

Board Office Use: Legislative File Info.	
File ID Number	16-0246
Introduction Date	2/1/16
Enactment Number	
Enactment Date	



Memo

To Board of Education

From Antwan Wilson, Superintendent
Vernon Hal, Senior Business Officer
Ruth Alahydoian, Chief Financial Officer

Board Meeting Date February 10, 2016

Subject Audit Report for Fiscal Year Ending June 30, 2014

Action Requested Accept Audit Report for Year ending June 30, 2014, from Vavrinek, Trine & Day.

Background All school districts in California are required to submit their audited financial statements for the prior fiscal year to the State of California, Department of Education. An audit report includes the presentation of financial statements, tested by the auditor to allow the auditor to provide an opinion as to the reliability of the statements. Auditors also test for compliance with State and Federal programs. Independent auditors perform the audits for most districts. Oakland USD is required, by the legislation authorizing our State loan, to have our audits performed by the State Controller's Office (SCO). In January, 2015, the SCO authorized the District to use the independent audit firm of Vavrinek, Trine & Day (VTD), subject to review by the SCO.

VTD has completed the report and has submitted it to the SCO for final review.

Discussion

- With the completion of this audit, the District is only one audit behind. When the 2014-15 audit is completed in June 2016, it will be the third audit completed in 12 months.
- The opinion is "qualified" due to the lack of records for Associated Student Body (ASB) funds (accounts held at school sites for student activities). Because ASB records were not provided, an audit of those funds was not possible. ASB funds are often the cause of a "qualified" opinion among school districts.
 - Staff has started working with principals and developing procedures so that ASB funds will be auditable for the 2016-17 fiscal year.
- The auditor has identified 10 findings:
 - Last audit (for 2012-13) had 13 findings
 - 8 of the 10 findings are repeats of the prior year findings. The timing of the prior year audit (completed in July 2015) was too late to implement corrective action in the 2013-14 fiscal year.

- **Financial Findings (2):**
 - **ASB funds are not available for inclusion in the financial statements. (Repeat finding)** The District has a plan in place to bring ASB accounts into compliance so that the 2016-17 audit will include ASB funds.
 - **Fund 76, the revolving account used for all payroll transactions, has not been reconciled in a timely manner.** The District has revised procedures. An accounting manager will review the reconciliations monthly.

- **Federal Findings (4):**
 - **Records for as equipment and assets valued between \$500-\$5,000 is not up to date. (Repeat finding)** The District is still getting caught up on inventory tracking, and expects to be up to date by the end of this fiscal year.
 - **District was not able to provide confirmation that vendors had been checked against the federal debarred and suspended list. (Repeat finding)** Procedures were established in 2012-13 and will be fully implemented in 2015-16. All current vendors are checked against the list annually, and new vendors are checked before contracts are approved.
 - **School Improvement Grants (SIG) – transformation model not implemented within required timeframe. (Repeat finding)** The District has implemented other programs that meet the reform strategies identified in SIG schools.
 - **Time & Effort Documentation not complete** (4 of 60 in sample missing documentation). **(Repeat finding)** The District enhanced its monitoring procedures in 2014-15, including collection and quality review by Office of Accountability Partners.

- **State Findings (4):**
 - **After School Education and Safety (ASES) Program – student attendance records not properly maintained. (Repeat finding)** New attendance reporting procedures were put into place in 2014-15, with documentation and training, and oversight by a compliance and operations manager.
 - **Attendance reports were not accurate or complete at 10 of the schools tested. (Repeat finding)** New procedures, a support team that visits all schools, and mandatory training, were instituted in 2013-14, improving this finding from the prior year and building infrastructure for this work going forward.
 - **School Accountability Report Card (SARC) reporting inaccuracies. (Repeat finding)** Error in the process for facilities information was identified and resolved for 2014-15.
 - **Unduplicated Pupil Count for Local Control Funding Formula (LCFF) - 11 students were incorrectly designated English Learners (EL) in CalPADS; the net affect on the District's unduplicated count was an overstatement of 4 pupils. The District has improved the internal review process prior to entering data into CALPADS.**

- The findings result in **\$50,762** in questioned costs:
 - Attendance reports not accurate or complete at 10 schools - **\$48,491**
 - **English Learner designation not correct for 11 students - \$2,271**

Recommendation Acceptance by Board of Education of the Audit Report for Year ended June 30, 2014 from Vavrinek Trine and Day.

Attachments Summary of Findings
Summary Presentation (PPT)
Audit Report for Year ended June 30, 2014

Oakland Unified School District

Annual Financial Report

June 30, 2014

This page left blank intentionally.

OAKLAND UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2014

FINANCIAL SECTION

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds – Balance Sheet	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Proprietary Fund – Self Insurance – Statement of Net Position	20
Proprietary Fund – Self Insurance – Statement of Revenues, Expenses, and Changes in Fund Net Position	21
Proprietary Fund – Self Insurance – Statement of Cash Flows	22
Fiduciary Fund – Statement of Net Position	23
Notes to Financial Statements	24

REQUIRED SUPPLEMENTARY INFORMATION

General Fund – Budgetary Comparison Schedule	52
--	----

SUPPLEMENTARY INFORMATION

Local Education Agency Organization Structure	54
Schedule of Average Daily Attendance	55
Schedule of Instructional Time	56
Schedule of Charter Schools	57
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	58
Schedule of Expenditures of Federal Awards	59
Schedule of Financial Trends and Analysis	61
Combining Statements – Nonmajor Governmental Funds	
Combining Balance Sheet	62
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	64
Note to Supplementary Information	66

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	69
Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	71
Report on State Compliance	74

OAKLAND UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS JUNE 30, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	77
Financial Statement Findings	78
Federal Award Findings and Questioned Costs	81
State Award Findings and Questioned Costs	89
Summary Schedule of Prior Audit Findings	100

FINANCIAL SECTION

This page left blank intentionally.



INDEPENDENT AUDITOR'S REPORT

Board of Education
Oakland Unified School District
Oakland, 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 the Oakland Unified School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the 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; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-2014*, issued by the California Education Audit Appeals Panel as regulations. 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.

Basis for Qualified Opinion

The accompanying financial statements do not include the fiduciary fund, (the Associated Student Body Fund) as of and for the year ended June 30, 2014. Presentation of such statements is required in order to comply with accounting principles generally accepted in the United States of America.

Qualified Opinions

In our opinion, except for the omission of the fiduciary financial statements, 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 the District, as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, as listed in the table of contents, including the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2016, on our consideration of the 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 the District's internal control over financial reporting and compliance.

Vawrinck Trine Day + Co. LLP

Palo Alto, California
January 15, 2016

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

This section of the Oakland Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The Government-wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have been made as prescribed by the statement in regards to interfund activity, payables, and receivables.

The Fund Financial Statements include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

The Governmental Activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The Fiduciary Activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach.

The primary unit of the government is the Oakland Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

The relationship between revenues and expenses is the District's operating results. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the Statement of Net Position and the Statement of Activities, we report the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development centers, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by state law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary Funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. We use an internal service fund (a component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, the only such fund is the District's Self-Insurance Fund. The internal service fund is reported with governmental activities in the government-wide financial statements.

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, such as funds resulting from Payroll related activities. The District does not report on Associated Student Body (ASB) funds and they are not included in our reporting of the fiduciary funds. The District's fiduciary activities are reported in a separate Statement of Net Position and Liabilities. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS

- Total ending fund balance for the District's general fund as of June 30, 2014, was \$27.36 million. The General Fund's fund balance decreased approximately \$9.74 million.
- The District's General Fund ending available reserves were \$10.7 million, which exceeds the state recommended reserves of 2% (approximately \$8.4 million).
- The District's board requires a 3% reserve. The board temporarily reduced the reserve of 3% to 2% so that an assigned reserve for audit findings could be established.
- The District incurred capitalized facilities and construction costs of \$63.5 million.

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$113.79 million at fiscal year ended June 30, 2014. \$104.17 million was invested in capital assets net of related debt, \$78.35 million was restricted, leaving an unrestricted deficit of \$68.73 million. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities	
	2014	2013
Assets		
Current and other assets	\$ 323.75	\$ 285.34
Capital assets	823.60	783.63
Total Assets	<u>1,147.35</u>	<u>1,068.98</u>
Liabilities		
Current liabilities	85.16	106.97
Current portion of long-term obligations	36.69	22.67
Long-term obligations	911.70	824.14
Total Liabilities	<u>1,033.55</u>	<u>953.79</u>
Net Position		
Net investment in capital assets	104.17	79.35
Restricted	78.35	100.25
Unrestricted	(68.73)	(64.41)
Total Net Position	<u>\$ 113.79</u>	<u>\$ 115.19</u>

The \$113.79 million in net position represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, remains in a deficit position, and that deficit increased by \$4.32 million. It should be noted that the unrestricted deficit includes significant liabilities such as the state emergency apportionment loan of \$54.56 million, compensated absences of \$9.17 million, and the IBNR reserve for workers' compensation and dental claims of \$36.52 million.

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues:		
Charges for services	\$ 0.68	\$ 1.13
Operating grants and contributions	145.25	164.35
Capital grants and contributions	2.35	77.53
General revenues:		
Federal and State aid not restricted	190.19	145.89
Taxes	184.18	183.02
Other general revenues	15.52	16.84
Total Revenues	<u>538.18</u>	<u>588.76</u>
Expenses		
Instruction	264.70	254.17
Instruction-related	76.30	80.25
Student support services	45.00	44.90
Administration	27.61	28.48
Maintenance and operations	74.84	67.94
Interest on long-term obligations	47.32	41.50
Other	3.80	7.24
Total Expenses	<u>539.58</u>	<u>524.48</u>
Change in Net Position	<u>\$ (1.40)</u>	<u>\$ 64.28</u>

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$539.5 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$184.2 million because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions in the amount of \$147.6 million. We paid for the remaining "public benefit" portion of our governmental activities with \$190.2 million in federal and state funds, and \$16.2 million with other revenues, like interest and general entitlements.

In Table 3, we have presented the net cost of each of the District's largest functions. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

Table 3

	Net Cost of Services	
	2014	2013
Instruction	\$ 198.4	\$ 106.6
School administration	56.1	52.7
Pupil services	21.5	16.5
Administration	21.7	22.8
Maintenance and operations	61.9	46.0
Interest on long term debt	47.3	41.5
Other	(15.7)	(4.6)
Total	<u>\$ 391.3</u>	<u>\$ 281.5</u>

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$245.70 million, which is an increase of \$60.92 million from last year (Table 4). The increase is primarily due to the net impact of issuing \$120 million in general obligation bonds and expenditures of \$64 million in the Capital Outlay funds during the year.

Table 4

(Amounts in millions)

	July 1, 2013	Revenues	Expenditures	June 30, 2014
General	\$ 37.10	\$ 420.55	\$ 430.29	\$ 27.36
Building	37.94	120.51	29.73	128.72
Bond Interest and Redemption	51.01	81.98	61.64	71.35
Adult Education	0.52	1.43	1.47	0.48
Cafeteria	1.49	17.55	18.90	0.14
Capital Facilities	3.99	5.28	5.72	3.55
Child Development	0.32	11.80	12.11	0.01
County School Facilities	48.99	2.51	41.66	9.84
Deferred Maintenance	2.46	2.10	1.76	2.80
Special Reserve, Capital	0.96	0.55	0.04	1.47
Total	<u>\$ 184.78</u>	<u>\$ 664.26</u>	<u>\$ 603.32</u>	<u>\$ 245.72</u>

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 52.

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had \$823.6 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase of \$40 million or 5%, from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities	
	2014	2013
Land and construction in progress	\$ 125.27	\$ 114.36
Buildings and improvements	695.93	666.74
Equipment	2.40	2.53
Total	<u>\$ 823.60</u>	<u>\$ 783.63</u>

Long-Term Obligations

At the end of this year, the District had \$911.87 million in bonds outstanding versus \$809.46 million last year, an increase of \$102 million or 13%. Total long-term debt consisted of:

Table 6

(Amounts in millions)	Governmental Activities	
	2014	2013
General obligation bonds (financed with property taxes)	\$ 842.68	\$ 740.43
Emergency apportionment loan	54.55	59.48
Other	14.64	9.55
Total	<u>\$ 911.87</u>	<u>\$ 809.46</u>

Other obligations include compensated absences payable and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

ECONOMIC FACTORS

Agreement with Teachers' Union and Pay Increase for All Employees - In early June 2013, the District and Teachers' Union reached an agreement without impasse, mediation or arbitration. The essential terms of the OEA agreement are: 1) 2.35% one-time for all members, including substitutes; 2) 1.5% ongoing increase for all members, including substitutes; 3) 0.5% ongoing increase for all members, including substitutes (contingent on \$7 million in additional ongoing unrestricted State funds usable for general salary increase). All employees received the pay increase.

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

In May of 2015, the District, the Teacher's Union (OEA) and the administrators union (UAOS), agreed to salary increases and other terms of their respective contracts. Parts of the agreements are contingent on additional resources. The District continues to negotiate with the remaining units. The District has completed negotiation with all other unions, with the final board approval for the remaining bargaining units in January 2016.

Local Control Funding Formula - California's passage of the Local Control Funding Formula ("LCFF") provides more stability and predictability of State funding to the District. LCFF distributes resources to school Districts through a base funding grant per unit of daily attendance ("ADA"), with additional supplemental funding to certain Districts beginning in fiscal year 2013-14. LCFF will be implemented over eight years. Because of the District's high concentration of English language learners, students from low-income families and foster youth, the District anticipates an increase of approximately \$8.2 million in State funding in 2013-14, \$30.6 million in 2014-15, and \$38.2 million in 2015-16 (per LCFF Calculator June 2015).

Parcel Tax – November 2014 Election - On November 4, 2014, the voters of Oakland passed a parcel tax known as "Oakland Unified School District College and Career Readiness for All Fund." The proceeds from the parcel tax will be used to provide Oakland high school students with real-world work and learning opportunities; prepare students for admission to the University of California and other four-year colleges; expand mentoring, tutoring, counseling, support services, and transition to job training programs, among other programs. The parcel tax is a \$120 per parcel tax on real estate owned in Oakland, with an exemption for low-income homeowners and senior homeowners. The parcel tax will provide additional funding of \$12 million annually.

1025 Damage - On January 7, 2013, a substantial water leak occurred on the top floor of the District's Paul Robeson Administration Building, located at 1025 2nd Avenue, causing excessive flooding on all four floors and significant damage to the entire structure. As a result of this water damage, the Paul Robeson Administration Building was vacated and staff relocated to leased space at the Trans Pacific Center, 1000 Broadway. The lease payments for 1000 Broadway are covered by the insurance settlement through December 2015, and other resources after that until the new Education Center is built.

General Obligation Bonds - In August 2013, the District issued \$120 million in general obligation bonds at interest rates ranging from 4.0% to 6.3%. The bonds have maturity dates through August 1, 2038.

