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OAKLAND UNIFIED  
SCHOOL DISTRICT

Community Schools, Thriving Students

# Memo

**To** Audit Committee, Board of Education

**From** Kyla Trammell-Johnson, Superintendent  
Ryan Nguyen, Controller 

**Board Meeting Date** February 5, 28, 2018

**Subject** Audit Report for Fiscal Year Ending June 30, 2017

**Action Requested** Accept Audit Report for Year ending June 30, 2017, 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). The SCO has 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 the 2016-17 audit, the District currently is up-to-date on the annual audit. 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 ASB procedures.
  - The auditor has identified 12 findings
    1. Six findings are repeats from prior years
    2. Six findings are new
  - **Financial Findings (4):**
    1. **2017-001, ASB funds are not available for inclusion in the financial statements:** The District has a plan in place to bring ASB accounts into compliance.
    2. **2017-002, Human Resources/Payroll Internal Control Finding - Policies & procedures designed to ensure that wages are allocated to proper funding sources were not followed:** The District now has a standing committee comprised of key staff members from Human Resource, Payroll, Benefits and

Information Technology divisions to ensure established Internal Control procedures are being followed.

3. **2017-003, Cafeteria cash receipts internal controls:** The District will work to develop monitoring procedures that can be implemented as soon as feasible, but not later than the beginning of the 2018-19 school year.
  4. **2017-004, Cash disbursement/accounts payable internal controls:** At the beginning of the 2017-18 school year, all sites were reminded that pre-approved purchase orders must accompany all requests for payment. Personnel responsible for processing accounts payable have been told not to process requests for payment unless accompanied with adequate approvals.
- **Federal Findings (4):**
    1. **2017-005, Highly Qualified Teachers and Paraprofessionals – District did not utilize the “Highly Qualified Teacher Certification of Compliance form, as required by California Department of Education. To ensure compliance, the District utilized its own internally developed form. However, the auditor noted during their audits that the internally developed form was not used in all situations where it was applicable. (Repeat finding):** The Talent Division is working to develop new procedures under ESSA to be implemented at the start of the 2018-19 school year.
    2. **2017-006, Income eligibility, Child and Adult Care Food Program:** The District will implement added review procedures in the next fiscal year intended to ensure that all students are classified properly.
    3. **2017-007, Income eligibility, Child Nutrition Program:** The District will implement added review procedures in the next fiscal year intended to ensure that all students are classified properly.
    4. **2017-008, Time and effort documentation:** During 2014-15, the District enhanced its time accounting monitoring procedures to better support central departments and school sites to submit completed documentation to the Office of Accountability Partners (OAP). We have seen an improvement since then. We will continue revising our procedures working towards full compliance.
  - **State Findings (4):**
    1. **2017-009, Educator Effectiveness – District did not adopt a plan delineating how the funds will be spent prior to spending.** District received \$3.5 million of new monies from CDE but did not submit a spending plan to Governing Board in a timely manner prior to charging expenditures. Effective 2016-17 the District implemented an approved spending plan.
    2. **2017-010 Attendance:** The attendance taking process has improved substantially over the past few years. We will continue to revise our attendance taking policies and procedures as issues are identified. Revised procedures are in place as of the first day of the 2017-18 school year specifically to ensure this issue does not recur. The 2016-17 P-2 and P-Annual reports of attendance were revised to exclude the questioned ADA.
    3. **After School Education and Safety (ASES) Program – student attendance**

**records not properly maintained. Sign in sheets did not support the reported attendance and in some instances were poorly 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 officer. The District anticipate that the number of ASES-related audit findings will continue to decrease in the upcoming program years.

4. **2017-012, Unduplicated Pupil Count for Local Control Funding Formula (LCFF):** Since audit year 2014-15 (to current year) the District has made considerable improvements to the intake process, including requiring the enrollment attendant to follow up with the outgoing school districts when a student transfers in. The timelines for CALPADs reporting are also closely monitored, to ensure that any discrepancies between the information in Aeries and in CALPADS are resolved prior to the deadline for submission. The District has one full time employee responsible for CALPADS submissions and a team of enrollment and attendance staff who follow up as needed to ensure accurate reporting. The District will review the English Learner (EL) pupil identification process, implement appropriate procedures and ensure adequate training is provided.

**Recommendation** Acceptance by Board of Education of the Audit Report for Year ended June 30, 2017 from Vavrinek Trine and Day.

**Attachments** Summary Presentation (PPT)  
Audit Report for Year ended June 30, 2017



December 15, 2017

Oakland Unified School District  
Oakland, CA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oakland Unified School District (the District) for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and Uniform Grant Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 20, 2017. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in note 2 to the financial statements. No new accounting policies were adopted that materially impact the financial statements. The application of existing policies was not changed during the year. We noted no transactions entered by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the following:

Management's estimate of the ultimate outcome related to compliance related questioned costs, net pension liability, risk management claims liabilities, depreciation expense and capital asset valuation.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.



#### *Corrected and Uncorrected Misstatements – Financial*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The reconciliation of the annual financial and budget report with audited financial statement on page 70 of the financial report, identifies the audit adjustments.

#### *Corrected and Uncorrected Misstatements – Compliance*

Professional standards require us to accumulate all known and likely instances of noncompliance identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Such instances of noncompliance are described in the schedule of findings and questioned costs on pages 93 to 116 of the financial report.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether resolved to our satisfaction or not, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 15, 2017.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### *Other Matters*

We applied certain limited procedures to required supplementary information, as identified in the table of contents of the financial report, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

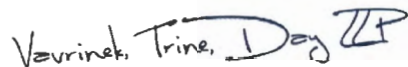
We were engaged to report on supplementary information, as identified in the table of contents of the financial report, which accompany the financial statements. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The schedule of financial trends and analysis on pages 74 of the financial report displays past years' data along with current year budget information. These trend disclosures are used to evaluate the financial health of the District. Management has also included a summary of their plans to increase available reserves to the state mandated levels by the end of the next fiscal year.

