961</u>	<u>47,910,707</u>	<u>4,549,746</u>
Total revenues	<u>123,391,995</u>	<u>128,121,180</u>	<u>134,397,213</u>	<u>6,276,033</u>
Expenditures:				
Current:				
Certificated salaries	54,947,755	55,836,749	55,923,700	(86,951)
Classified salaries	22,734,990	23,202,996	23,686,472	(483,476)
Employee benefits	23,024,300	22,637,156	24,661,427	(2,024,271)
Books and supplies	5,121,346	6,372,120	3,883,420	2,488,700
Contract services and operating expenditures	17,059,183	21,321,954	20,262,029	1,059,925
Other outgo	23,870	23,870	23,870	-
Capital outlay	<u>256,129</u>	<u>313,079</u>	<u>89,869</u>	<u>223,210</u>
Total expenditures	<u>123,167,573</u>	<u>129,707,924</u>	<u>128,530,787</u>	<u>1,177,137</u>
Excess (deficiency) of revenues over (under) expenditures	<u>224,422</u>	<u>(1,586,744)</u>	<u>5,866,426</u>	<u>7,453,170</u>
Other financing sources (uses):				
Transfers in	757,987	1,975,163	2,325,557	350,394
Transfers out	<u>(3,992,133)</u>	<u>(3,910,857)</u>	<u>(3,910,857)</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,234,146)</u>	<u>(1,935,694)</u>	<u>(1,585,300)</u>	<u>350,394</u>
Net change in fund balance	(3,009,724)	(3,522,438)	4,281,126	7,803,564
Fund balance, July 1, 2014	<u>17,190,029</u>	<u>17,190,029</u>	<u>17,190,029</u>	<u>-</u>
Fund balance, June 30, 2015	<u>\$ 14,180,305</u>	<u>\$ 13,667,591</u>	<u>\$ 21,471,155</u>	<u>\$ 7,803,564</u>

See notes to required supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 For the Year Ended June 30, 2015

<u>Schedule of Funding Progress</u>						
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
May 1, 2009	\$ -	\$ 16,344,627	\$ 16,344,627	0%	\$ 77,894,196	20.9%
May 1, 2011	\$ -	\$ 16,535,848	\$ 16,535,848	0%	\$ 70,124,826	23.6%
June 1, 2013	\$ -	\$ 16,396,275	\$ 16,396,275	0%	\$ 82,302,521	19.9%

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, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>
District's proportion of the net pension liability	0.123%
District's proportionate share of the net pension liability	\$ 71,617,000
District's proportionate share of the net pension liability associated with the District	<u>43,246,000</u>
Total Pension Liability	<u>\$ 114,863,000</u>
District's covered-employee payroll	\$ 54,586,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.20%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

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.

BERKELEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2015

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>
District's proportion of the net pension liability	0.229%
District's proportionate share of the net pension liability	\$ 24,434,000
District's covered-employee payroll	\$ 22,594,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108.14%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

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, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 5,080,410
Contributions in relation to the contractually required contribution	<u>5,080,410</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	57,212,000
Contributions as a percentage of covered-employee payroll	8.88%

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, 2015

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 2,814,653
Contributions in relation to the contractually required contribution	<u>2,814,653</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 23,912,000
Contributions as a percentage of covered-employee payroll	11.77%

All years prior to 2015 are not available.