In August 2015, the District issued \$180 million in general obligation bonds at interest rates of 1% and 5%. The District also issued refunding general obligation bonds to refinance prior bond issues. The refunding bonds have a 5% interest rate and resulted in overall debt service savings of \$26 million.

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2014

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and 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 contact:

Vernon Hal
Senior Business Officer
Oakland Unified School District
1000 Broadway, Suite 680
Oakland, CA 94607

Or visit our website at: www.ousd.org

OAKLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2014

	Governmental Activities
ASSETS	
Deposits and investments	\$ 245,173,430
Receivables	78,575,899
Capital assets, net of accumulated depreciation	823,595,316
Total Assets	1,147,344,645
LIABILITIES	
Accounts payable	44,827,570
Interest payable	19,399,026
Unearned revenue	917,428
Current loans	20,017,111
Claims liability	36,518,205
Current portion of long-term obligations	36,690,467
Noncurrent portion of long-term obligations	875,183,863
Total Liabilities	1,033,553,670
NET POSITION	
Net investment in capital assets	104,167,299
Restricted	
Debt service	51,953,849
Capital projects	14,864,370
Educational programs	11,536,402
Unrestricted	(68,730,945)
Total Net Position	\$ 113,790,975

The accompanying notes are an integral part of these financial statements.

OAKLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 264,704,868	\$ 262,147	\$ 63,733,850	\$ 2,349,084	\$ (198,359,787)
Instruction-related activities:					
Supervision of instruction	41,962,572	16,159	17,068,986	-	(24,877,427)
library, media and technology	1,727,678	-	66,340	-	(1,661,338)
School site administration	32,608,359	47,692	2,988,075	-	(29,572,592)
Pupil services:					
Home-to-school transportation	12,159,368	-	-	-	(12,159,368)
Food services	18,784,267	327,959	15,882,565	-	(2,573,743)
All other pupil services	14,059,012	184	7,339,793	-	(6,719,035)
Administration:					
Data processing	5,614,257	-	-	-	(5,614,257)
All other administration	21,999,885	16,622	5,889,404	-	(16,093,859)
Plant services	62,076,323	7,725	1,410,958	-	(60,657,640)
Ancillary services	12,763,311	-	11,424,703	-	(1,338,608)
Community services	367,226	-	-	-	(367,226)
Enterprise services	953,530	-	-	-	(953,530)
Interest expense	47,317,898	-	-	-	(47,317,898)
Other outgo	2,478,591	1,717	19,447,853	-	16,970,979
Total	\$ 539,577,145	\$ 680,205	\$ 145,252,527	\$ 2,349,084	(391,295,329)
General revenues and subventions:					
					85,098,595
					74,661,328
					24,420,624
					190,194,881
					238,243
					700,911
					14,580,886
					<u>389,895,468</u>
					(1,399,861)
					<u>115,190,836</u>
					<u>\$ 113,790,975</u>

The accompanying notes are an integral part of these financial statements.

OAKLAND UNIFIED SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014**

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Deposits and	\$ 6,469,375	\$ 136,440,430	\$ 10,702,710	\$ 71,305,092	\$ 7,479,929	\$ 232,397,536
Receivables	73,381,009	82,526	20,854	47,783	4,998,592	78,530,764
Due from other funds	4,458,253	-	-	-	2,660,000	7,118,253
Total Assets	\$ 84,308,637	\$ 136,522,956	\$ 10,723,564	\$ 71,352,875	\$ 15,138,521	\$ 318,046,553
LIABILITIES AND FUND BALANCES						
Liabilities						
Payables	\$ 33,349,507	\$ 7,800,132	\$ 883,043	\$ -	\$ 2,237,192	\$ 44,269,874
Due to other funds	2,660,000	-	-	-	4,458,253	7,118,253
Current loans	20,017,111	-	-	-	-	20,017,111
Unearned revenue	917,428	-	-	-	-	917,428
Total Liabilities	56,944,046	7,800,132	883,043	-	6,695,445	72,322,666
Fund Balances						
Nonspendable	150,000	-	-	-	-	150,000
Restricted	11,055,425	128,722,824	9,840,521	71,352,875	5,504,826	226,476,471
Committed	-	-	-	-	2,938,250	2,938,250
Assigned	5,460,415	-	-	-	-	5,460,415
Unassigned	10,698,751	-	-	-	-	10,698,751
Total Fund Balances	27,364,591	128,722,824	9,840,521	71,352,875	8,443,076	245,723,887
Total Liabilities and Fund Balances	\$ 84,308,637	\$ 136,522,956	\$ 10,723,564	\$ 71,352,875	\$ 15,138,521	\$ 318,046,553

The accompanying notes are an integral part of these financial statements.

OAKLAND UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2014

Amounts reported for governmental activities in the statement of net position are different than amounts reported in the governmental funds balance sheet because of the following items:

Total Fund Balance - Governmental Funds		\$ 245,723,887
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 1,125,222,211	
Accumulated depreciation is	<u>(301,626,895)</u>	
Net capital assets		823,595,316
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. In the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(19,399,026)
An internal service fund is used by the District's management to charge the costs of the workers' compensation and dental insurance programs to the individual funds. The assets and liabilities of the internal service fund are included in the statement of net position.		(24,254,872)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental financial statements. Long-term obligations at year-end consist of the following:		
General obligation bonds (net of bond premiums of \$5,470,841)	848,150,841	
Emergency apportionment loan	54,553,977	
Compensated absences	<u>9,169,512</u>	
Total long-term obligations		<u>(911,874,330)</u>
Net Position - Governmental Activities		<u><u>\$ 113,790,975</u></u>

The accompanying notes are an integral part of these financial statements.

OAKLAND UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Local control funding formula	\$ 266,369,764	\$ -	\$ -	\$ -	\$ 1,000,000	\$ 267,369,764
Federal sources	47,630,290	-	-	3,236,472	18,677,037	69,543,799
Other state sources	61,986,191	-	2,349,084	674,027	9,390,527	74,399,829
Other local sources	41,991,114	511,029	164,215	74,150,638	7,156,737	123,973,733
Total Revenues	417,977,359	511,029	2,513,299	78,061,137	36,224,301	535,287,125
EXPENDITURES						
Current						
Instruction	242,135,705	-	-	-	9,547,658	251,683,363
Instruction-related activities						
Supervision of instruction	38,775,873	-	-	-	1,052,788	39,828,661
Instructional library, media and technology	1,659,408	-	-	-	-	1,659,408
School site administration	29,235,814	-	-	-	1,715,361	30,951,175
Pupil services						
Home-to-school transportation	11,541,214	-	-	-	-	11,541,214
Food services	12,409	-	-	-	17,817,361	17,829,770
All other pupil services	13,338,029	-	-	-	6,111	13,344,140
Administration						
Data processing	5,328,748	-	-	-	-	5,328,748
All other administration	19,319,190	-	-	-	1,567,586	20,886,776
Plant services	45,136,793	-	565,487	-	4,249,426	49,951,706
Facility acquisition/construction	363,202	27,636,843	41,099,328	-	3,841,880	72,941,253
Ancillary services	12,104,033	-	-	-	-	12,104,033
Community services	347,621	-	-	-	-	347,621
Other outgo	2,478,591	-	-	-	-	2,478,591
Debt service						
Principal	4,927,850	-	-	17,745,000	-	22,672,850
Interest and other	1,096,383	-	-	43,895,218	-	44,991,601
Total Expenditures	427,800,863	27,636,843	41,664,815	61,640,218	39,798,171	598,540,910
Excess (Deficiency) of Revenues Over Expenditures	(9,823,504)	(27,125,814)	(39,151,516)	16,420,919	(3,573,870)	(63,253,785)
Other Financing Sources (Uses)						
Transfers in	2,574,570	-	-	-	2,488,770	5,063,340
Proceeds from sale of bonds	-	120,000,000	-	3,920,196	-	123,920,196
Transfers out	(2,488,770)	(2,093,782)	-	-	(207,325)	(4,789,877)
Net Financing Sources (Uses)	85,800	117,906,218	-	3,920,196	2,281,445	124,193,659
CHANGE IN FUND BALANCE	(9,737,704)	90,780,404	(39,151,516)	20,341,115	(1,292,425)	60,939,874
Fund Balance - Beginning	37,102,295	37,942,420	48,992,037	51,011,760	9,735,501	184,784,013
Fund Balance - Ending	\$ 27,364,591	\$ 128,722,824	\$ 9,840,521	\$ 71,352,875	\$ 8,443,076	\$ 245,723,887

The accompanying notes are an integral part of these financial statements.

OAKLAND UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

Amounts reported for governmental activities in the statement of activities are different than amounts reported on the governmental funds statement of revenues, expenditures, and changes in fund balances because of the following items:

Total Net Change in Fund Balances - Governmental Funds		\$ 60,939,874
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
This is the amount by which capital outlays exceeds depreciation in the period:		
Capital outlays	\$ 63,532,505	
Depreciation expense	<u>(23,525,179)</u>	
		40,007,326
In the statement of activities, the loss on the disposal of capital assets is reported, whereas in the governmental funds, the transaction has no impact. Thus, the change in net position differs from the change in fund balance by the capital asset disposal.		(45,661)
In the statement of activities, certain operating expenses, such as compensated absences, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used - the amounts actually paid.		(1,415,504)
Issuance of general obligations bonds, including \$3,920,196 premium, is recognized as revenue in the governmental funds, but has no impact on the statement of activities.		(123,920,196)
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the statement of net position and does not affect the statement of activities.		22,672,850
Amortization of bond premiums are an expense in the statement of activities, but does not impact the governmental funds.		247,635
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(2,573,932)
An internal service fund is used by the District's management to charge the costs of the self-insurance programs to the individual funds. The net revenue of the internal service fund is reported with governmental activities.		<u>2,687,747</u>
Change in Net Position of Governmental Activities		<u><u>\$ (1,399,861)</u></u>

The accompanying notes are an integral part of these financial statements.

OAKLAND UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND - SELF INSURANCE
STATEMENT OF NET POSITION
JUNE 30, 2014**

	Governmental Activities - Internal Service Fund
ASSETS	
Current assets	
Deposits and investments	\$ 12,775,894
Receivables	45,135
Total Current Assets	<u>12,821,029</u>
LIABILITIES	
Current liabilities	
Accounts payable, vendor	557,696
Total Current Liabilities	<u>557,696</u>
Noncurrent Liabilities	
Claim liabilities	36,518,205
Total noncurrent liabilities	<u>36,518,205</u>
Total liabilities	<u>37,075,901</u>
NET POSITION	
Restricted for insurance programs	12,263,333
NET DEFICIT	<u><u>\$ (24,254,872)</u></u>

The accompanying notes are an integral part of these financial statements.

OAKLAND UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND - SELF INSURANCE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
In-district premiums	\$ 18,056,367
Other local revenue	<u>2,857,544</u>
Total Operating Revenues	<u>20,913,911</u>
OPERATING EXPENSES	
Payroll costs	931,577
Claims expense	<u>17,053,739</u>
Total Operating Expenses	<u>17,985,316</u>
Net Operating Income	<u>2,928,595</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	32,615
Transfers out	<u>(273,463)</u>
Total Nonoperating Loss	<u>(240,848)</u>
Change in Net Position	2,687,747
Net Position - Beginning	<u>(26,942,619)</u>
Net Position - Ending	<u><u>\$ (24,254,872)</u></u>

The accompanying notes are an integral part of these financial statements.

OAKLAND UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND - SELF INSURANCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from premiums	\$ 18,056,367
Other operating cash receipts	2,857,544
Cash payments for insurance claims	(54,570,339)
Cash payments to employees for services	(984,858)
Cash payments for interfund transfers out	(294,154)
Net cash provided by operating activities	<u>(34,935,440)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	23,560
Net cash provided by investing activities	<u>23,560</u>
Net increase in cash and cash equivalents	(34,911,880)
Cash and Cash Equivalents - Beginning	11,169,569
Cash and Cash Equivalents - Ending	<u>\$ (23,742,311)</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating income	\$ 2,928,595
Changes in assets and liabilities:	
Change in accounts receivables	(35,939)
Interfund transactions	(294,154)
Change in accounts payables	(178,132)
Change in claims liability	(37,355,810)
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (34,935,440)</u>

The accompanying notes are an integral part of these financial statements.

OAKLAND UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND STATEMENT OF NET POSITION JUNE 30, 2014

	Payroll Revolving Agency Fund
ASSETS	
Deposits and investments	\$ 17,062,824
Receivables, vendor	176,798
Receivables, OUSD Cafeteria Fund	239,149
Total Assets	<u>\$ 17,478,771</u>
LIABILITIES	
Due to OUSD General Fund	5,734,155
Due to other agencies	11,744,616
Total Liabilities	<u>\$ 17,478,771</u>

The accompanying notes are an integral part of these financial statements.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Oakland Unified School District (the District) was organized in 1855 under the laws of the State of California and unified in 1952. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K-12 as mandated by the State and Federal agencies. During the 2013-14 school year, the District operated 50 K-5 elementary schools, 4 K-8 elementary schools, 14 middle schools, 2 grades 6-12 schools, 8 grades 9-12 high schools, 8 alternative schools, and 29 early childhood education centers.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Oakland Unified School District, this includes general operations, food service, and student related activities of the District. The District has approved various student body organizations to operate at its schools. However, fiduciary fund assets and liabilities for these student body organizations are excluded from these financial statements.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and nonmajor governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions, except those accounted for in another fund, are accounted for in this fund.

Building Fund The Building Fund is a capital projects fund that exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were authorized.

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is a debt service fund used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Nonmajor Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund The Adult Education Fund is used to account separately for federal, state, and local revenues for adult education programs and is to be expended for adult education purposes only.

Child Development Fund The Child Development Fund is used to account separately for federal, state, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Cafeteria Fund The Cafeteria Fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for the payment of principal and interest on general long-term debt.

Debt Service Fund This fund is used for the accumulation of resources for and the retirement of principal and interest on long-term debt.

Capital Projects Funds The Capital Projects funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

State School Building Lease-Purchase Fund The State School Building Lease-Purchase Fund is used primarily to account separately for state apportionments for the reconstruction, remodeling, or replacing of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (*Education Code* Section 17000 et seq.).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service.

Internal Service Fund Internal Service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a workers' compensation program and a dental program that are accounted for in an internal service fund.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, and other payroll related items.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net asset use.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The Statement of Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts, and so as not to distort normal revenue patterns with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Unearned Revenue Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability is removed from the balance sheet and revenue is recognized.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2014, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and state investment pools are determined by the program sponsor.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide Statement of Net Position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; building improvements, 20 years; equipment, 5 to 20 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental column of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Current Loans

Current loans consist of amounts outstanding at June 30, 2014, for tax revenue and anticipation notes. The notes were issued as short-term obligations to provide cash flow needs. This liability is offset with cash deposits in the county treasurer, which have been set aside to repay the notes.