*Restriction on Use*

This information is intended solely for the use of governing board and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Vaurinet Trine Day ZP". The signature is written in a cursive style with some capital letters.

Palo Alto, California  
December 15, 2017

**OAKLAND UNIFIED SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2017**

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# OAKLAND UNIFIED SCHOOL DISTRICT

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***FINANCIAL SECTION***

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
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 (District) as of and for the year ended June 30, 2017, 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 the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 District'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 District'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 associated student body (ASB) fiduciary fund, as of and for the year ended June 30, 2017. Presentation of such statements is required to comply with accounting principles generally accepted in the United States of America.

### ***Qualified Opinion***

In our opinion, except for the omission of the ASB Fund financial statements described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, 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, budgetary comparison information, schedule of the proportionate share of the net pension liability, and schedule of pension contributions on pages 5-12 and pages 60-64, 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

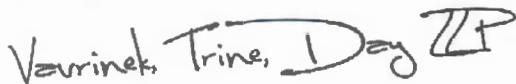
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information, as listed in the table of contents on pages 66-83 are presented for purposes of additional analysis and are not a required part of the basic financial statements.



The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, 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, including the Schedule of Expenditures of Federal Awards, 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 December 15, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Palo Alto, California  
December 15, 2017

# OAKLAND UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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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, 2017. 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, which are focused on short-term financial resources. This measurement focus only includes assets that are available to pay current liabilities. Likewise, liabilities are only included to the extent that they require the use of current financial resources. Capital assets and general obligation bonds, including the long-term portion of the emergency apportionment loan, are not included in this measurement focus. The general fund is included within this category.

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.

# OAKLAND UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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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.

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.

# OAKLAND UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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**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.

### FINANCIAL HIGHLIGHTS

- Unrestricted general fund revenues were \$406.6 million for the year ended June 30, 2017, an increase of \$8.2 million or 2% over revenues of \$398.4 million over the same period last year.
- Unrestricted general fund expenditures were \$343.8 million for the year ended June 30, 2017, an increase of \$10.1 million or 3% over expenditures of \$333.7 million over the same period last year.
- On June 30, 2017 the general fund ending available reserves were \$3.1 million, or 0.56% of total general fund expenditures.
- On a long term full accrual basis, the District's ending net position at June 30, 2017 was negative \$214.6 million, which is decrease of \$30 million or 16% over fiscal year 2016. This amount includes long term assets such as capital assets, and long term liabilities such as general obligation bonds and pension.
- With the submission of this financial report for the fiscal year ending June 30, 2017, the Oakland Unified School District has been current on its financial reporting for two consecutive years.

# OAKLAND UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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### THE DISTRICT AS A WHOLE

#### Net Position

On a full accrual basis, net position was negative \$214.60 million at fiscal year ended June 30, 2017. \$102.60 million was invested in capital assets net of related debt, \$109.76 million was restricted, leaving an unrestricted deficit of \$426.96 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 changes in net position (Table 2) of the District's governmental activities.

**Table 1**

(Amounts in millions)	Governmental Activities	
	2017	2016
<b>Assets</b>		
Current and other assets	\$ 387.69	\$ 398.00
Net capital assets	909.92	877.49
Total Assets	<u>1,297.61</u>	<u>1,275.49</u>
<b>Deferred outflows of resources</b>		
Deferred charge on refunding	35.11	-
Deferred outflows from pensions	101.47	35.94
Total Outflows	<u>136.58</u>	<u>35.94</u>
<b>Liabilities</b>		
Current liabilities	107.91	103.00
Long-term obligations	1,528.28	1,358.73
Total Liabilities	<u>1,636.19</u>	<u>1,461.73</u>
Deferred inflows from pensions	<u>12.61</u>	<u>34.26</u>
<b>Net Position</b>		
Net investment in capital assets	102.60	104.60
Restricted	109.76	109.75
Unrestricted	(426.96)	(398.91)
Total Net Position	<u>\$ (214.60)</u>	<u>\$ (184.56)</u>



**OAKLAND UNIFIED SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

The negative \$214.60 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. The unrestricted deficit includes long-term liabilities such as the state emergency apportionment loan of \$39.24 million, the IBNR reserve for workers' compensation and claims of \$44.17 million, general obligation bonds of \$1,049.75 million, and a net pension liability of \$426.77 million. The general obligation bond liability is not expected to require the use of District general fund resources because a separate tax collection is levied for this purpose. The District will pay the remaining long-term liabilities; however, the cash outflow will occur over a period of many years.

**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 14. 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)	Governmental Activities	
	2017	2016
Revenues		
Program revenues:		
Charges for services	\$ 0.36	\$ 0.33
Operating grants and contributions	148.98	149.94
Capital grants and contributions	0.02	2.67
General revenues:		
Federal and State aid not restricted	248.46	251.18
Taxes	227.59	231.78
Other general revenues	31.59	16.72
Total Revenues	<u>657.00</u>	<u>652.62</u>
Expenses		
Instruction	352.10	320.46
Instruction-related	114.84	95.95
Student support services	47.03	44.47
Administration	35.17	35.96
Maintenance and operations	85.25	82.17
Interest on long-term obligations	49.80	53.57
Other	2.84	2.59
Total Expenses	<u>687.03</u>	<u>635.17</u>
Change in Net Position	<u>\$ (30.03)</u>	<u>\$ 17.45</u>



OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017

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**Governmental Activities**

As reported in the statement of activities on page 14, the cost of all our governmental activities this year was \$687.0 million. The amount that our taxpayers ultimately financed for these activities through local taxes was \$537.67 million because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions in the amount of \$148.98 million. We paid for the remaining "public benefit" portion of our governmental activities with \$248.46 million in federal and state funds, and \$259.17 million with local property taxes.