See notes to required supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

Excess of expenditures over appropriations for the year ended June 30, 2015 were as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Certificated salaries	\$ 86,951
Classified salaries	\$ 483,476
Employee benefits	\$ 2,024,271

B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

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

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

D - Schedule of the District's Contributions

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

E - Changes of Benefit Terms

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

F - Changes of Assumptions

There are no changes in assumptions reported in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

BERKELEY UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2015

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Pupil Trans- portation Equipment Fund	County School Facilities Fund	Tax Override Fund	Total
ASSETS							
Cash and investments:							
Cash in County Treasury	\$ 558,850	\$ 475,386	\$ 366,136	\$ 9,251	\$ 1,583	\$ 61,364	\$ 1,472,570
Cash on hand and in banks	97,483	333,123	23,418	-	-	-	454,024
Receivables	492,272	71,910	359,598	6	1	-	923,787
Due from other funds	-	-	720	-	-	-	720
Stores inventory	-	-	163,536	-	-	-	163,536
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,148,605</u>	<u>\$ 880,419</u>	<u>\$ 913,408</u>	<u>\$ 9,257</u>	<u>\$ 1,584</u>	<u>\$ 61,364</u>	<u>\$ 3,014,637</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 293,663	\$ 127,080	\$ 71,466	\$ -	\$ -	\$ -	\$ 492,209
Unearned revenue	232,939	277,717	-	-	-	-	510,656
Due to other funds	168,215	334,017	170,876	-	-	-	673,108
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>694,817</u>	<u>738,814</u>	<u>242,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,675,973</u>
Fund balances:							
Nonspendable	-	-	163,536	-	-	-	163,536
Restricted	453,788	141,605	507,530	9,257	1,584	61,364	1,175,128
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>453,788</u>	<u>141,605</u>	<u>671,066</u>	<u>9,257</u>	<u>1,584</u>	<u>61,364</u>	<u>1,338,664</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 1,148,605</u>	<u>\$ 880,419</u>	<u>\$ 913,408</u>	<u>\$ 9,257</u>	<u>\$ 1,584</u>	<u>\$ 61,364</u>	<u>\$ 3,014,637</u>

BERKELEY UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 For the Year Ended June 30, 2015

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Pupil Trans- portation Equipment Fund	County School Facilities Fund	Tax Override Fund	Total
Revenues:							
Federal sources	\$ 957,980	\$ 930,493	\$ 2,096,118	\$ -	\$ -	\$ -	\$ 3,984,591
Other state sources	111,682	3,644,051	180,650	-	-	-	3,936,383
Other local sources	<u>479,926</u>	<u>325,007</u>	<u>418,638</u>	<u>28</u>	<u>5</u>	<u>-</u>	<u>1,223,604</u>
Total revenues	<u>1,549,588</u>	<u>4,899,551</u>	<u>2,695,406</u>	<u>28</u>	<u>5</u>	<u>-</u>	<u>9,144,578</u>
Expenditures:							
Current:							
Certificated salaries	2,300,598	1,928,766	-	-	-	-	4,229,364
Classified salaries	685,281	1,323,490	1,545,723	-	-	-	3,554,494
Employee benefits	673,971	1,080,754	542,007	-	-	-	2,296,732
Books and supplies	354,853	74,625	1,270,640	-	-	-	1,700,118
Contract services and operating expenditures	292,357	458,011	(376,335)	-	-	-	374,033
Capital outlay	<u>11,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,388</u>
Total expenditures	<u>4,318,448</u>	<u>4,865,646</u>	<u>2,982,035</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,166,129</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(2,768,860)</u>	<u>33,905</u>	<u>(286,629)</u>	<u>28</u>	<u>5</u>	<u>-</u>	<u>(3,021,551)</u>
Other financing sources (uses):							
Transfers in	2,723,819	311,000	632,542	-	-	-	3,667,361
Transfers out	<u>(162,193)</u>	<u>(326,477)</u>	<u>(220,487)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(709,157)</u>
Total other financing sources (uses)	<u>2,561,626</u>	<u>(15,477)</u>	<u>412,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,958,204</u>
Net change in fund balances	(207,234)	18,428	125,426	28	5	-	(63,347)
Fund balances, July 1, 2014	<u>661,022</u>	<u>123,177</u>	<u>545,640</u>	<u>9,229</u>	<u>1,579</u>	<u>61,364</u>	<u>1,402,011</u>
Fund balances, June 30, 2015	<u>\$ 453,788</u>	<u>\$ 141,605</u>	<u>\$ 671,066</u>	<u>\$ 9,257</u>	<u>\$ 1,584</u>	<u>\$ 61,364</u>	<u>\$ 1,338,664</u>