Fund Balances - Governmental Funds

As of June 30, 2014, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

In fiscal year 2010-11, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Self-Insurance Obligation

The Self-Insurance Fund is used to account for the District's self-insurance obligation related to workers' compensation and dental claims. Funding of the self-insurance obligation is based on estimates of the amounts needed to pay prior and current year claims. The District is self-insured for workers' compensation up to \$500,000 per occurrence. The general fund is charged premiums by the self-insurance fund, which is accounted for as an internal service fund. The District participates in joint power agreements which provide excess liability and excess workers' compensation coverage to the District. The District also participates in a joint powers agreement for its property insurance coverage. In the government-wide financial statements, the internal service fund activity is eliminated to avoid doubling of revenues and expenditures.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are in-district premiums to pay for insurance premiums. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the Statement of Activities, except for the net residual amounts transferred between governmental and business-type activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Alameda bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Future Accounting Pronouncements

In June 2012, the Governmental Accounting Standard Board (GASB) issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement 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. The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the certain defined characteristics. This Statement will be effective with the June 30, 2015, financial statements.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2014, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 232,397,536
Self-insurance fund	12,775,894
Fiduciary fund	17,062,824
Total deposits and investments	<u>\$ 262,236,254</u>

Deposits and investments as of June 30, 2014, consist of the following:

Cash on hand and in banks	\$ 602,520
Cash in revolving	150,000
Investments with the County Treasurer	261,483,734
Total deposits and investments	<u>\$ 262,236,254</u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their county treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the county treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing substantially all of its cash and investments in the county pool.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the county pool are not rated as of June 30, 2014.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California government code.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2014, the District believes it is not exposed to any significant custodial credit risk.

NOTE 3 - RECEIVABLES

Governmental fund receivables at June 30, 2014, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government						
Categorical aid	\$ 13,717,527	\$ -	\$ -	\$ -	\$ 3,848,670	\$ 17,566,197
State Government						
Apportionment	34,069,880	-	-	-	-	34,069,880
Categorical aid	6,898,644	-	-	-	550,306	7,448,950
Lottery	3,151,257	-	-	-	-	3,151,257
Interest	5,781,611	-	20,839	47,783	5,308	5,855,541
Other local sources	4,027,935	82,526	15	-	594,308	4,704,784
Payroll revolving	5,734,155	-	-	-	-	5,734,155
Total Receivables	\$ 73,381,009	\$ 82,526	\$ 20,854	\$ 47,783	\$ 4,998,592	\$ 78,530,764

OAKLAND UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 17,701,767	\$ -	\$ -	\$ 17,701,767
Construction in process	96,658,804	29,912,565	19,007,728	107,563,641
Total capital assets not being depreciated	<u>114,360,571</u>	<u>29,912,565</u>	<u>19,007,728</u>	<u>125,265,408</u>
Capital assets being depreciated				
Buildings	867,223,411	52,130,080	-	919,353,491
Land improvements	65,772,250	-	45,661	65,726,589
Equipment	14,479,328	497,588	100,193	14,876,723
Total capital assets being depreciated	<u>947,474,989</u>	<u>52,627,668</u>	<u>145,854</u>	<u>999,956,803</u>
Less accumulated depreciation				
Buildings	239,706,691	20,220,116	-	259,926,807
Building improvements	26,548,505	2,671,070	-	29,219,575
Equipment	11,946,713	633,993	100,193	12,480,513
Total accumulated depreciation	<u>278,201,909</u>	<u>23,525,179</u>	<u>100,193</u>	<u>301,626,895</u>
Governmental Activities - capital assets, net	<u>\$ 783,633,651</u>	<u>\$ 59,015,054</u>	<u>\$ 19,053,389</u>	<u>\$ 823,595,316</u>

OAKLAND UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities

Instruction	\$ 12,282,471
Supervision of instruction	2,012,801
Instructional library media and technology	64,395
School administration	1,563,131
Pupil transportation	583,071
Food services	900,325
Other pupil services	674,300
Ancillary services	621,861
Community services	18,492
Enterprise	966,431
Other general administration	1,049,935
Data processing services	269,305
Plant maintenance and operations	2,518,661
Total depreciation expense, governmental activities	<u><u>\$ 23,525,179</u></u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2014, between major and nonmajor governmental funds, and internal service funds are as follows:

Due From	Due To		Total
	General Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 2,660,000	\$ 2,660,000
Nonmajor Governmental Funds	4,458,253	-	4,458,253
Total interfund receivable and payables	<u><u>\$ 4,458,253</u></u>	<u><u>\$ 2,660,000</u></u>	<u><u>\$ 7,118,253</u></u>

The balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

OAKLAND UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended June 30, 2014, consisted of the following:

<u>Transfer From</u>	<u>Transfer To</u>		<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$ 2,488,770	\$ 2,488,770
Building Fund	2,093,782	-	2,093,782
Nonmajor Governmental Funds	207,325	-	207,325
Internal Service Fund	273,463	-	273,463
Total interfund transfers	<u>\$ 2,574,570</u>	<u>\$ 2,488,770</u>	<u>\$ 5,063,340</u>

The Deferred Maintenance match is funded by the General Fund.	\$ 2,093,782
The General Fund transferred to the Child Development Fund to support operations.	394,988
The Cafeteria Fund transferred its share of the state loan payments to the General Fund pursuant to the multi-year fiscal recovery plan.	206,843
The Building Fund transferred the deferred maintenance match to the General Fund.	2,093,782
The Self-Insurance fund transferred to the General Fund for reimbursement of incurred costs.	273,463
The State School Building Fund transferred to the General Fund to close out the fund.	482
	<u>\$ 5,063,340</u>

OAKLAND UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 - ACCOUNTS PAYABLE

Governmental fund accounts payable at June 30, 2014, consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Vendor payables	\$ 23,618,600	\$ 7,798,604	\$ 883,043	\$ 2,001,371	\$ 34,301,618
State apportionment	5,193,716	-	-	-	5,193,716
Salaries and benefits	2,442,288	1,528	-	235,821	2,679,637
Other significant payables	2,094,903	-	-	-	2,094,903
Total accounts payable	<u>\$ 33,349,507</u>	<u>\$ 7,800,132</u>	<u>\$ 883,043</u>	<u>\$ 2,237,192</u>	<u>\$ 44,269,874</u>

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2014, consists of the following:

	General Fund
Federal financial assistance	\$ 261,229
State categorical aid	639,333
Other local	16,866
Total unearned revenue	<u>\$ 917,428</u>

NOTE 8 - REVENUE ANTICIPATION LOANS

As of July 1, 2013, the District had outstanding revenue anticipation notes in the amount of \$40,000,000, which matured on October 1, 2013. On April 30, 2014, the District issued \$20,000,000 of revenue anticipation notes bearing interest at 0.20 percent and maturing October 1, 2014. The notes were issued to supplement cash flows. Changes in the outstanding liabilities for the revenue anticipation notes are as follows:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2013	Additions	Payments	Outstanding June 30, 2014
April 30, 2013	0.16%	October 1, 2013	\$ 40,000,000	\$ -	\$ 40,000,000	\$ -
March 26, 2014	0.20%	October 1, 2014	-	20,000,000	-	20,000,000
			<u>\$ 40,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 40,000,000</u>	<u>\$ 20,000,000</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	July 1, 2013	Additions	Deductions	June 30, 2014	Current Portion
General obligation bonds	\$740,425,000	\$120,000,000	\$ 17,745,000	\$ 842,680,000	\$31,675,000
General obligation bond premiums	1,798,280	3,920,196	247,635	5,470,841	-
Emergency apportionment loan	59,481,827	-	4,927,850	54,553,977	5,015,467
Compensated absence, net	7,754,008	1,415,504	-	9,169,512	-
Total long-term obligations	<u>\$809,459,115</u>	<u>\$125,335,700</u>	<u>\$ 22,920,485</u>	<u>\$ 911,874,330</u>	<u>\$36,690,467</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with property tax revenues which are used solely to repay the principal and interest due on these obligations. Payments on the Emergency Apportionment Loan will be made by the General Fund. The accrued vacation will be paid by the fund for which the employee worked.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Bond Issuance	Issue Date	Maturity Date	Interest Rate	Original Issuance
Election of 2000 - Series 2002	Mar-02	Aug-26	2.4-5.25%	\$ 100,000,000
Election of 2005 - Series 2005	Aug-05	Aug-30	3.0-5.0%	141,000,000
Election of 2006 - Series 2006	Nov-06	Aug-31	4.25-5.0%	130,000,000
2007 Refunding	Jul-07	Aug-25	3.75-5.0%	199,240,000
Election of 2006 - Series 2009 A	Jul-09	Aug-29	4.0-6.5%	87,885,000
Election of 2006 - Series 2009 B	Jul-09	Aug-34	9.50%	70,795,000
Election of 2006 - Series 2009 C	Jul-09	Aug-24	2.82%	26,320,000
Election of 2006 - Series 2012 A	Mar-12	Aug-32	3.00-5.55%	31,040,000
Election of 2006 - Series 2012 B	Mar-12	Aug-33	6.88%	23,960,000
Election of 2012 - Series 2013	Sep-13	Aug-38	4.0-5.0%	120,000,000
				<u>\$ 930,240,000</u>

Bond Issuance	July 1, 2013	Issued	Redeemed	June 30, 2014
Election of 2000 - Series 2002	\$ 90,665,000	\$ -	\$ 1,810,000	\$ 88,855,000
Election of 2005 - Series 2005	123,770,000	-	5,730,000	118,040,000
Election of 2006 - Series 2006	112,495,000	-	1,360,000	111,135,000
2007 Refunding	173,495,000	-	8,025,000	165,470,000
Election of 2006 - Series 2009 A	87,885,000	-	-	87,885,000
Election of 2006 - Series 2009 B	70,795,000	-	-	70,795,000
Election of 2006 - Series 2009 C	26,320,000	-	-	26,320,000
Election of 2006 - Series 2012 A	31,040,000	-	820,000	30,220,000
Election of 2006 - Series 2012 B	23,960,000	-	-	23,960,000
Election of 2012 - Series 2013	-	120,000,000	-	120,000,000
	<u>\$ 740,425,000</u>	<u>\$ 120,000,000</u>	<u>\$ 17,745,000</u>	<u>\$ 842,680,000</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

Debt Service Requirements to Maturity

The general obligation bonds mature through 2039 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 31,675,000	\$ 45,846,719	\$ 77,521,719
2016	32,585,000	44,421,857	77,006,857
2017	26,445,000	43,044,394	69,489,394
2018	29,330,000	41,638,957	70,968,957
2019	30,285,000	40,214,152	70,499,152
2020-2024	195,090,000	174,873,810	369,963,810
2025-2029	254,950,000	111,867,677	366,817,677
2030-2034	184,860,000	66,400,621	251,260,621
2035-2039	57,460,000	8,155,132	65,615,132
Total	<u>\$ 842,680,000</u>	<u>\$ 576,463,319</u>	<u>\$ 1,419,143,319</u>

State of California Emergency Apportionment Loan

On January 3, 2003, Senate Bill 39, Chapter 14, Statutes of 2003, was enacted. This legislation provided an emergency apportionment loan to the District of \$100,000,000.

The California Department of Education authorized the State Administrator to use these funds to offset the cost of audit findings, technology enhancements and the associated loan payment of the drawdown. The legislation requires the District repay the loan, including interest at a rate of 1.778%, which is the rate earned by the State's Pooled Money Investment Account on the effective date of Senate Bill 39. The bill provides that the loan be repaid over a 20-year period.

Repayment of the loan commenced in 2003-04 and matures through 2026 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2015	\$ 5,015,467	\$ 969,970	\$ 5,985,437
2016	5,104,642	880,795	5,985,437
2017	5,195,403	790,034	5,985,437
2018	5,287,777	697,660	5,985,437
2019	5,381,794	603,643	5,985,437
2020-2024	24,488,242	1,548,408	26,036,650
2025-2026	4,080,652	109,151	4,189,803
Total	<u>\$ 54,553,977</u>	<u>\$ 5,599,661</u>	<u>\$ 60,153,638</u>

OAKLAND UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Revolving cash	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ 150,000
Total Nonspendable	150,000	-	-	-	-	150,000
Restricted						
Educational programs	11,055,425	-	-	-	-	11,055,425
Child development	-	-	-	-	4,003	4,003
Child nutrition	-	-	-	-	135,901	135,901
Capital projects	-	128,722,824	9,840,521	-	5,023,849	143,587,194
Adult education	-	-	-	-	341,073	341,073
Debt services	-	-	-	71,352,875	-	71,352,875
Total Restricted	11,055,425	128,722,824	9,840,521	71,352,875	5,504,826	226,476,471
Committed						
Capital projects	-	-	-	-	2,796,573	2,796,573
Adult education	-	-	-	-	141,677	141,677
Total Committed	-	-	-	-	2,938,250	2,938,250
Assigned						
Audit adjustments	4,565,157	-	-	-	-	4,565,157
Early retirement	895,258	-	-	-	-	895,258
Total Assigned	5,460,415	-	-	-	-	5,460,415
Unassigned						
Reserve for economic uncertainties	8,427,424	-	-	-	-	8,427,424
Remaining unassigned	2,271,327	-	-	-	-	2,271,327
Total Unassigned	10,698,751	-	-	-	-	10,698,751
Total Fund Balance	\$ 27,364,591	\$ 128,722,824	\$ 9,840,521	\$ 71,352,875	\$ 8,443,076	\$ 245,723,887

OAKLAND UNIFIED SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Reconciliation to the Statement of Net Position The following is a reconciliation of the unassigned fund balance on the governmental funds balance sheet with the unrestricted deficit in the statement of net position:

Unassigned fund balance per the governmental funds balance sheet	\$ 10,698,751
Add	
Nonspendable fund balance	150,000
Assigned general fund balances	5,460,415
Deferred maintenance fund balance	2,796,573
Adult education fund balance	141,677
Deduct	
Compensated absences	(9,169,512)
Emergency apportionment loan	(54,553,977)
Deficit self-insurance net position	(24,254,872)
Unrestricted deficit per the statement of net position	<u><u>\$ (68,730,945)</u></u>

NOTE 11 - LEASE REVENUES

Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2015	\$ 665,612
2016	415,430
2017	140,237
2018	110,000
2019	120,000
Thereafter	1,830,000
Total	<u><u>\$ 3,281,279</u></u>

Lease agreement between the District and Chabot Space and Science Center Joint Powers Authority

The Chabot Space and Science Center Joint Powers Authority (Chabot JPA) is a joint powers authority, organized in 1989 pursuant to a Joint Powers Agreement between the City of Oakland, the Oakland Unified School District, and the East Bay Regional Park District. The Chabot JPA was formed pursuant to the Government Code of the State of California, commencing with Section 6500. The 23 member Chabot JPA Board of Directors provides oversight to the general operations and governance of the Chabot Space and Science Center, giving its approval to all major expenditures, appointments, and strategic decisions.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

On July 1, 1999, the District issued Certificates of Participation to provide a loan of \$10,265,000 to Chabot, of which in the fall of 2010 \$8,327,681 was still outstanding. The certificates have been paid off in full by the District though the loan has not. To reduce the burden on the Chabot JPA, the District agreed to restructure the loan payment and on November 9, 2010, the District entered into a new agreement with the Chabot JPA. The restructured loan agreement was a lease lease-back of the Chabot Space and Science Center Facility, under the following terms:

- The District agreed to lease the Facility from Chabot for \$1 and, the District leased it back to Chabot for \$450,000 annually in quarterly payments of one hundred twelve thousand, five hundred dollars (\$112,500).
- The lease term is forty (40) years, commencing retroactively on October 1, 2009 (Commencement Date) and expiring on September 30, 2049.
- The lease payments made by Chabot are used by the District to repay the remaining principal due on the original loan (plus an additional amount to cover up front costs); interest; and an administrative fee to the District.
- The leased property is located at 10000 Skyline Blvd., Oakland, California 94610, and under this agreement, District students have priority use.