In Table 3, we have presented the net cost of each of the District's largest functions. As discussed earlier, 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.

**Table 3**

(Amounts in millions)

	Net Cost of Services	
	2017	2016
Instruction	\$ 283.02	\$ 248.04
School administration	92.69	77.79
Pupil services	25.57	23.66
Administration	30.42	30.01
Maintenance and operations	71.35	69.54
Interest on long term debt	49.80	53.57
Other	(15.18)	(20.39)
Total	<u>\$ 537.67</u>	<u>\$ 482.22</u>

# OAKLAND UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

---

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$343.27 million, which is a decrease of \$2.05 million from last year (Table 4).

**Table 4**

(Amounts in millions)

	July 1, 2016	Revenues	Expenditures	June 30, 2017
General	\$ 34.90	\$ 543.45	\$ 551.08	\$ 27.26
Cafeteria	0.01	20.87	20.87	0.01
Building	201.87	66.69	61.26	207.29
Bond interest and redemption	91.65	611.49	617.02	86.11
Adult education	1.12	2.99	2.25	1.85
Child development	-	13.61	13.62	0.01
Capital facilities	6.47	10.93	0.87	16.53
County school facilities	7.83	0.03	4.88	2.98
Special reserve, capital	1.47	0.05	0.29	1.23
Total	<u>\$ 345.32</u>	<u>\$ 1,270.11</u>	<u>\$ 1,272.14</u>	<u>\$ 343.27</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 60.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2017, the District had \$909.93 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase of \$32.46 million or 3.7%, from last year (Table 5).

**Table 5**

(Amounts in millions)

	Governmental Activities	
	2017	2016
Land and construction in progress	\$ 121.37	\$ 119.34
Buildings and improvements	783.55	756.26
Equipment	5.01	1.88
Total	<u>\$ 909.93</u>	<u>\$ 877.48</u>

# OAKLAND UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

---

### Long-Term Obligations

At the end of this year, the District had \$1,576.21 million in long-term outstanding versus \$1,402.32 million last year, an increase of \$173.89 million or 12.4%. Much of the increase is attributable to issuance of general obligation bonds for school construction and changes in the net pension liability for CalSTRS and CalPERS. Total long-term debt, including unamortized bond premiums, consisted of the following:

**Table 6**

(Amounts in millions)	Governmental Activities	
	2017	2016
Claims liability	\$ 44.17	\$ 42.05
Emergency apportionment loan	39.24	44.43
General obligation bonds (financed with property taxes)	1,049.75	974.75
Aggregate net pension liability	426.77	329.56
Other	16.28	11.53
Total	<u>\$ 1,576.21</u>	<u>\$ 1,402.32</u>

We present more detailed information regarding our long-term obligations in note 8 of the financial statements.

### OUTLOOK OVER THE NEXT OPERATING CYCLE

Available reserves as a percentage of total general fund outgo was 0.56% at June 30, 2017. Management of the District budgeted to increase available reserves as a percentage of total general fund outgo at June 30, 2018 to exceed the 2% minimum state required reserve ratio. Unrestricted general fund LCFF revenues were \$353.2 million for the year ending June 30, 2017 but are projected to be \$359.6 million for the year ending June 30, 2018, an increase of 1.8%. At the start of the 2018 school year, the District experienced an increase in enrollment of approximately 300 students, which has remained stable through December 2017. Unrestricted general fund total outgo for the year ended June 30, 2017 was \$419.6 million, but is budgeted to be \$399.8 million, a decrease of 4.7% during fiscal year 2018. Fiscal year 2017 included non-recurring employee bonuses. At the start of fiscal year 2018, budgeted central service expenditures had declined \$17.4 million over the same period of fiscal year 2017.

### 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](http://www.ousd.org).

# OAKLAND UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2017

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Deposits and investments	\$ 352,439,291
Receivables	34,883,165
Prepaid items	363,174
Total current assets	<u>387,685,630</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	909,930,448
Total noncurrent assets	<u>909,930,448</u>
<b>Total Assets</b>	<u>1,297,616,078</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	35,111,414
Deferred outflows of resources related to pensions	101,472,352
<b>Total deferred outflows of resources</b>	<u>136,583,766</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	32,546,509
Interest payable	22,364,724
Unearned revenue	5,079,562
Claims liability	5,907,000
Emergency apportionment loan	5,287,777
General obligation bonds and premiums	36,726,233
Total current liabilities	<u>107,911,805</u>
Noncurrent liabilities	
Claims liability	38,268,999
Emergency apportionment loan	33,950,688
General obligation bonds and premiums	1,013,012,739
Aggregate net pension liability	426,773,795
Other	16,275,959
Total noncurrent liabilities	<u>1,528,282,180</u>
<b>Total Liabilities</b>	<u>1,636,193,985</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	12,612,612
<b>NET POSITION</b>	
Net investment in capital assets	102,596,382
Restricted	
Debt service	63,745,210
Capital projects	20,615,484
Educational programs	25,397,548
Unrestricted	(426,961,377)
<b>Total Net Position</b>	<u>\$ (214,606,753)</u>