BERKELEY UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN
 FIDUCIARY ASSETS AND LIABILITIES
 STUDENT BODY FUNDS
 For the Year Ended June 30, 2015

	Balance July 1, <u>2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2015</u>
Student Body Funds				
<u>Berkeley High School</u>				
Assets:				
Cash on hand and in banks	\$ <u>320,696</u>	\$ <u>287,521</u>	\$ <u>312,469</u>	\$ <u>295,748</u>
Liabilities:				
Due to student groups	\$ <u>320,696</u>	\$ <u>287,521</u>	\$ <u>312,469</u>	\$ <u>295,748</u>
<u>Longfellow Middle School</u>				
Assets:				
Cash on hand and in banks	\$ <u>7,548</u>	\$ <u>72,591</u>	\$ <u>67,137</u>	\$ <u>13,002</u>
Liabilities:				
Due to student groups	\$ <u>7,548</u>	\$ <u>72,591</u>	\$ <u>67,137</u>	\$ <u>13,002</u>
<u>Martin Luther King, Jr. Middle School</u>				
Assets:				
Cash on hand and in banks	\$ <u>13,386</u>	\$ <u>16,346</u>	\$ <u>13,321</u>	\$ <u>16,411</u>
Liabilities:				
Due to student groups	\$ <u>13,386</u>	\$ <u>16,346</u>	\$ <u>13,321</u>	\$ <u>16,411</u>
<u>Willard Middle School</u>				
Assets:				
Cash on hand and in banks	\$ <u>16,799</u>	\$ <u>37,429</u>	\$ <u>34,532</u>	\$ <u>19,696</u>
Liabilities:				
Due to student groups	\$ <u>16,799</u>	\$ <u>37,429</u>	\$ <u>34,532</u>	\$ <u>19,696</u>
<u>Total Agency Funds</u>				
Assets:				
Cash on hand and in banks	\$ <u>358,429</u>	\$ <u>413,887</u>	\$ <u>427,459</u>	\$ <u>344,857</u>
Liabilities:				
Due to student groups	\$ <u>358,429</u>	\$ <u>413,887</u>	\$ <u>427,459</u>	\$ <u>344,857</u>

BERKELEY UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2015

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>
Judy Appel	President	2016
Beatriz Leyva-Cutler	Vice President	2016
Karen Hemphill	Director/Clerk	2018
Ty Alper	Director	2018
Josh Daniels	Director	2018

ADMINISTRATION

Donald Evans, Ed. D
Superintendent

Javetta Cleveland, CPA
Deputy Superintendent, Business Services

Pasquale Scuderi
Assistant Superintendent, Educational Services

Delia Ruiz
Assistant Superintendent, Human Resources

BERKELEY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2015

	Original Second Period <u>Report</u>	Audited Second Period <u>Report*</u>	Annual Annual <u>Report</u>
Elementary:			
Transitional Kindergarten through Third	2,953	2,953	2,943
Fourth through Sixth	2,034	2,034	2,033
Seventh and Eighth	1,269	1,269	1,271
Special Education	<u>17</u>	<u>18</u>	<u>17</u>
Subtotal Elementary	<u>6,273</u>	<u>6,274</u>	<u>6,264</u>
Secondary:			
Ninth through Twelfth	3,048	3,056	3,027
Special Education	<u>20</u>	<u>20</u>	<u>19</u>
Subtotal Secondary	<u>3,068</u>	<u>3,076</u>	<u>3,046</u>
District Totals	<u><u>9,341</u></u>	<u><u>9,350</u></u>	<u><u>9,310</u></u>

* Includes District revisions to the Second Period Report of Attendance.