Chabot entered into the above agreement in exchange for the cancellation of the original loan agreement. The District has no assets to report, either before or after the Lease Agreement. The District has the legal right to lease the property from Chabot and to lease it back to Chabot, but the assets remain on the books of Chabot. Because the District leases the facility from Chabot, it is not recorded as an asset on the District's balance sheet. To determine an appropriate annual lease amount, the District and Chabot acknowledged that the lease payments would be applied to (1) repayment of the outstanding balance of the original loan, (2) interest accrued on the unpaid principal during the term of the new lease, and (3) certain transaction costs. This arrangement was designed to ensure that the District would be fully repaid and would receive interest on the amount of the loan that had not yet been repaid. This calculation is what links the original loan and principal to the new lease. But the legal instrument is now a lease, with fixed quarterly lease payments due from Chabot. To encourage the use of the facility for educational purposes, the agreement also allows for the District to receive certain discounts for the use of the facility. These discounts and other "in kind" contributions are valued, per the lease agreement, and can be used to reduce the total amount due on the lease. If the original "Principal" is fully repaid, along with current interest and administrative fees, the lease will terminate.

In November 2013, the Chabot JPA advised the District it was unable to make its scheduled payments. As a result, the District entered into a two-year Forbearance Agreement. Under the terms of the Forbearance Agreement, OUSD will temporarily forbear from exercising its rights under the Lease-Leaseback Agreements and 1) Chabot will make payments to the District as follows: during the 2014-15 fiscal year, a payment of \$150,000 toward the 2013-14 indebtedness; and a payment of \$200,000 during the 2015-16 fiscal year toward the 2013-14 indebtedness; 2) subject to approval by the Oakland City Council, the 2013-14 partial payment, payable in the 2014-15 and 2015-16 fiscal years will be made by the City of Oakland, for the benefit of Chabot.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2014

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the year, the District contracted with Northern California ReLiEF for property and liability insurance coverage. Northern California ReLiEF liability and property insurance coverage maintains a self-insurance retention of \$250,000 per occurrence, with \$30,000,000 and \$250,000,000 limits of coverage, respectively. The District paid \$1,605,808 to Northern California ReLiEF for its property and liability coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

The District is permissibly self-insured for workers' compensation, and maintains a \$500,000 per occurrence self-insurance retention. Above that level, the District purchases excess insurance to the statutory maximums for an annual combined premium of \$699,500. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

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 following represent the changes in approximate aggregate liabilities for the District from July 1, 2012, to June 30, 2014 (in thousands):

	<u>Self-Insurance</u>
Liability Balance, July 1, 2012	\$ 36,885
Claims and changes in estimates	16,887
Claims payments	(17,358)
Liability Balance, June 30, 2013	<u>37,356</u>
Claims and changes in estimates	16,216
Claims payments	(17,054)
Liability Balance, June 30, 2014	<u>\$ 36,518</u>
Assets available to pay claims at June 30, 2014	<u>\$ 12,263</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2014, 2013, and 2012, were \$12,749,778, \$12,402,057, and \$12,444,347 respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-14 was 11.442 percent of covered payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2014, 2013, and 2012 were \$8,042,937, \$7,412,661, and \$6,826,845 respectively, and equal 100 percent of the required contributions for each year.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. The state contributions for fiscal years ending June 30, 2014, 2013, and 2012, were \$8,357,715, \$8,227,929, and \$8,287,932, respectively. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2014.

NOTE 15 - PARTICIPATION IN JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

East Bay Regional Occupation Agency

The District is a member of the East Bay Regional Occupation Agency which was formed to operate the Regional Occupational Program (ROP). The ROP is governed by an appointed board of directors and is an entity separate and distinct from each of the participant Districts. The purpose of the ROP is to provide entry-level occupational training to youths and adults residing in the participant Districts.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

The ROP is funded by state apportionment moneys based on average daily attendance reported to the state by each participant District. Apportionment moneys are received from the state by the participant districts and transferred to the ROP. ROP classes are held at sites owned by the participant districts and are instructed by personnel who are employees of the participant districts. Accordingly, the ROP itself has no capital assets and no employees. The participant districts allocate certificated and classified salaries, employee benefits, and indirect costs to the ROP.

The District has appointed board members to the governing board of East Bay Regional Occupation Agency. During the year ended June 30, 2014, the District made no payments to the East Bay Regional Occupation Agency because it is inactive. Effective May 15, 2015, the ROP was dissolved.

East Bay Asian Youth Center

The East Bay Asian Youth Center (EBAYC) is an Oakland nonprofit working in neighborhood communities to inspire young people. One member of the Oakland Unified School District Board of Education also serves as an Executive Director of the EBAYC. The board member does not participate in financial decisions regarding approval of contracts between the District and the EBAYC. During the year ended June 30, 2014, the District made payments of \$2,372,027 to the EBAYC for student related services at various schools.

Chabot Space and Science Center Joint Powers Authority

The District participates in the Chabot Space and Science Center Joint Powers Authority (Chabot JPA), a joint powers authority established to provide quality science education to members of the Oakland community. The Chabot JPA board consists of representatives of the City of Oakland, the Oakland Unified School District, and the East Bay Regional Park District. The District appoints 3 members to the 23 member governing board. During the year ended June 30, 2014, the District made payments of \$250 to the Chabot JPA.

Youth Ventures Joint Powers Authority

The District participates in the Youth Ventures Joint Powers Authority (Youth Ventures), a joint powers authority established to promote the education, health, well-being, and economic viability of children, youth, and families within the County of Alameda.

The Youth Ventures board consists of representatives of the City of Oakland, the Oakland Unified School District, and the County of Alameda. The District appoints 5 members to the 15 member governing board. During the year ended June 30, 2014, the District allowed Youth Ventures to use buildings and classroom space for operation of after school programs in lieu of cash payments.

Northern California Regional Liability Excess Fund

The District is a member of the Northern California Regional Liability Excess Fund (NCR). NCR is a non-profit member-owned and operated Joint Powers Authority (JPA) providing risk management services to California public schools. The District appointed one member to the 42 member governing board. During the year ended June 30, 2014, the District made payments of \$1,521,657 to the NCR for insurance premiums.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements. Financial statements are available from the Oakland Unified School District at 1000 Broadway, Oakland California.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 16 - SUBSEQUENT EVENTS

1025 Damage

On January 7, 2013, a substantial water leak occurred on the top floor of the District's Paul Robeson Administration Building, located at 1025 2nd Avenue, causing excessive flooding on all four floors and significant damage to the entire structure. As a result of this water damage, the Paul Robeson Administration Building was vacated and staff relocated to leased space at the Trans Pacific Center, 1000 Broadway. The lease payments for 1000 Broadway are covered by the insurance settlement through December 2015.

New Parcel Tax – November 2014 Measure N

On November 4, 2014, Measure N, a \$120 parcel tax known as “Oakland Unified School District College and Career Readiness for All Fund” was approved by voters. The proceeds from the parcel tax will be used to provide Oakland high school students with real-world work and learning opportunities; prepare students for admission to the University of California and other four-year colleges; expand mentoring, tutoring, counseling, support services, and transition to job training programs.

The parcel tax will also pay for the implementation of a comprehensive approach to high school education in Oakland that integrates challenging academics with career-based learning and real-world work experiences, including, small learning communities of career-oriented pathways, and, individualized support to create the conditions for all students to graduate high school prepared to succeed in college and career. Measure N is anticipated to generate approximately \$12 million of additional funding for the District.

REQUIRED SUPPLEMENTARY INFORMATION

OAKLAND UNIFIED SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances -</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual Positive (Negative)</u>
REVENUES				
Revenue limit sources	\$ 199,716,139	\$ 267,138,089	\$ 266,369,764	\$ (768,325)
Federal sources	46,960,479	55,302,942	47,630,290	(7,672,652)
Other state sources	116,528,160	56,144,373	53,628,476	(2,515,897)
Other local sources	37,935,834	44,684,623	41,991,114	(2,693,509)
Total Revenues ¹	<u>401,140,612</u>	<u>423,270,027</u>	<u>409,619,644</u>	<u>(13,650,383)</u>
EXPENDITURES				
Current				
Certificated salaries	146,237,483	154,741,453	153,700,801	(1,040,652)
Classified salaries	58,402,763	62,182,804	66,035,708	3,852,904
Employee benefits	95,268,231	92,357,650	89,591,902	(2,765,748)
Books and supplies	26,853,263	39,208,014	25,076,461	(14,131,553)
Services and operating expenditures	59,152,966	77,241,160	76,865,489	(375,671)
Other outgo	1,761,503	1,834,478	1,438,383	(396,095)
Capital outlay	105,500	780,443	710,171	(70,272)
Debt service - principal	4,592,443	4,111,675	4,927,850	816,175
Debt service - interest	1,393,034	1,164,368	1,096,383	(67,985)
Total Expenditures ¹	<u>393,767,186</u>	<u>433,622,045</u>	<u>419,443,148</u>	<u>(14,178,897)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>7,373,426</u>	<u>(10,352,018)</u>	<u>(9,823,504)</u>	<u>528,514</u>
Other Financing Sources (Uses)				
Transfers in	2,827,849	2,827,849	2,574,570	(253,279)
Transfers out	(3,093,782)	(2,766,597)	(2,488,770)	277,827
Net Financing Sources (Uses)	<u>(265,933)</u>	<u>61,252</u>	<u>85,800</u>	<u>24,548</u>
NET CHANGE IN FUND BALANCES	<u>7,107,493</u>	<u>(10,290,766)</u>	<u>(9,737,704)</u>	<u>553,062</u>
Fund Balance - Beginning	<u>37,102,295</u>	<u>37,102,295</u>	<u>37,102,295</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 44,209,788</u>	<u>\$ 26,811,529</u>	<u>\$ 27,364,591</u>	<u>\$ 553,062</u>

¹ On behalf payments of \$8,227,929 are not included in the actual revenues and expenditures.

SUPPLEMENTARY INFORMATION

OAKLAND UNIFIED SCHOOL DISTRICT

LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE JUNE 30, 2014

The Oakland Unified School District was established in 1855 and consists of an area comprising approximately 55 square miles. During the 2013-14 school year, the District operated 50 elementary schools, 4 K-8 schools, 14 middle schools, 2 grades 6-12 schools, 8 high schools, 8 alternative schools and 29 early childhood education centers.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
David Kakishiba	President	January 2015
James Harris	Vice President	January 2017
Jody London	Director	January 2017
Jumoke Hinton Hodge	Director	January 2017
Anne C. Washington	Director	January 2015
Roseann Torres	Director	January 2017
Christopher Dobbins	Director	January 2015

STATE TRUSTEE

Carlene Naylor

ADMINISTRATION

NAME	TITLE
Gary D. Yee	Acting Superintendent
Jacqueline Minor	General Counsel
Vernon Hal	Deputy Superintendent Business and Operations
Maria Santos	Deputy Superintendent Instructions, Leadership, and Equity-in-Action

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2014

	Final Report		As Adjusted per Audit	
	Amended Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA				
Transitional kindergarten through third	13,412.94	13,395.06	13,412.94	13,395.06
Fourth through sixth	8,440.77	8,428.63	8,432.97	8,420.83
Seventh and eighth	4,721.39	4,724.03	4,720.98	4,723.62
Ninth through twelfth	8,231.18	8,127.69	8,230.96	8,127.47
Total Regular ADA	<u>34,806.28</u>	<u>34,675.41</u>	<u>34,797.85</u>	<u>34,666.98</u>
Extended Year Special Education				
Transitional kindergarten through third	18.36	18.36	18.36	18.36
Fourth through sixth	10.17	10.17	10.17	10.17
Seventh and eighth	4.18	4.18	4.18	4.18
Ninth through twelfth	13.97	13.97	13.97	13.97
Total Extended Year Special Education	<u>46.68</u>	<u>46.68</u>	<u>46.68</u>	<u>46.68</u>
Special Education, Nonpublic, Nonsectarian Schools				
Transitional kindergarten through third	22.54	22.23	22.54	22.23
Fourth through sixth	29.98	33.63	29.98	33.63
Seventh and eighth	30.03	27.21	30.03	27.21
Ninth through twelfth	124.92	116.74	124.92	116.74
Total Special Education, Nonpublic, Nonsectarian Schools	<u>207.47</u>	<u>199.81</u>	<u>207.47</u>	<u>199.81</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools				
Transitional kindergarten through third	3.16	3.16	3.16	3.16
Fourth through sixth	3.35	3.35	3.35	3.35
Seventh and eighth	2.94	2.94	2.94	2.94
Ninth through twelfth	12.50	12.50	12.50	12.50
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>21.95</u>	<u>21.95</u>	<u>21.95</u>	<u>21.95</u>
Community Day School				
Fourth through sixth	0.58	0.43	0.58	0.43
Seventh and eighth	20.22	20.74	20.22	20.74
Ninth through twelfth	11.76	12.51	11.76	12.51
Total Community Day School	<u>32.56</u>	<u>33.68</u>	<u>32.56</u>	<u>33.68</u>
Total ADA	<u><u>35,114.94</u></u>	<u><u>34,977.53</u></u>	<u><u>35,106.51</u></u>	<u><u>34,969.10</u></u>

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>Reduced 1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>Reduced 1986-87 Minutes Requirement</u>	<u>2013-14 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	31,800	30,917	36,000	35,000	46,955	180	In Compliance
Grades 1 - 3							
Grade 1	40,610	39,482	50,400	49,000	50,750	180	In Compliance
Grade 2	40,610	39,482	50,400	49,000	50,905	180	In Compliance
Grade 3	40,610	39,482	50,400	49,000	51,140	180	In Compliance
Grades 4 - 6							
Grade 4	42,360	41,183	54,000	52,500	54,000	180	In Compliance
Grade 5	42,360	41,183	54,000	52,500	54,000	180	In Compliance
Grade 6	42,360	41,183	54,000	52,500	54,060	180	In Compliance
Grades 7 - 8							
Grade 7	42,360	41,183	54,000	52,500	54,060	180	In Compliance
Grade 8	42,360	41,183	54,000	52,500	54,060	180	In Compliance
Grades 9 - 12							
Grade 9	42,000	40,833	64,800	63,000	64,860	180	In Compliance
Grade 10	42,000	40,833	64,800	63,000	64,860	180	In Compliance
Grade 11	42,000	40,833	64,800	63,000	64,860	180	In Compliance
Grade 12	42,000	40,833	64,800	63,000	64,860	180	In Compliance