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

OAKLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
<b>Governmental Activities</b>					
Instruction	\$ 352,102,319	\$ 280,002	\$ 68,776,899	\$ 23,251	\$ (283,022,167)
Instruction-related activities					
Supervision	63,694,259	3	17,112,045	-	(46,582,211)
Instructional library,	1,999,254	-	53,233	-	(1,946,021)
School site	49,150,581	52,712	4,933,569	-	(44,164,300)
Pupil services					
Home-to-school	10,185,064	-	-	-	(10,185,064)
Food services	21,425,500	-	16,297,858	-	(5,127,642)
All other pupil services	15,422,083	468	5,159,925	-	(10,261,690)
Administration					
Data processing	7,703,256	-	19,259	-	(7,683,997)
All other administration	27,463,351	18,513	4,706,937	-	(22,737,901)
Plant services	64,953,011	9,177	2,542,366	-	(62,401,468)
Ancillary services	13,798,107	-	11,370,844	-	(2,427,263)
Community services	643,378	-	-	-	(643,378)
Enterprise services	5,868,201	-	-	-	(5,868,201)
Interest expense	49,797,670	-	-	-	(49,797,670)
Other outgo	2,836,327	1,857	18,009,717	-	15,175,247
<b>Total</b>	<u>\$ 687,042,361</u>	<u>\$ 362,732</u>	<u>\$ 148,982,652</u>	<u>\$ 23,251</u>	<u>(537,673,726)</u>
General revenues and subventions:					
					125,041,229
					63,777,120
					38,767,967
					248,457,659
					352,203
					1,152,469
					30,082,698
Subtotal, General Revenues					<u>507,631,345</u>
<b>Change in Net Position</b>					<u>(30,042,381)</u>
<b>Net Position - Beginning</b>					<u>(184,564,372)</u>
<b>Net Position - Ending</b>					<u><u>\$ (214,606,753)</u></u>

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



# OAKLAND UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### BALANCE SHEET

JUNE 30, 2017

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Deposits and investments	\$ 24,414,170	\$ 2,191,579	\$ 213,758,323	\$ 85,964,211	\$ 24,596,151	\$ 350,924,434
Receivables	27,574,349	4,026,293	341,720	145,723	1,770,863	33,858,948
Due from other funds	6,345,428	3,317,071	-	-	-	9,662,499
Prepaid expenditures	363,174	-	-	-	-	363,174
<b>Total Assets</b>	<b>\$ 58,697,121</b>	<b>\$ 9,534,943</b>	<b>\$ 214,100,043</b>	<b>\$ 86,109,934</b>	<b>\$ 26,367,014</b>	<b>\$ 394,809,055</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Payables	\$ 23,165,055	\$ 1,018,724	\$ 6,135,704	\$ -	\$ 1,221,178	\$ 31,540,661
Due to other funds	3,276,784	8,500,000	670,847	-	2,468,771	14,916,402
Unearned revenue	4,991,136	15,121	-	-	73,305	5,079,562
<b>Total Liabilities</b>	<b>31,432,975</b>	<b>9,533,845</b>	<b>6,806,551</b>	<b>-</b>	<b>3,763,254</b>	<b>51,536,625</b>
<b>Fund Balances</b>						
Nonspendable	513,174	-	-	-	-	513,174
Restricted	23,688,296	1,098	207,293,492	86,109,934	22,323,638	339,416,458
Committed	-	-	-	-	280,122	280,122
Unassigned	3,062,676	-	-	-	-	3,062,676
<b>Total Fund Balances</b>	<b>27,264,146</b>	<b>1,098</b>	<b>207,293,492</b>	<b>86,109,934</b>	<b>22,603,760</b>	<b>343,272,430</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 58,697,121</b>	<b>\$ 9,534,943</b>	<b>\$ 214,100,043</b>	<b>\$ 86,109,934</b>	<b>\$ 26,367,014</b>	<b>\$ 394,809,055</b>

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, 2017**

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** \$ 343,272,430

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	\$ 1,284,521,832	
Accumulated depreciation is	<u>(374,591,384)</u>	
Net capital assets		909,930,448

The deferred charge on refunding is the difference between reacquisition price and the net carrying amount of the old debt. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations as a component of interest expense until the maturity of the refunding bonds.

35,111,414

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.

(22,364,724)

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.

(38,311,138)

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 and premiums	1,049,738,972	
Emergency apportionment loan	39,238,465	
Compensated absences and unclaimed property	16,275,959	
Net pension liability and related deferrals	<u>335,991,787</u>	
Total long-term obligations		<u>(1,442,245,183)</u>
<b>Net Position - Governmental Activities</b>		<u><u>\$ (214,606,753)</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, 2017**