See accompanying notes to supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2015

<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>Reduced Minutes Requirement</u>	<u>2014-2015 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
<u>DISTRICT</u>					
Kindergarten	36,000	35,000	43,860	180	In compliance
Grade 1	50,400	49,000	50,920	180	In compliance
Grade 2	50,400	49,000	50,920	180	In compliance
Grade 3	50,400	49,000	50,920	180	In compliance
Grade 4	54,000	52,500	53,600	180	In compliance
Grade 5	54,000	52,500	53,600	180	In compliance
Grade 6	54,000	52,500	56,481	180	In compliance
Grade 7	54,000	52,500	56,481	180	In compliance
Grade 8	54,000	52,500	56,481	180	In compliance
Grade 9	64,800	63,000	65,700	180	In compliance
Grade 10	64,800	63,000	65,700	180	In compliance
Grade 11	64,800	63,000	65,700	180	In compliance
Grade 12	64,800	63,000	65,700	180	In compliance

BERKELEY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2015

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
Special Education Cluster:			
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B	13379	\$ 1,640,897
84.173	Special Education: IDEA Preschool Grants, Part B, Sec. 619	13430	36,028
84.027A	Special Education: IDEA Preschool Local Entitlement, Part B	13682	66,662
84.027	Special Ed: IDEA Mental Health Allocation Plan, Part B, Sec 611	10115	<u>112,247</u>
	Subtotal Special Education Cluster		<u>1,855,834</u>
NCLB: Title III Programs:			
84.365	NCLB: Title III, Limited English Proficient (LEP)	14346	89,025
84.365	NCLB: Title III, Immigrant Education Program	15146	<u>1,802</u>
	Subtotal NCLB: Title III Programs		<u>90,827</u>
Adult Education Programs:			
84.002	AE: Adult Secondary Education	13978	156,081
84.002	AE: Adult Basic Education & ESL	14508	449,770
84.002	AE: English Literacy & Civics Education	14109	<u>247,019</u>
	Subtotal Adult Education Programs		<u>852,870</u>
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131	14894	52,956
84.010	NCLB: Title I, Part A, Basic Grants Low Income and Neglected	14329	730,128
84.158	Department of Rehabilitation: Workability II, Transitions Partnership Program	10006	196,265
84.287	NCLB: Title IV, Part B, 21st Century Community Centers-Core	14349	6,049
84.181	SE: IDEA Early Intervention Grants, Part C	23761	5,923
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	<u>263,758</u>
	Total U.S. Department of Education		<u>4,054,610</u>

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2015

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.596	Child Development: Federal General Child Care, & Development	13609	\$ 701,432
93.778	Department of Health Care Services: Medi-Cal Billing Option	10013	<u>39,595</u>
Total U.S. Department of Health and Human Services			<u>741,027</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.558	Child Nutrition: CACFP Claims - Centers and Family Day Care	13393	229,061
10.555	Child Nutrition: School Programs	14906	<u>2,096,118</u>
Total U.S. Department of Agriculture			<u>2,325,179</u>
Total Federal Programs			<u>\$ 7,120,816</u>

See accompanying notes to supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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

See accompanying notes to supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2015
(UNAUDITED)