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2014

Name of Charter School	Included in District Financial Statements or Separate Report
100 Black Men of the Bay Area	Separate Report
Achieve Academy	Separate Report
American Indian Public Charter High	Separate Report
American Indian Public Charter School	Separate Report
American Indian Public Charter School II	Separate Report
ARISE High School	Separate Report
ASCEND	Separate Report
Aspire Berkley Maynard Academy	Separate Report
Aspire College Academy	Separate Report
Aspire ERES Academy	Separate Report
Aspire Golden State College Preparatory Academy	Separate Report
Aspire Lionel Wilson College Preparatory Academy	Separate Report
Aspire Millsmont Academy	Separate Report
Aspire Monarch Academy	Separate Report
Bay Area Technology School	Separate Report
Civicorps Corpsmember Academy	Separate Report
Conservatory of Vocal and Instrumental Arts	Separate Report
East Oakland Leadership Academy	Separate Report
KIPP Bridge Charter School	Separate Report
Learning Without Limits	Separate Report
Lighthouse Community Charter High School	Separate Report
Lighthouse Community Charter School	Separate Report
LPS Oakland R and D	Separate Report
North Oakland Community Charter	Separate Report
Oakland Charter Academy	Separate Report
Oakland Charter High School	Separate Report
Oakland Military Institute	Separate Report
Oakland School for the Arts	Separate Report
Oakland Unity High School	Separate Report
Reems (Ernestine) Academy of Technology and Arts	Separate Report
Vincent Academy	Separate Report
World Academy	Separate Report

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Adult Education Fund
Unaudited actuals	\$ 25,533,197	\$ 128,438,168	\$ 9,790,633	\$ 71,301,295	\$ 458,657
Changes from					
Investments	(312,107)	72,409	53,542	51,580	459
Accounts receivable	1,074,416	-	-	-	(407)
Accounts payable	1,113,574	212,247	(3,654)	-	24,041
Current loans	(44,489)	-	-	-	-
Fund balance per audited financial statements	<u>\$ 27,364,591</u>	<u>\$ 128,722,824</u>	<u>\$ 9,840,521</u>	<u>\$ 71,352,875</u>	<u>\$ 482,750</u>
					Special Reserve
	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Capital Outlay Fund
Unaudited actuals	\$ 1,722	\$ 209,029	\$ 2,795,816	\$ 3,553,057	\$ 1,479,441
Changes from					
Investments	1,957	1,273	757	(10,987)	(7,662)
Accounts receivable	-	(49,660)	-	-	-
Accounts payable	324	(263,890)	-	10,000	-
Interfund payables	-	239,149	-	-	-
Fund balance per audited financial statements	<u>\$ 4,003</u>	<u>\$ 135,901</u>	<u>\$ 2,796,573</u>	<u>\$ 3,552,070</u>	<u>\$ 1,471,779</u>
	Self Insurance Fund				
Unaudited actuals	\$ 12,186,916				
Changes from					
Investments	76,417				
Claims liability	(36,518,205)				
Fund balance per audited financial statements	<u>\$ (24,254,872)</u>				

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Program Title	CFDA Number	Pass-through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education			
School Improvement Grants	84.377	15127	\$ 2,919,123
ARRA - School Improvement Grants	84.388	15004	159,910
Title I, Part A of the ESEA - Grants to Local Educational Agencies	84.010	14329	18,723,831
Title I, Part C of the ESEA	84.011	14326	3,454
Title II, Part A of the ESEA - Improving Teacher Quality State Grants program	84.367	14341	4,398,058
Title III of the ESEA - Limited English Proficient Student Program	84.365	15146	1,101,633
Title IV, Part B of the ESEA, 21st Century Community Learning Centers	84.287	14349	6,347,972
Career and Technical Education	84.048	14894	441,043
Rehabilitation Services, Vocational Rehabilitation	84.126	10006	374,525
Safe and Drug-Free Schools and Communities	84.184	15164	456,807
Indian Education	84.06	10011	73,008
Adult Education	84.002	13978	245,081
IDEA Early Intervention Programs, Part C	84.181	23761	205,411
Special Education - Individuals with Disabilities Education Act			
Part B, Sec 611, Basic Local Assistance Entitlement	84.027	13379	7,282,024
Part B, Sec 611, Mental Health Allocation Plan	84.027A	14468	449,063
Part B, Sec 611, Preschool Local Entitlement	84.027A	13682	434,862
Part B, Sec 619, Preschool Grants	84.173	13430	201,726
Total passed through California Department of Education			43,817,531
Direct grants			
Arts Development and Dissemination	84.351D	N/A	69,975
TTO Project Stem	84.350A	N/A	366,414
Small Learning Communities	84.215L	N/A	420,752
I-3 Grant	84.411C	N/A	1,202,943
Promoting Readiness of Minors	84.418P	N/A	66
Transition to teaching	84.350A	N/A	386,681
Total U.S Department of Education			46,264,362

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014**

Program Title	CFDA Number	Pass-through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education			
Summer Food Service Program for Children	10.559	13005	437,851
Fresh Fruit and Vegetable Program	10.582	14968	337,973
National School Lunch Program	10.555	13391/13396	13,396,998
Child Care Food Program - Centers and Family Day Homes	10.558	13393	1,660,822
Total U.S. Department of Agriculture			<u>15,833,644</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Grant			
Refugee and Entrant Assistance	93.576	24791	234,643
Federal Child Care, Center-based	93.575, 93.596	13609	2,598,312
Passed through California Department of Health Care Services			
Medical Assistance Program	93.778	10013	1,038,190
Total U.S. Department of Health and Human Services			<u>3,871,145</u>
CORPORATION FOR NATIONAL AND COMMUNITY SCIENCE			
Direct Grant			
AmeriCorps Vista	94.013	N/A	8,000
Health Resources and Administration	93.501	N/A	258,156
Total Corporation for National and Community Science			<u>266,156</u>
Total Expenditures of Federal Awards			<u><u>\$ 66,235,307</u></u>

N/A - Pass-through identifying number not applicable/available.

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
JUNE 30, 2014**

	(Budget) 2015 ¹	2014	2013	2012
GENERAL FUND				
Revenues ³	\$ 414,985,657	\$ 409,619,644	\$ 400,405,289	\$ 406,728,246
Other sources	2,827,849	2,574,570	537,196	2,231,425
Total Revenues and Other Sources	417,813,506	412,194,214	400,942,485	408,959,671
Expenditures ³	409,057,448	419,443,148	407,500,258	406,846,972
Other uses and transfers out	2,418,782	2,488,770	1,000,000	-
Total Expenditures and Other Uses	411,476,230	421,931,918	408,500,258	406,846,972
CHANGE IN FUND BALANCE	\$ 6,337,276	\$ (9,737,704)	\$ (7,557,773)	\$ 2,112,699
ENDING FUND BALANCE	\$ 33,701,867	\$ 27,364,591	\$ 37,102,295	\$ 44,660,068
AVAILABLE RESERVES ²	\$ 17,036,027	\$ 10,698,751	\$ 19,263,332	\$ 12,758,527
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	4.14%	2.54%	4.72%	3.14%
LONG TERM COMMITMENTS	\$ 875,183,863	\$ 911,874,330	\$ 809,459,115	\$ 829,449,365
CLAIMS LIABILITY	36,518,205	36,518,205	37,355,810	36,884,890
TOTAL LONG-TERM OBLIGATIONS	\$ 911,702,068	\$ 948,392,535	\$ 846,814,925	\$ 866,334,255
K-12 AVERAGE DAILY ATTENDANCE AT P-2	34,957	35,115	34,605	35,992

The General Fund balance has decreased by \$17,295,477 over the past two years. The fiscal year 2015 budget projects an increase of \$6,337,276. For a district this size, the State recommends available reserves of at least 2 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

Average daily attendance has decreased by 877 over the past two years. A decrease of 158 ADA is anticipated during fiscal year 2014-15.

¹ Budget 2015 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ On behalf payments of \$8,357,715 have been excluded from the revenues and expenditures for comparability.

See accompanying note to supplementary information.

This page left blank intentionally.

OAKLAND UNIFIED SCHOOL DISTRICT

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2014**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS				
Deposits and investments	\$ 415,479	\$ 832,284	\$ 1,050,857	\$ 177,143
Receivables	150,580	343,421	4,032,113	1,160
Due from other funds	-	-	-	2,660,000
Total Assets	\$ 566,059	\$ 1,175,705	\$ 5,082,970	\$ 2,838,303
LIABILITIES AND FUND BALANCES				
Liabilities				
Payables	\$ 31,065	\$ 380,363	\$ 1,332,399	\$ 41,730
Due to other funds	52,244	791,339	3,614,670	-
Total Liabilities	83,309	1,171,702	4,947,069	41,730
Fund Balances				
Restricted	341,073	4,003	135,901	-
Committed	141,677	-	-	2,796,573
Total Fund Balances	482,750	4,003	135,901	2,796,573
Total Liabilities and Fund Balances	\$ 566,059	\$ 1,175,705	\$ 5,082,970	\$ 2,838,303

Capital Facilities Fund	State School Building Fund	Special Reserve Capital Outlay Fund	Debt Service Fund	Nonmajor Governmental Funds
\$ 3,533,953	\$ -	\$ 1,470,213	\$ -	\$ 7,479,929
469,752	-	1,566	-	4,998,592
-	-	-	-	2,660,000
<u>\$ 4,003,705</u>	<u>\$ -</u>	<u>\$ 1,471,779</u>	<u>\$ -</u>	<u>\$ 15,138,521</u>
\$ 451,635	\$ -	\$ -	\$ -	\$ 2,237,192
-	-	-	-	4,458,253
<u>451,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,695,445</u>
3,552,070	-	1,471,779	-	5,504,826
-	-	-	-	2,938,250
<u>3,552,070</u>	<u>-</u>	<u>1,471,779</u>	<u>-</u>	<u>8,443,076</u>
<u>\$ 4,003,705</u>	<u>\$ -</u>	<u>\$ 1,471,779</u>	<u>\$ -</u>	<u>\$ 15,138,521</u>

OAKLAND UNIFIED SCHOOL DISTRICT

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014**

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES				
Local control funding formula	\$ 1,000,000	\$ -	\$ -	\$ -
Federal sources	245,081	2,598,312	15,833,644	-
Other state sources	29,645	8,438,331	922,551	-
Other local sources	155,340	365,632	789,516	3,086
Total Revenues	1,430,066	11,402,275	17,545,711	3,086
EXPENDITURES				
Current				
Instruction	783,786	8,763,872	-	-
Instruction-related activities:				
Supervision of instruction	510,593	542,195	-	-
School site administration	120,622	1,594,739	-	-
Pupil services:				
Food services	-	-	17,817,361	-
All other pupil services	-	6,111	-	-
Administration:				
All other administration	52,244	596,709	877,920	-
Plant services	-	606,674	-	-
Facility acquisition and construction	-	-	-	1,763,994
Total Expenditures	1,467,245	12,110,300	18,695,281	1,763,994
Excess (Deficiency) of Revenues Over Expenditures	(37,179)	(708,025)	(1,149,570)	(1,760,908)
Other Financing Sources (Uses)				
Transfers in	-	394,988	-	2,093,782
Transfers out	-	-	(206,843)	-
Net Financing Sources (Uses)	-	394,988	(206,843)	2,093,782
CHANGE IN FUND BALANCE	(37,179)	(313,037)	(1,356,413)	332,874
Fund Balance - Beginning	519,929	317,040	1,492,314	2,463,699
Fund Balance - Ending	\$ 482,750	\$ 4,003	\$ 135,901	\$ 2,796,573

See accompanying note to supplementary information.

Capital Facilities Fund	State School Building Fund	Special Reserve Capital Outlay Fund	Debt Service Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,000,000
-	-	-	-	18,677,037
-	-	-	-	9,390,527
5,282,010	337	554,357	6,459	7,156,737
5,282,010	337	554,357	6,459	36,224,301
-	-	-	-	9,547,658
-	-	-	-	1,052,788
-	-	-	-	1,715,361
-	-	-	-	17,817,361
-	-	-	-	6,111
40,713	-	-	-	1,567,586
3,642,752	-	-	-	4,249,426
2,037,036	-	40,850	-	3,841,880
5,720,501	-	40,850	-	39,798,171
(438,491)	337	513,507	6,459	(3,573,870)
-	-	-	-	2,488,770
-	(482)	-	-	(207,325)
-	(482)	-	-	2,281,445
(438,491)	(145)	513,507	6,459	(1,292,425)
3,990,561	145	958,272	(6,459)	9,735,501
\$ 3,552,070	\$ -	\$ 1,471,779	\$ -	\$ 8,443,076

OAKLAND UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

Local Educational Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code* Section 46201.

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

OAKLAND UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2014

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances:	\$ 69,543,799
Federal interest subsidy on Qualified Construction Bonds and Build America Bonds	(3,308,492)
Total Schedule of Expenditures of Federal Awards	<u>\$ 66,235,307</u>

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Nonmajor Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances

The Nonmajor Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Nonmajor Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS



**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 Education
Oakland Unified School District
Oakland, 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 the Oakland Unified School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 15, 2016. Our report qualifies our opinion on such financial statements because of an omission of fiduciary activity.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the findings 2014-01, described in the accompanying schedule of findings and questioned costs, to be a material weakness. We consider the finding 2014-02, described in the accompanying schedule of findings and questioned costs, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Vasinek Trime Day + Co. LLP

Palo Alto, California
January 15, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Education
Oakland Unified School District
Oakland, California

Report on Compliance for Each Major Federal Program

We have audited the Oakland Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The 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 the 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 the 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 the District's compliance.

Basis for Qualified Opinion on Each Major Federal Program

As described in findings 2014-03 through 2014-06, in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the following:

Finding	Program Name (CFDA Number)	Compliance Requirement
2014-03	Title I (84.010), Title II (84.367), Title III (84.365), 21 Century (84.287), Special Education (84.027), Child Nutrition (10.553), Child Care (93.575), School Improvement Grant (84.377, 84.388)	Equipment and Real Property Management
2014-04	Title I (84.010), Title II (84.367), Title III (84.365), 21 Century (84.287), Special Education (84.027), Child Nutrition (10.553), Child Care (93.575), School Improvement Grant (84.377, 84.388)	Procurement and Suspension and Debarment
2014-05	School Improvement Grant and School Improvement Grants, Recovery Act (84.377, 84.388)	Activities Allowed or Unallowed
2014-06	Title I (84.010), Title II (84.367), Title III (84.365), 21 Century (84.287), Special Education (84.027, 84.027A, 84.173, 84.173A), School Improvement Grant (84.377, 84.388), National School Lunch Program (10.555, 10.553), Child Care (93.575, 93.596)	Allowable Costs/Cost Principles

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on Each Major Federal Program

In our opinion, except for the noncompliance described in the basis for qualified opinion paragraph, the 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 the major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs, for the year ended June 30, 2014.