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Local control funding formula	\$ 355,820,735	\$ -	\$ -	\$ -	\$ -	\$ 355,820,735
Federal sources	44,636,387	16,276,564	-	3,275,049	1,273,783	65,461,783
Other state sources	68,551,346	888,017	8,697	441,832	12,620,353	82,510,245
Other local sources	69,672,303	656,755	1,680,415	71,440,519	11,606,791	155,056,783
<b>Total Revenues</b>	<b>538,680,771</b>	<b>17,821,336</b>	<b>1,689,112</b>	<b>75,157,400</b>	<b>25,500,927</b>	<b>658,849,546</b>
<b>EXPENDITURES</b>						
Current						
Instruction	312,434,194	-	-	-	12,595,805	325,029,999
Instruction-related activities						
Supervision of instruction	58,146,665	-	-	-	53,330	58,199,995
Instructional library, media and technology	1,857,317	-	-	-	-	1,857,317
School site administration	43,464,466	-	-	-	2,196,678	45,661,144
Pupil services						
Home-to-school	9,348,582	-	-	-	-	9,348,582
Food services	3,764	19,900,637	-	-	-	19,904,401
All other pupil services	14,306,364	-	-	-	20,831	14,327,195
Administration						
Data processing	7,156,365	-	-	-	-	7,156,365
All other administration	23,456,095	970,263	-	-	1,087,238	25,513,596
Plant services	51,034,848	-	5,066,921	-	239,624	56,341,393
Ancillary services	12,818,514	-	-	-	-	12,818,514
Community services	597,701	-	-	-	-	597,701
Other outgo	2,836,112	-	-	-	-	2,836,112
Capital outlay	2,493,190	-	56,193,917	-	5,714,731	64,401,838
Debt service						
Principal	5,195,403	-	-	29,915,000	-	35,110,403
Interest and other	777,208	-	-	62,595,585	-	63,372,793
<b>Total Expenditures</b>	<b>545,926,788</b>	<b>20,870,900</b>	<b>61,260,838</b>	<b>92,510,585</b>	<b>21,908,237</b>	<b>742,477,348</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(7,246,017)</b>	<b>(3,049,564)</b>	<b>(59,571,726)</b>	<b>(17,353,185)</b>	<b>3,592,690</b>	<b>(83,627,802)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	4,772,512	3,044,396	-	-	2,113,513	9,930,421
Proceeds from sale of bonds	-	-	65,000,000	536,328,070	-	601,328,070
Transfers out	(5,157,909)	-	-	-	-	(5,157,909)
Payments to escrow agent	-	-	-	(524,513,993)	(215)	(524,514,208)
<b>Net Financing Sources (Uses)</b>	<b>(385,397)</b>	<b>3,044,396</b>	<b>65,000,000</b>	<b>11,814,077</b>	<b>2,113,298</b>	<b>81,586,374</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(7,631,414)</b>	<b>(5,168)</b>	<b>5,428,274</b>	<b>(5,539,108)</b>	<b>5,705,988</b>	<b>(2,041,428)</b>
<b>Fund Balance - Beginning</b>	<b>34,895,560</b>	<b>6,266</b>	<b>201,865,218</b>	<b>91,649,042</b>	<b>16,897,772</b>	<b>345,313,858</b>
<b>Fund Balance - Ending</b>	<b>\$ 27,264,146</b>	<b>\$ 1,098</b>	<b>\$ 207,293,492</b>	<b>\$ 86,109,934</b>	<b>\$ 22,603,760</b>	<b>\$ 343,272,430</b>

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, 2017

---

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** \$ (2,041,428)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

This is the amount by which capital outlays exceed depreciation in the period:

Capital outlays	\$ 60,095,843	
Depreciation expense	<u>(27,519,212)</u>	
		32,576,631

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. (122,060)

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. (4,742,175)

Issuance of general obligations bonds is reported as revenue in the governmental funds, but does not affect the statement of activities.

Series 2016A general obligation bonds	(65,000,000)	
Face amount of 2016 general obligation refunding bonds	(155,780,000)	
Face amount of 2017A-D general obligation refunding bonds	(293,560,000)	
Series 2016A general obligation bond premiums	(8,144,803)	
2016 general obligation refunding bond premiums	(41,124,970)	
2016A-C general obligation refunding bond premiums	<u>(37,718,297)</u>	
		(601,328,070)

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 (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2017**

---

Payment of principal on long-term obligations is an expenditure in the governmental funds, but a reduction of long-term obligations in the statement of net position.

Emergency apportionment loan	5,195,403	
Principal payments of general obligation bonded debt	29,915,000	
Payments to the escrow agent related to the 2015 refunding bonds	<u>484,020,000</u>	519,130,403

Charges related to the 2016 general obligation refunding bond and the 2016A-D general obligation refunding bond are an expense on the statement of activities.

Reacquisition price	524,513,993	
Net carrying amount of the refunded bonds	(487,326,031)	
Amortization during 2016-17	<u>(2,076,548)</u>	35,111,414

Amortization of bond premiums are an expense in the statement of activities, but does not impact the governmental funds. 12,397,264

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. (867,422)

In the governmental funds, pension expenditures are based on employer contributions made to pension plans during the year. However, in the statement of activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. (10,036,258)

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. (10,120,680)

**Change in Net Position of Governmental Activities** \$ (30,042,381)

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, 2017

	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
Current assets	
Deposits and investments	\$ 1,514,857
Receivables	1,024,217
Due from other funds	9,170,847
Total current assets	<u>11,709,921</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows from pension activities	320,472
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable, vendor	1,005,848
Due to General Fund	3,916,944
Claim liabilities	5,907,000
Total current liabilities	<u>10,829,792</u>
Noncurrent liabilities	
Claim liabilities	38,268,999
Net pension liability	970,482
Total noncurrent liabilities	<u>39,239,481</u>
Total liabilities	50,069,273
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows from pension activities	<u>272,258</u>
<b>NET POSITION</b>	
Unrestricted deficit	(38,311,138)
<b>Total Net Position</b>	<u><u>\$ (38,311,138)</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, 2017

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	<b>Governmental Activities - Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
In-district premiums	\$ 20,786,947
Other state revenue	9,752
Other local revenue	729,898
<b>Total Operating Revenues</b>	<u>21,526,597</u>
<b>OPERATING EXPENSES</b>	
Payroll costs	2,449,176
Claims expense	24,442,937
<b>Total Operating Expenses</b>	26,892,113
<b>Operating Loss</b>	(5,365,516)
<b>NONOPERATING REVENUES</b>	
Interest income	17,348
Transfers out	(4,772,512)
<b>Total Nonoperating Expense</b>	(4,755,164)
<b>Change in Net Position</b>	(10,120,680)
<b>Net Position - Beginning</b>	<u>(28,190,458)</u>
<b>Net Position - Ending</b>	<u>\$ (38,311,138)</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, 2017