	(Budget) 2016	2015	2014	2013
<u>General Fund</u>				
Revenues and other financing sources	\$ 137,617,660	\$ 136,722,770	\$ 124,936,730	\$ 115,912,322
Expenditures	132,132,272	128,530,787	120,387,939	118,784,176
Other uses and transfers out	<u>3,910,857</u>	<u>3,910,857</u>	<u>3,987,133</u>	<u>546,366</u>
Total outgo	<u>136,043,129</u>	<u>132,441,644</u>	<u>124,375,072</u>	<u>119,330,542</u>
Change in fund balance	<u>\$ 1,574,531</u>	<u>\$ 4,281,126</u>	<u>\$ 561,658</u>	<u>\$ (3,418,220)</u>
Ending fund balance	<u>\$ 23,045,686</u>	<u>\$ 21,471,155</u>	<u>\$ 17,190,029</u>	<u>\$ 16,628,371</u>
Available reserves	<u>\$ 10,459,643</u>	<u>\$ 7,599,568</u>	<u>\$ 8,213,305</u>	<u>\$ 9,114,651</u>
Designated for economic uncertainties	<u>\$ 4,423,296</u>	<u>\$ 4,069,823</u>	<u>\$ 2,763,124</u>	<u>\$ 2,622,737</u>
Undesignated fund balance	<u>\$ 6,036,347</u>	<u>\$ 3,529,745</u>	<u>\$ 5,450,181</u>	<u>\$ 6,491,914</u>
Available reserves as a percentage of total outgo	<u>7.69%</u>	<u>5.74%</u>	<u>6.6%</u>	<u>7.6%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 375,963,356</u>	<u>\$ 387,883,356</u>	<u>\$ 252,997,449</u>	<u>\$ 264,979,405</u>
Average daily attendance at P-2	<u>9,392</u>	<u>9,350</u>	<u>9,133</u>	<u>8,926</u>

The General Fund fund balance has increased by \$1,424,564 over the past three fiscal years. The District projects an increase of \$1,574,531 for the year ending June 30, 2016. 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, 2015, the District has met this requirement. For the purposes of calculating the District's available reserves, the ending fund balance of the Special Reserve for Other Than Capital Projects Fund is included as designated for economic uncertainties.

The District has incurred operating surpluses in two of the past three years, and anticipates incurring an operating surplus during the 2015-16 fiscal year.

Total long-term liabilities have increased by \$122,903,951 over the past two years, principally because of the issuance of general obligation bonds and the implementation of GASB Statement Nos. 68 and 71.

Average daily attendance has increased by 424 over the past two years. The District anticipates an increase of 30 ADA during the fiscal year ending June 30, 2016.

See accompanying notes to supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2015

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

See accompanying notes to supplementary information.

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with OMB Circular A-133 requirements, and is presented on the modified accrual basis of accounting.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2015.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 8,327,458
Less:		
Medi-Cal Billing Funds not spent	93.778	(111,142)
Federal interest reimbursement on Build America Bonds	*	<u>(1,095,500)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 7,120,816</u>

* CFDA number not available.

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Unaudited Actual Financial Report to the audited financial statements.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis (Unaudited)

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2015-2016 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2015, the District did not adopt such a program.

INDEPENDENT AUDITOR'S REPORT
 ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees
 Berkeley Unified School District
 Berkeley, California

Report on Compliance with State Laws and Regulations

We have audited Berkeley Unified School District's compliance with the types of compliance requirements described in the State of California's *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* to the state laws and regulations listed below for the year ended June 30, 2015.

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

(Continued)

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

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

The District did not have any expenditures of California Clean Energy Jobs Act funds; therefore we did not perform any procedures related to California Clean Energy Jobs Act.

The District does not have any Charter Schools; therefore, we did not perform any of the procedures related to Charter Schools.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations as listed above of Berkeley Unified School District. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Berkeley Unified School Districts compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Berkeley Unified School District's compliance.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Findings 2015-001 and 2015-002 in the accompanying Schedule of Audit Findings and Questioned Costs, Berkeley Unified School District did not comply with requirements regarding Attendance and Instructional Materials. Compliance with such requirements is necessary, in our opinion, for Berkeley Unified School District to comply with state laws and regulations applicable to Attendance and Instructional Materials.

Qualified Opinion on Compliance with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Berkeley Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2015. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Berkeley Unified School District had not complied with the state laws and regulations.