Other Matters

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the 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 the 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-5, and 2014-6 that we consider to be significant deficiencies.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Vasinek Time Day + Co. LLP

Palo Alto, California
January 15, 2016

This page left blank intentionally.



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Oakland Unified School District
Oakland, California

Report on State Compliance

We have audited Oakland Unified School District's (The District) compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2013-2014* that could have a direct and material effect on each of District's State government programs as noted below for the year ended June 30, 2014.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-2014*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the 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 opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Basis for Qualified Opinion

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding After School Education and Safety (2017-07), Attendance Reporting (2014-08), School Accountability Report Card (2014-09), Unduplicated Local Control Funding Formula Pupil Counts (2014-10). Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

Qualified Opinion

In our opinion, except for the noncompliance described in the basis for qualified opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2014, except as described in the schedule of state awards findings and questioned costs section of the accompanying schedule of findings and questioned costs.

Other Matters

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes ¹
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	10	Yes
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes ¹
Juvenile Court Schools	8	Not Applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes ¹
Before School	6	Yes
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes ¹
Charter Schools:		
Contemporaneous Records of Attendance	8	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable

¹Limitations regarding procedures performed are described in the Schedule of State Awards Findings and Questioned Costs section for items 2014-07 through 2014-10.

Vasinek Time Day + Co. LLP

Palo Alto, California
January 15, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OAKLAND UNIFIED SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2014**

FINANCIAL STATEMENTS

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency identified?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	Yes
Type of auditor's report issued on compliance for major Federal programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	Yes

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A of the ESEA - Grants to LEAs
84.367	Title II, Part A of the ESEA - Improving Teacher Quality State Grants program
84.365	Title III of the ESEA - Limited English Proficient Student Program
84.287	Title IV, Part B of the ESEA, 21 Century Community Learning Centers
84.027, 84.027A, 84.173, 84.173A	Special Education - Individuals with Disabilities Education Act
10.555, 10.559	National School Lunch Program
93.596, 93.575	Federal Child Care, Center-based
84.377, 84.388	School Improvement Grants, ARRA - School Improvement Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 1,987,059
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Type of auditor's report issued on compliance for state programs:	Qualified
Unmodified for all programs except for the following programs which are qualified:	

Name of Program
Attendance Reporting
After School Education and Safety Program
School Accountability Report Card
Unduplicated Local Control Funding Formula Pupil Counts

OAKLAND UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

The following findings represent instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings are coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control
60000	Miscellaneous

2014-01 Financial Statement Presentation of Fiduciary Funds, ASB Code 30000, 60000

Criteria or Specific Requirements

GASB 34, paragraph 63 requires governments to report fiduciary funds to the extent that they have activities that meet the criteria for using the funds. Furthermore, as a school district and custodian of associated student body funds, the District has a fiduciary responsibility to ensure appropriate safeguarding of student body funds.

Condition

The District has not prepared a summary of the Associated Student Body (ASB) funds in an auditable format. Therefore, the required schedule of these fiduciary funds is not presented in the financial statements.

Questioned costs

Not applicable.

Context

The amount of cash held on behalf of students varies depending on the size of the student body at each of the respective schools. The District operates approximately 61 elementary schools, 16 middle schools, and 12 high schools. This is a repeat finding from prior year.

Effect

The District is unable to present the fiduciary activity in the financial statements. Furthermore, the District is unable to exercise its fiduciary responsibility over custody of these funds on behalf of the student body.

Cause

The District did not have procedures in place to accumulate the data necessary to present the associated student body fund financial information.

Recommendation

The District should develop procedures to identify the student body accounts at each of the school sites. Additionally, the District should adopt the procedures contained in the FCMAT ASB manual regarding custody and oversight of the student body funds.

Corrective Action Plan

During 2014-15, the District surveyed the school sites to determine which schools operated associated student body funds. Future corrective action plans include training of staff and implementation of appropriate accounting procedures for the student body funds during 2015-16 with full implementation by the 2016-17 fiscal year.

OAKLAND UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

2014-02 Financial Statement Presentation of Fiduciary Funds, Fund 76 Reconciliation Code 30000, 60000

Criteria or Specific Requirements

In response to a prior year finding rendered by the Fiscal Crisis and Management Assistance Team, (FCMAT), the District's payroll transactions flow through a separate payroll revolving account. This account is set up in the District's general ledger account structure as Fund 76. The purpose of the account is to monitor recurring payroll transactions to ensure that they are properly recorded in the District's financial records. The nature of the Fund is that it is designed to be self balancing wherein total assets always equals total liabilities. Because the account had not been reconciled accurately for several years, a complete reconciliation was performed beginning with the fiscal years ending June 30, 2012, and 2013. At June 30, 2014, it was noted there were excess funds in Fund 76 totaling approximately \$5.74 million. These "excess funds" represent a net receivable back to the general fund. It is our view that the reconciliation of the Fund at year end is a critical internal control procedure that needs to be continued.

Condition

At the conclusion of fieldwork we were informed by District management that the reconciliation for the fiscal year ended June 30, 2014, had not been satisfactorily completed. We note that in prior years the reconciliation was performed by the District's contract internal auditor. For the 2013-14 fiscal year, the District assigned that responsibility to District staff.

Questioned costs

Not applicable.

Context

The receivable to the general fund from Fund 76 of \$5.73 million represents a significant component of the District's ending available reserves (approximately 60% of available reserves as of June 30, 2014).

Effect

Given the significance of the account balance, it is critical that this Fund be reconciled on a consistent basis. By not having the Fund reconciled at year end opens the possibility of a potentially significant misstatement of the District's financial statements.

Cause

From our perspective, this reconciliation can be complicated if it is not kept current. The Fund needs to be reconciled monthly by an individual who possesses the skills necessary for this process. We do not know the specifics, but it does not appear this reconciliation has been monitored properly throughout the year by whoever was charged with the responsibility of maintaining the Fund reconciliation.

Recommendation

We recommend the District take whatever steps are necessary to ensure that this critical accounting process is maintained on at least a monthly basis. The District needs to be sure that the individual tasked with this responsibility has the necessary skill set to accomplish the task. Further, we recommend the District institute a process whereby the reconciliation is reviewed monthly by the Controller or Chief Financial Officer.

OAKLAND UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

Corrective Action Plan

During 2015-16, the district will reconcile Fund 76 asset and liability accounts monthly. In addition, the Controller will review the Fund 76 account reconciliations to ensure the reconciliations are performed timely, all adjustments are made, and errors and corrections, if any, are identified and cleared on a timely basis. Monthly reconciliation will identify chronic issues and resolve them on a timely basis.

OAKLAND UNIFIED SCHOOL DISTRICT

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

The following findings represent significant deficiencies, material weaknesses, and/or material instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
50000	Federal Compliance

2014-03 Equipment Records Management Code 50000

Federal Program Affected

U.S. Department of Education, California Department of Education: Title I (84.010), Title II (84.367), Title III (84.365), 21 Century (84.287), Special Education (84.027, 84.027A, 84.173, 84.173A), School Improvement Grant (84.377, 84.388). U.S. Department of Agriculture, California Department of Education: National School Lunch Program (10.555, 10.553). U.S. Department of Health and Human Services, California Department of Education: Child Care (93.575, 93.596).

Criteria or Specific Requirements

OMB A-133, Subpart C, Section 300 requires the District to maintain internal control over Federal programs that provides reasonable assurance that the District is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

The District is required to follow state laws and procedures for equipment acquired under a subgrant from the California Department of Education. California Education Code §35168 requires the District to establish and maintain an inventory listing. The listing must contain identification information and original cost of all items of equipment whose current market value exceeds \$500 per item, the date of acquisition, the location of use, and the time and mode of disposal.

Condition

Although the District maintains a record of all assets purchased with a cost of \$5,000 or more, it does not fully comply with state laws and procedures for equipment management with respect to assets with a cost of at least \$500 but less than \$5,000. The District completed an inventory of approximately 50% of such assets and posted the data to the asset-management software program.

Questioned Costs

The nature of this finding does not result in questioned costs.

Context

The District identified approximately 2,000 asset items purchased during 2012-13, 2013-14, and 2014-15 with a total cost of \$2.7 million. The District has inventoried approximately 1,220 asset items with a total cost of \$1.3 million as of June 30, 2014.

Effect

While the District is implementing revised procedures as of the 2013-14 fiscal year, the District is unable to track inventory in the manner required by Education Code §35168 and OMB A-133.

OAKLAND UNIFIED SCHOOL DISTRICT

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

Cause

The District has a multi-year plan to implement the prior year equipment finding. Currently the District is mid-way through implementation of that plan.

Recommendation

The District should continue implementation of its equipment management system.

Corrective Action Plan/District Response

With respect to items of at least \$500 but less than \$5,000, the District is on schedule, during 2015-16 fiscal year to complete its inventory of the remaining 2012-13, 2013-14, and 2014-15 asset items and include those assets as well as the 2015-16 purchases in the inventory module of its equipment management system.

During the months of September 2015 through December 2015, the district has been reconciling the second phase of federal and state asset items for fiscal year 2012-13, 2013-14, and 2014-15. On January 4, 2016, a district-wide announcement will be made to inform school sites (across three regions) that the second phase of physical inventory will begin. Each school site will receive an inventory count sheet of their respective asset items that will be verified prior to the physical inventory process. This is approx. 3100 district wide asset items in total; this total amount of asset items also includes the missing accounts payable invoices items that could not be identified during the phase one physical inventory process. The physical inventory process will take place during January 2016 through May 2016. Simultaneously, fiscal year 2016 federal and state asset items will be reconciled up to the current period and quarterly from then on. At the end of May 2016, an auditor package will be submitted to support activities performed.

OAKLAND UNIFIED SCHOOL DISTRICT

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

2014-04 Procurement and Suspension and Debarment Code 50000

Federal Program Affected

U.S. Department of Education, California Department of Education: Title I (84.010), Title II (84.367), Title III (84.365), 21 Century (84.287), Special Education (84.027, 84.027A, 84.173, 84.173A), School Improvement Grant (84.377, 84.388). U.S. Department of Agriculture, California Department of Education: National School Lunch Program (10.555, 10.553). U.S. Department of Health and Human Services, California Department of Education: Child Care (93.575, 93.596).

Criteria or Specific Requirements

OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, debarment and suspension; Federal agency regulations in 2 CFR adopting the OMB guidance; the A-102 Common Rule (§____.36); OMB Circular A-110 (2 CFR section 215.13).

Condition

Control and compliance - The District had not implemented effective internal controls over federal compliance because policies for federal procurements did not include procedures to ensure vendors are not debarred or suspended, or otherwise excluded from or ineligible for participation in federal grants.

Questioned Costs

We did not identify vendors that were debarred or suspended, or otherwise excluded from or ineligible for participation in federal grants and accordingly there are no questioned costs.

Context

This finding applies to all federal procurements of vendor related costs.

Effect

The District may employ the services of a vendor that is suspended, or otherwise excluded from or ineligible for participation in federal grants.

Cause

Adequate procedures are not fully implemented. The District began implementation of procedures to address this prior year finding during 2012-13 with a goal of full implementation by June 2015.

Recommendation

The District should ensure compliance by performing a verification check of vendors against the excluded parties listing system, collecting a certification form from the vendor, or adding a clause or condition to the transaction within the vendor contract.

Corrective Action Plan/District Response

Effective June 2015, the Contracts Buyer checked the Oakland Unified School District vendor database of vendors utilized in the last three (3) academic years (4,514 vendors for the 2014-2015 timeframe). The most recent verification was completed November 3, 2015, due to various staffing, retirement, medical and bereavement mitigating circumstances.

Effective June 2016, the list of purchase orders using resources 3000 and 4000 and object codes 4000 through 6999 will be run and vendors checked to verify that none were on the Excluded Parties List System.

OAKLAND UNIFIED SCHOOL DISTRICT

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

- a) The OUSD Contracts Buyer in the Procurement Services office verifies that vendors do not appear on the Excluded Parties List annually in July utilizing the sam.gov website (<https://www.sam.gov/portal/public/SAM/#1>).
- b) OUSD does not contract with vendors if the vendor appears on the list.
- c) The Contracts Online Form that includes a check-box/list to show that staff inputting information is checking the Excluded Parties List when working on new contracts/procurements every time a new contract is entered into the OUSD Contracts Online System.

The Procurement Handbook has been updated December 4, 2015, to reflect current procedures, staffing and resources.

OAKLAND UNIFIED SCHOOL DISTRICT

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

2014-05 Transformation Model Implementation Code 50000

Federal Program Affected

U.S. Department of Education, California Department of Education: School Improvement Grant and School Improvement Grants, Recovery Act (84.377, 84.388).

Criteria or Specific Requirements

Sites implementing the transformation model are required to undergo a number of school wide reforms. Among all requirements, the following apply to this finding:

- 1) Use rigorous, transparent, and equitable evaluation systems for teachers and principals that take into account data on student growth as a significant factor as well as other factors, such as multiple observation-based assessments of performance and ongoing collections of professional practice reflective of student achievement.
- 2) Identify and reward school leaders, teachers, and other staff who, in implementing the transformation model, have increased student achievement.
- 3) Implement such strategies as financial incentives, increased opportunities for promotion and career growth, and more flexible work conditions that are designed to recruit, place, and retain staff with the skills necessary to meet the needs of the students in a transformation model.

The program is authorized by Section 1003(g) of the ESEA (20 USC 6303(g)). It is governed by final requirements for School Improvement Grants authorized under Section 1003(g) of Title I of the ESEA, issued October 28, 2010 (75 FR 66363)(SIG final requirements).

Condition

Compliance - The three compliance requirements of the transformation model noted in the criteria or specific requirements section of this finding have not been implemented.

Questioned Costs

Questioned costs cannot be determined because the nature of this finding cannot be quantified.

Context

The District has four schools eligible to receive funds under the school improvement grant. All four schools implemented the transformation model.

The three compliance requirements of the transformation model noted in the criteria or specific requirements section of this finding are not the only requirements of the transformation model. Accordingly, these three compliance requirements should not be the sole basis for assessing if the District is appropriately expending funds under the school improvement grant.

OAKLAND UNIFIED SCHOOL DISTRICT

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

Cause

The District was unable to implement the reform strategies of the transformation model within the time period of receiving the grant through the 2013-14 fiscal year.

Recommendation

The school improvement grant does not continue in perpetuity. Due to the timing of this finding, the District may be unable to implement corrective action. If possible, we suggest the District contract the California Department of Education to request a waiver of the compliance requirements or seek guidance if compliance cannot be achieved.

Corrective Action Plan/District Response

The 2012-13 School Improvement Grant audit findings were resolved by the district based on the following programs that were initiated beginning in either the 2013-14 or 2014-15 school year as indicated.

- Teacher Growth and Development System (TGDS) (2014-15).
- Change Maker Awards (reward teachers) (2014-15).
- Oakland Effective Teaching Taskforce (OETF) (2013-14).
- School Quality Review (SQR) data for student and teacher appraisal (2013-14).

These programs and tools are designed to identify, support, and reward teachers who are making a substantial impact on their students' academic achievement. In conjunction with the ability to provide training, coaching, and professional development for identified teachers in the SIG schools, the school leadership has been provided additional support through district-led professional development around the use of innovative technology and curriculum.

OAKLAND UNIFIED SCHOOL DISTRICT

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

2014-06 Employee Time and Effort Documentation Code 50000

Federal Program Affected

U.S. Department of Education, California Department of Education: Title I (84.010), Title II (84.367), Title III (84.365), 21 Century (84.287), Special Education (84.027, 84.027A, 84.173, 84.173A), School Improvement Grant (84.377, 84.388). U.S. Department of Agriculture, California Department of Education: National School Lunch Program (10.555, 10.553). U.S. Department of Health and Human Services, California Department of Education: Child Care (93.575, 93.596).

Criteria or Specific Requirements

Attachment B, Section 8(h) of OMB Circular A-87 specifies the standards for documenting salaries and wages charged to federal programs.

Pursuant to Attachment B, § 8(h)(3), employees who work solely on a single federal award or cost objective need only complete a periodic certification meeting certain requirements, including that the certifications will be prepared at least semi annually.

Pursuant to Attachment B, § 8[h][4], [5], and [7], employees who work on multiple activities or cost objectives of which at least one is federal must complete a personnel activity report or equivalent documentation meeting certain requirements. Among others, the requirements include that activity reports must reflect an after the fact distribution of the actual activity of each employee. Activity reports must account for the total activity for which each employee is compensated. Furthermore, activity reports must be prepared at least monthly and must coincide with one or more pay periods.

Condition

Control and compliance - During our examination of employee time and effort documentation, it was noted that not all employees submitted time and effort documentation meeting the aforementioned requirements.

Questioned Costs

We reviewed additional documentation that indicates services performed appear to support program objectives. We did not find specific evidence that suggested inappropriate costs were charged to the program, only that specific required documentation in support of certain payroll charges, as required by OMB A-87, was lacking. Therefore, this finding does not result in any calculable questioned costs.

Context

Total costs in support of employee salaries (not including benefits) across all eight major programs were \$26.9M. Our sample consisted of 60 employees who charged time to the eight major programs. The District could not provide – or did not complete – time and effort documentation for four employees in our audit sample.

Effect

Insufficient time and effort documentation could result in disallowance of expenditures allocated to Federal programs, because the District is unable to assert that an employee is engaged in an activity allowable for the program.

OAKLAND UNIFIED SCHOOL DISTRICT

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

Cause

District office employees did not adequately monitor the timely collection and retention of time and effort documentation.

Recommendation

The District has a system that facilitates preparation and collection of time and effort documentation. Human interaction is required to complement the system in achieving its purpose. Personnel should monitor and timely follow up with employees who are delinquent in the return of time and effort documentation.

Corrective Action Plan/District Response

During 2014-15, the District enhanced its time accounting monitoring procedures to ensure documentation is completed and submitted to the Office of Accountability Partners (OAP). OAPs collect and provide a quality review of the semi-annual and monthly documentation submitted to ensure it meets federal requirements and the California School Accounting Manual procedures. OAPs follow up with submitters and/or supervisors of any non-compliant documentation for the purpose of immediate training.

OAKLAND UNIFIED SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings are coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
30000	Internal Control
40000	State Compliance
72000	School Accountability Report Card

2014-07 After School Education and Safety Code 40000

Criteria or Specific Requirements

The purpose of the After School Education and Safety (ASES) program is to support student success in school by providing academic support and enrichment opportunities. An ASES after school program was never intended to be a drop-in or child care program. The legislature determined that regular attendance would serve as the measure for demonstrating compliance with the legislation's purpose (EDC §8483[a][1]), intent (EDC §8483[a][2]), and criteria for ongoing program funding (EDC §8483.7[a][1][A]).

Elementary school pupils must participate in the full day of the after school program on every day during which pupils participated (EDC §8483[a][2]). Middle school pupils must attend the after school program a minimum of nine hours a week and three days a week, except as consistent with the established early release policy (EDC §8483[a][2]).

Every elementary and middle school operating an after school program must begin each day of the after school program immediately upon the conclusion of the regular school day. ASES programs must operate a minimum of 15 hours per week and remain open until 6 p.m. on every regular school day (EDC §8483[a][1]).

Condition

Written records documenting student's participation in the program do not support the reported number of students served. In some cases, attendance documents lacked sign in/out times and signatures. We noted instances where students leave the program early, but there was no connection to the established early release policy. In other instances, we were unable to complete the audit procedures because attendance documentation is incomplete or unavailable.

Effect

In some instances, the District was unable to support the ASES attendance reported to the State because documentation was either unavailable or incomplete. Furthermore, the District was unable to assert that elementary school pupils participate in the full day of the after school program on every day during which pupils participated, or that middle school pupils attended the after school program a minimum of nine hours a week and three days a week.

OAKLAND UNIFIED SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

Cause

There was a lack of standardization and effective oversight in the ASES attendance gathering and reporting process. In addition, there appears to be a need for further education on the part of the site coordinators to understand the program compliance rules and regulations.

Context

The District operates an ASES after school program at 62 schools. Of the nine schools in our sample, four schools identified no exceptions (Bret Harte Middle School, Franklin Elementary, Glenview Elementary, and Lincoln Elementary). Our audit procedures noted the following items of noncompliance:

- Claremont Middle School - We examined ASES attendance for the months September 2013 and April 2014.

For the month of September 2013, we examined 294 days of attendance and noted 145 errors, or a 97% error rate. The nature of these errors was that the sign in/out sheets were missing signatures, sign in and out times, and early release codes. Total reported attendance for the month was 1,952 days.

For the month of April 2014, none of the origination documentation was available because it was destroyed in a fire. The District reported 1,484 days of attendance based on the count that was recorded in the attendance database prior to the fire. We inquired with District management to ascertain if other sites incurred a similar loss. No additional sites were identified to have suffered a complete loss of documentation due to a fire.

- Frick Middle School - We examined ASES attendance for the months September 2013 and April 2014. For the month of September 2013, we examined 295 days of attendance and noted 145 errors, or a 49% error rate. For the month of April 2014, we examined 316 days of attendance and noted 249 errors, or a 79% error rate. The nature of these errors was that the sign in/out sheets were missing signatures, sign in and out times, early release codes, or are unavailable to support the reported days of attendance.

Total reported attendance for September 2013 and April 2014 was 2,065 days and 1,714 days, respectively.

- Garfield Elementary School - We examined ASES attendance for the months September 2013 and April 2014. We were unable to complete the audit procedures because the origination documentation was not available.

Total reported attendance for September 2013 and April 2014 was 2,841 days and 3,403 days, respectively.

- Madison Middle School - We examined ASES attendance for the months September 2013 and April 2014. For the month of September 2013, we examined 767 days of attendance and noted 453 errors, or a 59% error rate. For the month of April 2014, we examined 441 days of attendance and noted 61 errors, or a 14% error rate. The nature of these errors was that the sign in/out sheets were missing signatures, sign in and out times, early release codes, or are unavailable to support the reported days of attendance.

OAKLAND UNIFIED SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

Total reported attendance for September 2013 and April 2014 was 3,019 days and 1,034 days, respectively.

- Westlake Middle School - We examined ASES attendance for the months September 2013 and April 2014. For the month of September 2013, we examined 342 days of attendance and noted 72 errors, or a 21% error rate. For the month of April 2014, we examined 344 days of attendance and noted 77 errors, or a 22% error rate. The nature of these errors was that the sign in/out sheets were missing signatures, sign in and out times, early release codes, or are unavailable to support the reported days of attendance.

Total reported attendance for September 2013 and April 2014 was 2,399 days and 1,852 days, respectively.

This is a prior year finding and the District has a responsibility to ensure compliance with grant requirements. It is worth noting that due to the timing of the prior year findings, corrective action in the 2013-14 fiscal year was not possible.

Questioned Costs

Funding for ASES is not reimbursed for attendance; instead, ASES is direct funded as three-year renewable grants by site. Grant awards for the fiscal year do not change once amounts are determined. Grant awards are based in part on the amount of students served (attendance reported to the state). A discrepancy in the number of students served in the current year will not affect current year funding, but it could influence funding for future periods. The funding amounts for future years are based on a number of factors of which number of students served is one. As such it is not possible to project what the fiscal impact of the errors noted above will have on future grant awards.

Recommendation

We recommend the District standardize the policies and procedures of ASES attendance reporting and enforce policies through frequent internal audits of the sites. All District sites need to be reminded to retain documented records of when a student signs out of the program, showing signature, time out and reconciliation to the established early release policy, as applicable. It is also recommended that the District provide additional training to site coordinators as regards the rules and regulations regarding attendance gathering. Because of the inevitable turnover of personnel that occurs, this type of training should be given on an as needed basis, but at least annually and when there is turnover at the site coordinator position.

After school staff should count the number of students daily. The daily attendance totals should be reconciled with the monthly attendance totals. Attendance records should be retained and stored securely.

Corrective Action Plan/District Response

The Audit Findings from the 2011-12 audit of OUSD ASES after school programs were not published until 2014. Consequently, the OUSD After School Programs Office (ASPO) was not able to enact any corrective actions in response to these audit findings until the 2014-15 program year. The OUSD After School Programs Office implemented several new procedures beginning in the 2014-15 school year to ensure that after school programs are compliant with attendance reporting requirements and early release policies. These new procedures include the following:

OAKLAND UNIFIED SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

- ASPO has established the following new after school attendance requirements for all ASES and 21st Century Community Learning Center program sites: By the 10th of every month, all OUSD ASES and 21st CCLC program sites are required to scan and send electronically to ASPO a copy of all their daily sign in/out sheets from the previous month. Programs are also required to conduct an internal audit of their attendance records to ensure that the number of attendances recorded in Cityspan for any given program date is properly supported by sign-in sheet documentation. Program sites are required to submit internal audit documentation to the ASPO by the 10th of each month, along with electronic copies of the previous month's attendance records. ASPO staff will review submitted attendance data to monitor program sites for accurate completion of daily sign in/out forms and to cross-check that hard copy records match Cityspan data.
- All program sites received documentation of these new attendance requirements during the 2014 After School August Institute training, and electronically through email correspondence. After School site coordinators received training on these new requirements during three Cityspan trainings at the beginning of the 2014-15 school year, as well as during the New Site Coordinators orientation that took place in August, 2014. ASPO staff reviewed compliance requirements and provided examples of properly completed sign in/out sheets during these trainings.
- ASPO changed its process for semi-annual attendance reporting to CDE beginning with the 1st semi-annual attendance report for the 2014-15 school year. ASPO completed this first semi-annual attendance report using data on actual attendance signatures (pulled from the monthly internal audit logs submitted by all sites), rather than using Cityspan data. This change provides assurance that OUSD would only report attendance numbers that could be verified by signatures at each program site. ASPO will continue to use this process of reporting on hand-counted signatures as opposed to Cityspan data until we are certain that the Cityspan data accurately matches the number of signatures for each day of program operation at all program sites. ASPO will continue to monitor monthly attendance records and internal audit logs from each site to determine whether Cityspan numbers and signatures are matching up, and will provide technical assistance to sites that are having difficulty with accurate reporting using the Cityspan online database.
- ASPO created a standard district form for programs to use to document daily early release of students leaving program earlier than 6pm. This daily early release form is distinct from the recurring daily early release form that is part of the standard after school enrollment packet. ASPO trained all sites on the early release policy and proper documentation of early release occurrences during our 2014 August Institute training, and during the three Cityspan trainings we provided at the beginning of the 2014-15 school year.
- The OUSD After School Programs Office hired a new Compliance and Operations Program Manager whose primary responsibility is to monitor programs for compliance, and provide training and technical assistance to ensure that all program sites are operating fully in compliance and maintaining accurate attendance records.

The above strategies were implemented beginning in the 2014-15 school year. As a result, we expect a significant improvement in accuracy and completeness of after school attendance records beginning this 2014-15 school year.

OAKLAND UNIFIED SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

2014-08 Attendance Records Maintenance Code 10000, 40000

Criteria or Specific Requirements

EDC §41601 requires the District to report average daily attendance of the district for all full school months during (1) the period between July 1 and December 31, inclusive, and (2) the period between July 1 and April 15, inclusive. Each attendance report shall be prepared in accordance with instructions on forms prescribed and furnished by the Superintendent of Public Instruction.

Condition

The recording of attendance and document retention practices did not allow the District to ensure state attendance reports were accurate or complete.

Questioned Costs

The results of our audit procedures observed questioned ADA of 8.43, resulting in questioned costs of \$48,491. The base LCFF revenue used to calculate the questioned costs is \$5,750.

Questioned ADA of 7.8 resulted from the following observations:

- Franklin Elementary School - Observed questioned ADA, 0.93
- Garfield Elementary School - Observed questioned ADA, 1.43
- Glenview Elementary School - Observed questioned ADA, 5.44

The observed questioned ADA above is the result of taking the known exceptions, as noted in the table below, and dividing that number by the P-2 apportionment days factor of 134.

Context

Of the 19 schools in our sample, nine schools identified no exceptions. Those sites are Crocker Elementary School, Frick Middle School, Madison Middle School, MetWest High School, Montclair Elementary School, Ralph J. Bunche High School, Sankofa Academy, Thornhill Elementary School, and Westlake Middle School.

The nature of exceptions noted for the following sites is that documentation was not maintained or was incomplete. Accordingly, we were unable to complete the audit procedures:

Site	(Attendance)		Error Rate	Total Reported ADA at P-2
	Audit Sample	Exceptions Noted		
Bret Harte Middle School*	120	15	13%	457
Claremont Middle School*	140	5	4%	388
Edna Brewer Middle School*	161	25	16%	713
Franklin Elementary School	3,136	125	4%	706
Fremont High School*	101	5	5%	620
Garfield Elementary School	3,264	192	6%	539
Glenview Elementary School	3,012	729	24%	440
McClymonds High School*	160	15	9%	251
Montera Middle School*	85	10	12%	857
Oakland Technical High School*	180	9	5%	1,851

* Observed attendance exceptions did not result in questioned ADA because attendance is recorded multiple times per day at the secondary school level.