Other Matter

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

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2014-15 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 Horwath LLP

Sacramento, California
December 15, 2015

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, 2015, and the related notes to the financial statements, which collectively comprise Berkeley Unified School District's basic financial statements, and have issued our report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

(Continued)

Purpose of this Report

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


Crowe Horwath LLP

Sacramento, California
December 15, 2015

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

Board of Trustees
Berkeley Unified School District
Berkeley, California

Report on Compliance for Each Major Federal Program

We have audited Berkeley Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2015. Berkeley Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Berkeley Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Berkeley Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Berkeley Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Berkeley Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

(Continued)

Report on Internal Control Over Compliance

Management of Berkeley Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Berkeley Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Berkeley Unified School District's internal control over compliance.

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

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

Purpose of this Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
December 15, 2015

FINDINGS AND RECOMMENDATIONS

BERKELEY UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered
to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements
noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered
to be material weakness(es)? _____ Yes X None reported

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

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.002	Adult Education Programs
10.555	Child Nutrition: School Programs

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 300,000

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

STATE AWARDS

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

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

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, 2015

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, 2015

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2015-001 STATE COMPLIANCE - ATTENDANCE REPORTING (10000)

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 the attendance reported to the State.

Condition

- At El Conte Elementary School 1 student was improperly included for a total misstatement of 1 day.
- At Willard Middle School 2 students were improperly included for a total misstatement of 2 days.

Effect

The effect of this finding is an extrapolated overstatement of 0.57 ADA and 1.36 ADA in the Fourth through Sixth and Seventh and Eighth grade span, respectively.

Cause

The errors were the result of clerical errors in accounting for attendance.

Fiscal Impact

The fiscal impact of the overstatement of ADA is approximately \$19,500.

Recommendation

The District should reflect the adjustments in their Period Two Report of Attendance, by removing the disallowed attendance.

Corrective Action Plan

The District will amend and resubmit the Second Period Report of Attendance.

(Continued)

BERKELEY UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2015-002 STATE COMPLIANCE - INSTRUCTIONAL MATERIALS (40000)

Criteria

Prior to making a determination through a resolution as to the sufficiency of textbooks or other instructional materials, the governing board should hold the public hearing or hearings required by Education Code Section 60119 on or before the end of the eighth week from the first day pupils attended school for that year, or, in a school district or county office of education having schools that operate on a multitrack, year-round calendar, on or before the end of the eighth week from the first day pupils attended school for that year on any track that began in August or September.

Condition

The District did not hold the required public hearing for the 2014-15 school year until May 20, 2015

Effect

The District is not in compliance with state requirements regarding the public hearing for instructional materials.

Cause

Due to a clerical oversight, the public hearing was not calendared for Board action.

Fiscal Impact

There is no fiscal impact.

Recommendation

The District should establish a calendar of required Board actions related to State compliance areas.

Corrective Action Plan

The District has established a calendar of required Board actions.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

BERKELEY UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
2014-001	Implemented.	
<p>At Martin Luther King Middle School:</p> <ul style="list-style-type: none">• Receipt/Sub-receipt books for recording ASB receipts are not maintained.• Receipts are not provided to students upon receipt of payment• No reconciliation between units sold and dollar amount received is performed to ensure accuracy of reporting transactions.• For revenue producing activities, a tally sheet is not maintained on funds collected by the ASB clerk and teachers.• Monthly Financial statements of account balances are not prepared or reviewed by the principal.• No signature was noted on the bank reconciliation to indicate review. <p>School sites should implement the proper control procedures in order to protect ASB funds from misappropriation:</p> <ul style="list-style-type: none">• Implement the use of Sub-receipt books, to properly record transactions.• Provide receipts for payments received from students.• Maintain tally sheets to reconcile funds collected with units sold upon collection.• Perform reconciliations when funds are collected from teachers, to ensure funds received are accurate and complete with units sold.• Compare receipts to tally sheets to track accuracy of transactions.• District office review requests for revenue-producing activities/field trips.• Financial statements should be prepared and maintained on a monthly basis and reviewed and approved by the site administrator.• Sign and date monthly reconciliation/financing reports for the ASB bank account review.		