OAKLAND UNIFIED SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

Effect

Attendance reports may not be prepared in accordance with instructions prescribed and furnished by the Superintendent of Public Instruction. Furthermore, the District may not be able to defend itself against allegations of inappropriate attendance reporting because documentation is not always retained. Accordingly, an unknown amount of ADA could be questioned.

Cause

The District does not have adequate internal controls in place to ensure that all attendance documentation is retained.

Recommendation

We recommend the District standardize their methodology of attendance reporting and enforce this methodology through frequent internal audits of the sites.

All District sites should be reminded of the need to have documented records of student attendance. The District should provide additional training to site level staff regarding attendance taking policies and procedures, including document retention policies. Training should be held at least annually. Site level staff who disregard policies should be held accountable.

As a long-term solution, the District should consider implementation of an attendance recording system that supports electronic signatures. Electronic documentation concentrates the retention responsibilities to a central location more easily controlled by the District office.

OAKLAND UNIFIED SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

Corrective Action Plan/District Response

The District will amend its second period and annual reports of attendance based on the audited results. Corrective actions taken in response to the attendance findings noted during the 2010-11 fiscal year include:

- Establishment of a Quality Attendance Team during 2013-14. The team meets regularly to discuss and resolve site attendance issues that arise throughout the year.
- Visited all schools during 2013-14 and 2014-15 to determine the status of compliance. These visits continue in 2015-16.
- If determined necessary, one-on-one training was and continues to be provided to school site staff.
- Reported results of the site visits to the audit committee members, various levels of management, and relevant individual school site staff (e.g. attendance staff and principal).
- Throughout the 2014-15 school, conducted mandatory attendance training for attendance clerks and principals.
- At the beginning of the school year, a separate training for new attendance clerks is held which covers processes and procedures of the attendance management program.
- During 2014-15, a universal filing system of attendance records was developed to ensure all needed documents are maintained at the school site.
- To ensure that correct standardized information is given, clerks are asked to contact the Coordinator of Clerical Support for questions regarding proper attendance accounting procedures. This ensures correct information is provided and received.
- Attendance clerks are informed in writing that attendance documents must be retained at the school site until the Superintendent sends a notice stating attendance records for a specific school year can be destroyed.
- OUSD is in the process of seeking CDE approval to implement the usage of electronic signatures. Once approval is received, five schools will pilot the usage of electronic signatures so that any problems can be identified prior to full implementation.

OAKLAND UNIFIED SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

2014-09 School Accountability Report Card
Code 40000, 72000
State Compliance (40000)

Criteria or Specific Requirements

Schools are required to have annual facility inspections. Specifically, state law requires that the annual facility inspection be reflected on the School Accountability Report Card (SARC) in accordance with EDC §33126 and EDC §33126.1. The Office of Public School Construction (OPSC) Facility Inspection Tool (FIT), or a locally developed instrument that meets the same legal requirements, must be utilized during these inspections to determine if a school facility is in "good repair" and to rate the facility accordingly.

The District should ensure that information concerning school facility conditions and the "good repair status" of facilities should use the most recent available data collected by the LEA. The year and month in which the data were collected should also be identified.

This information is also disseminated to the public in the annual SARC for each school site.

Condition

The school facility condition reported in the SARC is inconsistent with the annual facilities inspection.

Questioned Costs

There is no questioned cost associated with this condition because there is no funding related to school accountability report card.

Context

We examined the SARC for 17 of the District's 87 school sites and noted the following discrepancies:

Site	Facilities Condition	
	SARC	FIT
Bret Harte Middle School	Good	Fair
Claremont Middle School	Good	Fair
Westlake Middle School	Good	Fair
Fremont High School	Fair	Poor

Effect

Information contained in the SARC may not be current.

Cause

The District did not have adequate internal controls to ensure that all information reported on the SARC accurately reflected the condition of the school facilities.

Recommendation

The District should appoint a single person to obtain information from various departments involved in SARC compilation. Supporting documentation should be retained in a central location.

OAKLAND UNIFIED SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

Corrective Action Plan/District Response

During 2014-15, the District enhanced its SARC process and procedures to ensure compliance and good record keeping by:

- Working closely with the Facilities department to ensure the use of the OPSC FIT report during 2015-16 for all school sites not monitored under the Williams settlement legislation;
- Assigning one point of contact (Accountability Partner) in the Office of Accountability Partners' group to work with each central department designee to obtain various components for the SARC;
- Developed a communication strategy to reach several departments in a uniformed/timely manner to enhance quality review time prior to completion of SARC.

Also in 2014-2015, Office of Accountability worked closely with the Office of the Ombudsperson to develop a process to ensure that all Williams complaints are completed, compiled, and presented to the Board in a timely manner. These procedures include:

- Partnering with the Office of the Ombudsperson to receive copies of the reports submitted on a quarterly basis to the county superintendent and District governing board;
- Providing friendly reminders to the Office of the Ombudsperson of the responsibility to present the summarization data to the governing board on a quarterly basis at a regularly scheduled board meeting;
- Working with the Office of the Ombudsperson to not only maintain a binder of Williams Complaints to ensure that Williams Complaint forms are made available for public requests and review, but to scan electronic versions of the forms and files as a secondary method for transparency and availability for public request.

OAKLAND UNIFIED SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

2014-10 Unduplicated Local Control Funding Formula Pupil Counts Code 40000

Criteria or Specific Requirements

Supplemental and concentration grant amounts are calculated based on the percentage of “unduplicated pupils” enrolled in the District on census day (first Wednesday in October). The percentage equals:

Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. Divided by total enrollment in the LEA (EC sections 2574(b)(1) and 42238.02(b)(5)).

“Unduplicated count” means that each pupil is counted only once even if the pupil meets more than one of these criteria (EC sections 2574(b) (2) and 42238.02(b)(1)).

Data submitted by LEAs to CALPADS is used as the starting point for calculating the unduplicated student count. CALPADS Certification Report 1.17 – FRPM/English Learner/Foster Youth – Count, displays the counts of students by category and an unduplicated total.

In order to be counted in Report 1.17, a student must have an open primary or short-term enrollment in CALPADS over census day and meet one or more of the following criteria:

- Have a program record with an education program code of Homeless (191), Migrant (135), Free Meal Program (181), or Reduced-Price Meal Program (182), that is open over census day.
- Have an English Language Acquisition Status (ELAS) of “English learner” (EL) that is effective over census day.
- Be directly certified in July through November as being eligible for free meals based on a statewide match conducted by CALPADS.
- Be identified as a foster youth based on a statewide match conducted by CALPADS.
- Be identified as a foster youth through a local data matching process and submitted to and validated by CALPADS.

Condition

Our audit sample of the students that are only English Learner (EL) eligible, as identified under the “ELAS Designation” column, identified 11 instances of pupils improperly classified as English learner in report 1.17. Of those 11 instances, 7 pupils are eligible for free or reduced meals. Therefore, the unduplicated pupil count was overstated by 4 pupils.

Questioned Costs

We examined the complete population of students that are only English learner (EL) eligible as identified under the “ELAS Designation.” The method for determining the total impact of the finding on the District is to recalculate the LCFF state revenue based on the audited population of unduplicated pupils.

For the specific section in question, there are 1,288 students identified in Report 1.17 that are only English learner (EL) eligible as identified under the “ELAS Designation” column. Decreases in the unduplicated pupil count result in adjustment of said count from 28,625 to 28,621. CalPADS enrollment at the P-2 reporting period is 36,869. The dollar impact is \$2,271.

OAKLAND UNIFIED SCHOOL DISTRICT

STATE AWARD FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014

Context

From the students that are only English learner (EL) eligible, as identified under the “ELAS Designation” column in report 1.17, we selected 20 random students in order to verify if there is supporting documentation that indicates the student was eligible for the designation. One student in our sample of 20 was determined incorrectly designated as English learner. We performed additional testwork in order to determine the extent of the error. Our additional testwork examined the entire population of pupils designated EL in Report 1.17. 11 pupils classified as EL in Report 1.17 should have been classified as EO. Of those 11 pupils, 7 also qualified as eligible for free or reduced meal pricing and accordingly do not impact the unduplicated pupil percentage.

Effect

The percentage of “unduplicated pupils” enrolled in the District on census day was overstated by 4, resulting in the District receiving excess state funding.

Cause

With respect to the particular student identified as misclassified in the audit sample, the Home Language Survey was completed by the parent in October 2012, and identified a language other than English spoken at home. This triggered a CELDT test, which indicated that the student was an English Learner (EL) and accordingly was classified in CalPADS as EL. The parent subsequently contested this and amended the Home Language Survey to indicate that the student was English Only (EO). They also did not want the student to be tested again. Instead the parent submitted a letter that was recorded by the District modifying the designation internally to English Only. This happened in March 2014. CalPADS requires a reclassification test to change a student from EL to EO, and without the test, did not allow, at that time, for a correction based on a parent's request.

Recommendation

The District should revise the fiscal year 2014 CalPADS data to properly reflect the ELAS Designation for the 11 pupils that are misclassified.

Corrective Action Plan/District Response

The District will submit a correction through the Principal Apportionment Data Collection Software (PADC), accompanied by the audit finding. The District will review procedures to ensure the listing of EL students is reviewed prior to the submission and amendment deadlines and any corrections in Aeries are properly reported to CALPADS.

The identified case is an anomaly rather than a systemic problem. The student was properly identified and tested as EL; the parent subsequently wanted to change this classification, but due to timing and the inability to make that change in CalPADS without testing to reclassify, the student still appeared as EL for 2013-14. The student's status was changed internally and the student was reclassified for the subsequent school year. However, the change was not incorporated into 2013-14 CalPADS.

The District has processes in place to (1) initially identify based on the Home Language Survey completed by parents, then (2) test using the CELDT to confirm as EL. The District uses the Aeries student information system to track test results yearly and monitor progress. Based on test results, student can be reclassified from EL to EO and reported to CalPADS. For those instances when a parent wants to change the classification, the District will work with CDE to make the change in CalPADS.

OAKLAND UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

Summarized below is the current status of all audit findings reported in the prior year schedule of financial statement findings. For certain findings, the District implemented changes, but due to the timing of the 2012-13 audit, the changes were not implemented in time to be reflected in the 2013-14 audit.

Financial Statement Findings

2013-1 Associated Student Body Fund Not Presented and Not Audited

Code

30000, 60000

Recommendation

The District should develop procedures to identify the student body accounts at each of the school sites. Additionally, the District should adopt the procedures contained in the FCMAT ASB manual regarding custody and oversight of the student body funds.

Current Status

Not resolved. See current year finding 2014-01, financial statement presentation of fiduciary funds.

Federal Awards Findings

2013-2 Equipment Records Management

Code

50000

Recommendation

The District should continue implementation of its equipment management system.

Current Status

Not resolved. See current year finding 2014-03, equipment records management.

2013-3 Procurement and Suspension and Debarment

Code

50000

Recommendation

The District should ensure compliance by performing a verification check of vendors against the excluded parties listing system, collecting a certification form from the vendor, or adding a clause or condition to the transaction within the vendor contract.

Current Status

Not resolved. See current year findings 2014-04, procurement and suspension and debarment.

OAKLAND UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

2013-4 School Lunch Application Verification

Code
50000

Recommendation

Designate an individual with sufficient knowledge and experience to oversee the process of verifying the eligibility status of students.

Current Status

Resolved.

2013-5 School Lunch Paid price Equity

Code
50000

Finding/Recommendation

The California Department of Education, as pass-through granting agency, provides literature to ensure new compliance requirements are communicated to school food authorities. Oakland Unified should utilize this information.

Current Status

Resolved.

2013-6 Special Education Records Maintaining Eligibility

Code
50000

Finding/Recommendation

Designate an individual within the District to select audit samples throughout the year to ensure that all IEPs are complete, accurate, and maintained.

Current Status

Resolved.

OAKLAND UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

2013-7 Transformation Model Implementation

Code
50000

Finding/Recommendation

The school improvement grant does not continue in perpetuity. Due to the timing of this finding, the District may be unable to implement corrective action. If possible, we suggest the District contract the California Department of Education to request a waiver of the compliance requirements or seek guidance if compliance cannot be achieved.

Current Status

Not resolved. See current year findings 2014-05, transformation model implementation.

2013-8 Employee Time and Effort Documentation

Code
50000

Recommendation

The District has a system that facilitates preparation and collection of time and effort documentation. Human interaction is required to complement the system in achieving its purpose. Personnel should monitor and timely follow up with employees who are delinquent in the return of time and effort documentation.

Current Status

Not resolved. See current year finding 2014-06, employee time and effort documentation.

2013-9 Child Development Expenditure Allocation

Code
50000

Recommendation

The District should appoint a responsible official to review and approve cost transfers going forward. Additionally, the District should remediate the identified noncompliance by returning the excess expense to the correct funding source.

Current Status

Resolved.

OAKLAND UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

2013-10 Child Care Eligibility

Code
50000

Recommendation

The District should perform internal audits of the child care program by randomly selecting students included in the attendance report and locating the eligibility documents to ensure they exist, are complete, and accurate.

Current Status
Resolved.

State Awards Findings

2013-11 After school education and safety

Code
40000

Recommendation

We recommend the District standardize the policies and procedures of ASES attendance reporting and enforce policies through frequent internal audits of the sites. All District sites need to be reminded to retain documented records of when a student signs out of the program, showing signature, time out and reconciliation to the established early release policy, as applicable. It is also recommended that the District provide additional training to site coordinators as regards the rules and regulations regarding attendance gathering. Because of the inevitable turnover of personnel that occurs, this type of training should be given on an as needed basis, but at least annually and when there is turnover at the site coordinator position.

After school staff should count the number of students daily. The daily attendance totals should be reconciled with the monthly attendance totals. Attendance records should be retained and stored securely

Current Status
Not resolved. See current year finding 2014-07, after school education and safety.

OAKLAND UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2014

2013-12 Attendance Records Maintenance

Code

10000, 40000

Recommendation

We recommend the District standardize their methodology of attendance reporting and enforce this methodology through frequent internal audits of the sites.

All District sites should be reminded of the need to have documented records of student attendance. The District should provide additional training to site level staff regarding attendance taking policies and procedures, including document retention policies. Training should be held at least annually. Site level staff who disregard policies should be held accountable.

As a long-term solution, the District should consider implementation of an attendance recording system that supports electronic signatures. Electronic documentation concentrates the retention responsibilities to a central location more easily controlled by the District office.

Current Status

Not resolved. See current year findings 2014-08, attendance records maintenance.

2013-13 School Accountability Report Card

Code

40000, 72000

Recommendation

The District should appoint a single person to obtain information from various departments involved in SARC compilation.

The District should use the OPSC FIT template for the annual facilities inspection, instead of developing a proprietary form.

Furthermore, to ensure information on the nature and resolution of complaints regarding teacher vacancy or misassignment is reflected in the SARC, the District should ensure the summary of Williams complaints is compiled quarterly. A designated person should have this responsibility.

Current Status

Partially resolved. See current year findings 2014-09, school accountability report card.