	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from premiums	\$ 20,786,947
Other operating cash receipts	70,638
Cash payments for insurance claims	(22,088,023)
Cash payments to employees for services	<u>(2,449,176)</u>
Net cash provided by operating activities	<u>(3,679,614)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	17,348
Cash payments for interfund transfers out	<u>(1,554,319)</u>
Net cash used for investing activities	<u>(1,536,971)</u>
Net decrease in cash and cash equivalents	(5,216,585)
Cash and Cash Equivalents - Beginning	<u>6,731,442</u>
Cash and Cash Equivalents - Ending	<u>\$ 1,514,857</u>
<b>RECONCILIATION OF OPERATING GAIN TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Loss from operations	\$ (5,365,516)
Changes in assets and liabilities:	
Change in accounts receivables	(669,012)
Change in accounts payables	<u>225,572</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ (3,679,614)</u>

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

OAKLAND UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2017

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	<b>Payroll Revolving Agency Fund</b>
<b>ASSETS</b>	
Deposits and investments	\$ 13,119,710
Receivables	105,419
<b>Total Assets</b>	<u>\$ 13,225,129</u>
<b>LIABILITIES</b>	
Due to OUSD General Fund	\$ 13,225,129
<b>Total Liabilities</b>	<u>\$ 13,225,129</u>

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

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### 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 2016-17 school year, the District operated 48 K-5 elementary schools, 6 K-8 elementary schools, 13 middle schools, 3 grades 6-12 schools, 7 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.

#### 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.

**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).

**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.

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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**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.

**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.

**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).

**County School Facilities Fund** The 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.).

**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).

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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**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, 2017

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**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.

**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. 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.

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, 2017

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**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. 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, 2017, 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.

### **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, 2017

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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 recorded at estimated acquisition value at the date of donation.

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.

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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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.

### **Debt Issuance Costs, Premiums and Discounts**

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt and for pension related items.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

### **Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

### **Fund Balances - Governmental Funds**

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

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

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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**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.

**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 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.

### 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.



# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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### 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 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 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, 2017

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### 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.

### 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.

### New Accounting Pronouncements

The GASB has issued the following accounting pronouncements that will become effective in future fiscal periods:

- GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.*
- GASB Statement No. 81 – *Irrevocable Split-Interest Agreements.*
- GASB Statement No. 83 – *Certain Asset Retirement Obligations.*
- GASB Statement No. 84 – *Fiduciary Activities.*
- GASB Statement No. 85 – *Omnibus 2017.*
- GASB Statement No. 86 – *Certain Debt Extinguishment Issues.*
- GASB Statement No. 87 – *Leases.*

The District has not determined the effect of these pronouncements.



**OAKLAND UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**NOTE 2 - DEPOSITS AND INVESTMENTS**

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 350,924,434
Internal service fund	1,514,857
Fiduciary funds	13,119,710
Total deposits and investments	<u>\$ 365,559,001</u>

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	\$ 905,735
Cash in revolving	150,000
Investments with the Alameda County Treasurer	364,503,266
Total deposits and investments	<u>\$ 365,559,001</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.

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

**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.

### General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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 Alameda County Investment Pool. The fair value of these investments at June 30, 2017 is \$364.50 million. The sensitivity of the fair values of the District's investment to market interest rate fluctuation is measured as the weighted average maturity of the investment portfolio, which was 393 days on June 30, 2017.

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### 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, 2017.

### Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits other than the following provision: 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% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2017, the District's bank balance of \$1.67 million was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

### Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District can access at the measurement date.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data.

Uncategorized – The District's investments in the Alameda County Investment Pool are not measured using the input levels described above because transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

### NOTE 3 - RECEIVABLES

Governmental fund receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Building Fund	Bond Interest Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Fund
Federal sources	\$ 5,832,372	\$ 3,547,238	\$ -	\$ -	\$ 336,710	\$ 9,716,320	\$ -
State sources	9,735,302	350,826	-	-	405,194	10,491,322	-
Interest	58,587	-	-	145,723	36,030	240,340	1,024,217
Local sources	9,350,662	128,229	341,720	-	992,929	10,813,540	-
Total	<u>\$ 27,574,349</u>	<u>\$ 4,026,293</u>	<u>\$ 341,720</u>	<u>\$ 145,723</u>	<u>\$ 1,770,863</u>	<u>\$ 33,858,948</u>	<u>\$ 1,024,217</u>

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 17,701,767	\$ -	\$ -	\$ 17,701,767
Construction in process	101,638,903	52,918,773	50,887,752	103,669,924
Total capital assets not being	<u>119,340,670</u>	<u>52,918,773</u>	<u>50,887,752</u>	<u>121,371,691</u>
Capital assets being depreciated				
Buildings	1,028,032,362	53,420,415	-	1,081,452,777
Building improvements	66,652,897	-	-	66,652,897
Equipment	15,289,982	4,644,407	4,889,922	15,044,467
Total capital assets being depreciated	<u>1,109,975,241</u>	<u>58,064,822</u>	<u>4,889,922</u>	<u>1,163,150,141</u>
Less accumulated depreciation				
Buildings	303,776,426	23,412,389	-	327,188,815
Building improvements	34,652,607	2,717,316	-	37,369,923
Equipment	13,411,001	1,389,507	4,767,862	10,032,646
Total accumulated depreciation	<u>351,840,034</u>	<u>27,519,212</u>	<u>4,767,862</u>	<u>374,591,384</u>
Governmental activities, net capital	<u>\$ 877,475,877</u>	<u>\$ 83,464,383</u>	<u>\$ 51,009,812</u>	<u>\$ 909,930,448</u>



**OAKLAND UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

<b>Governmental Activities</b>		
Instruction		\$ 15,541,133
Supervision of instruction		2,769,374
Instructional library, media and technology		88,378
School administration		2,172,729
Pupil transportation		444,841
Food services		947,126
Other pupil services		681,742
Ancillary services		609,953
Community services		28,441
Other general administration		1,214,033
Data processing services		340,527
Plant maintenance and operations		2,680,935
Total depreciation expense, governmental activities		<u>\$ 27,519,212</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, 2017, between major and nonmajor governmental funds, and internal service funds are as follows:

Due From	Due To			Total
	General Fund	Cafeteria Fund	Internal Service Fund	
General Fund	\$ -	\$ 3,276,784	\$ -	\$ 3,276,784
Cafeteria Fund	-	-	8,500,000	8,500,000
Building Fund	-	-	670,847	670,847
Nonmajor Governmental Funds	2,428,484	40,287	-	2,468,771
Internal Service Fund	3,916,944	-	-	3,916,944
Total	<u>\$ 6,345,428</u>	<u>\$ 3,317,071</u>	<u>\$ 9,170,847</u>	<u>\$ 18,833,346</u>

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



**OAKLAND UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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, 2017, consisted of the following:

Transfer Out	Transfer In			Total
	General Fund	Cafeteria Fund	Nonmajor Governmental funds	
General Fund	\$ -	\$ 3,044,396	\$ 2,113,513	\$ 5,157,909
Internal Service Fund	4,772,512	-	-	4,772,512
<b>Total Interfund Transfers</b>	<b>\$ 4,772,512</b>	<b>\$ 3,044,396</b>	<b>\$ 2,113,513</b>	<b>\$ 9,930,421</b>

The general fund transferred to the child development fund to support operations.	\$ 2,113,513
The general fund transferred to the cafeteria fund to support operations.	3,044,396
The self-insurance fund transferred to the general fund to support general operations of the District.	4,772,512
	<u>\$ 9,930,421</u>

**NOTE 6 - ACCOUNTS PAYABLE**

Governmental fund accounts payable at June 30, 2017, consisted of the following:

	General Fund	Cafeteria Fund	Building Fund	Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Fund
Vendor payables	\$ 17,654,427	\$ 825,692	\$ 6,128,159	\$ 1,113,869	\$ 25,722,147	\$ 1,005,848
State apportionment	2,875,281	-	-	-	2,875,281	-
Salaries and benefits	2,635,347	193,032	7,545	107,309	2,943,233	-
<b>Total</b>	<b>\$ 23,165,055</b>	<b>\$ 1,018,724</b>	<b>\$ 6,135,704</b>	<b>\$ 1,221,178</b>	<b>\$ 31,540,661</b>	<b>\$ 1,005,848</b>

**OAKLAND UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 7 - UNEARNED REVENUE**

Unearned revenue at June 30, 2017, consists of the following:

	General Fund	Cafeteria Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal financial assistance	\$ 850,050	\$ 15,121	\$ -	\$ 865,171
State categorical aid	3,387,967	-	73,305	3,461,272
Other local	753,119	-	-	753,119
Total unearned revenue	<u>\$ 4,991,136</u>	<u>\$ 15,121</u>	<u>\$ 73,305</u>	<u>\$ 5,079,562</u>

**NOTE 8 - LONG-TERM OBLIGATIONS**

**Summary**

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

	July 1, 2016	Additions	Deductions	June 30, 2017	Current Portion
General obligation bonds	\$ 932,545,000	\$514,340,000	\$513,935,000	\$ 932,950,000	\$27,635,000
General obligation bond premiums	42,198,166	86,988,070	12,397,264	116,788,972	9,091,233
Emergency apportionment loan	44,433,868	-	5,195,403	39,238,465	5,287,777
Compensated absence, net	11,533,784	3,695,569	-	15,229,353	-
Claims liability	42,046,657	2,129,342	-	44,175,999	5,907,000
Aggregate net pension liability	329,559,937	97,213,858	-	426,773,795	-
Unclaimed property	-	1,046,606	-	1,046,606	-
Total	<u>\$ 1,402,317,412</u>	<u>\$705,413,445</u>	<u>\$531,527,667</u>	<u>\$ 1,576,203,190</u>	<u>\$47,921,010</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. The claims liability will be paid by the self-insurance fund. The net pension liability will be paid by the fund for which the employee worked.

**OAKLAND UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**Bonded Debt**

The outstanding general obligation bonded debt is as follows:

Bond Issuance	Issue Date	Maturity Date	Interest Rate	Original Issuance
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
Election of 2012 - Series 2015A	Aug-15	Aug-40	5.00%	173,500,000
2015 Refunding	Aug-15	Aug-30	5.00%	168,705,000
Election of 2006 - Series 2016A	Aug-16	Aug-41	4.0-5.0%	65,000,000
2016 Refunding	Aug-16	Aug-31	2.0-5.0%	155,780,000
2017 Refunding - Series A	May-17	Aug-25	4.0-5.0%	111,055,000
2017 Refunding - Series B	May-17	Aug-32	4.0-5.0%	24,155,000
2017 Refunding - Series C	May-17	Aug-38	4.0-5.0%	82,930,000
2017 Refunding - Series D	May-17	Aug-34	3.405-3.955%	75,420,000
				\$ 1,545,785,000

Bond Issuance	June 30, 2016	Issued	Redeemed/ Defeased	June 30, 2017
Election of 2006 - Series 2006	\$ 108,250,000	\$ -	\$ 108,250,000	\$ -
2007 Refunding	147,015,000	-	135,380,000	11,635,000
Election of 2006 - Series 2009 A	86,320,000	-	77,775,000	8,545,000
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	29,175,000	-	25,000,000	4,175,000
Election of 2006 - Series 2012 B	23,960,000	-	-	23,960,000
Election of 2012 - Series 2013	98,505,000	-	85,430,000	13,075,000
Election of 2012 - Series 2015A	173,500,000	-	4,335,000	169,165,000
2015 Refunding	168,705,000	-	6,970,000	161,735,000
Election of 2006 - Series 2016A	-	65,000,000	-	65,000,000
2016 Refunding	-	155,780,000	-	155,780,000
2017 Refunding - Series A	-	111,055,000	-	111,055,000
2017 Refunding - Series B	-	24,155,000	-	24,155,000
2017 Refunding - Series C	-	82,930,000	-	82,930,000
2017 Refunding - Series D	-	75,420,000	-	75,420,000
	\$ 932,545,000	\$ 514,340,000	\$ 513,935,000	\$ 932,950,000



# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

### Debt Service Requirements to Maturity

The general obligation bonds mature through 2041 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	\$ 27,635,000	\$ 57,326,330	\$ 84,961,330
2019	26,955,000	54,226,580	81,181,580
2020	30,135,000	52,827,580	82,962,580
2021	36,910,000	46,408,262	83,318,262
2022	40,595,000	44,490,149	85,085,149
2023-2027	289,085,000	163,161,961	452,246,961
2028-2032	226,555,000	88,353,419	314,908,419
2033-2037	170,005,000	36,854,653	206,859,653
2038-2042	85,075,000	7,317,175	92,392,175
Total	<u>\$ 932,950,000</u>	<u>\$ 550,966,110</u>	<u>\$ 1,483,916,110</u>

### Debt Refunding

During August 2016, the District issued \$155.8 million in general obligation bonds with an interest rate between 2.0 percent to 5.0 percent to advance refund \$106.7 million of outstanding election of 2006 series 2006 bonds with interest rates 4.25 percent, and \$75.9 million of outstanding election of 2006 series 2009A bonds with interest rates between 4.0 percent to 6.5 percent. The net proceeds of \$195.4 million (including premiums of \$41.1 million and costs of issuance and other fees of \$1.5 million) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds mentioned above. As a result, the election of 2006 series 2006 bonds and portion of the election 2006 series 2009A bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$12.8 million. The District completed the advance refunding to reduce its total debt service payments over the next 16 years by \$29.0 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$16.6 million.

During May 2017, the District issued \$293.6 million in general obligation bonds with an interest rate between 3.4 percent to 5.0 percent to advance refund \$124.8 million of outstanding election of 2007 refunding bonds with interest rates between 3.75 percent to 5 percent, \$70.8 million of outstanding election of 2006 series 2009B bonds with interest rates 9.5 percent, \$24.5 million of outstanding election of 2006 series 2012A bonds with interest rates between 3.0 percent to 5.55. percent, and \$81.4 million of outstanding election of 2012 series 2013 bonds with interest rates between 4.0 percent to 5.0 percent. The net proceeds of \$329.1 million (including premiums of \$37.7 million and costs of issuance and other fees of \$2.2 million) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds mentioned above. As a result, the election of 2006 series 2009B bonds and portion of the 2007 refunding bonds, election 2006 series 2012A bonds, and election of 2012 series 2013 bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

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The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$24.3 million. The District completed the advance refunding to reduce its total debt service payments over the next 16 years by \$57.9 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$53.9 million.

### 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>
2018	\$ 5,287,777	\$ 697,660	\$ 5,985,437
2019	5,381,794	603,643	5,985,437
2020	5,477,482	507,955	5,985,437
2021	5,574,871	410,565	5,985,436
2022	5,673,993	311,444	5,985,437
2023-2026	11,842,548	427,595	12,270,143
Total	<u>\$ 39,238,465</u>	<u>\$ 2,958,862</u>	<u>\$ 42,197,327</u>



**OAKLAND UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 9 - FUND BALANCES**

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>						
Revolving cash	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ 150,000
Prepaid expenditures	363,174	-	-	-	-	363,174
<b>Total Nonspendable</b>	<b>513,174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>513,174</b>
<b>Restricted</b>						
Educational programs	23,688,296	-	-	-	-	23,688,296
Child development	-	-	-	-	3,755	3,755
Child nutrition	-	1,098	-	-	-	1,098
Capital projects	-	-	207,293,492	-	20,615,484	227,908,976
Adult education	-	-	-	-	1,704,399	1,704,399
Debt service	-	-	-	86,109,934	-	86,109,934
<b>Total Restricted</b>	<b>23,688,296</b>	<b>1,098</b>	<b>207,293,492</b>	<b>86,109,934</b>	<b>22,323,638</b>	<b>339,416,458</b>
<b>Committed</b>						
Deferred maintenance	-	-	-	-	5,400	5,400
Capital projects	-	-	-	-	126,582	126,582
Adult education	-	-	-	-	148,140	148,140
<b>Total Committed</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>280,122</b>	<b>280,122</b>
<b>Unassigned</b>						
Reserve for economic uncertainties	3,062,676	-	-	-	-	3,062,676
<b>Total Unassigned</b>	<b>3,062,676</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,062,676</b>
<b>Total Fund Balance</b>	<b>\$ 27,264,146</b>	<b>\$ 1,098</b>	<b>\$ 207,293,492</b>	<b>\$ 86,109,934</b>	<b>\$ 22,603,760</b>	<b>\$ 343,272,430</b>

**OAKLAND UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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	\$ 3,062,676
Add	
Nonspendable fund balance	513,174
Committed balance of the adult education fund	148,140
Committed balance of the deferred maintenance fund	5,400
Committed balance of the special reserve for capital outlay fund	126,582
Deduct	
Compensated absences	(15,229,353)
Unclaimed property	(1,046,606)
Emergency apportionment loan	(39,238,465)
Deficit self-insurance reserve	(38,311,138)
Net pension liability included in the deficit self-insurance reserve	922,268
Aggregate net pension liability	(426,773,795)
Net deferred inflows and outflows of resources related to pensions	88,859,740
Unrestricted deficit per the statement of net position	<u><u>\$ (426,961,377)</u></u>

**NOTE 10 - LEASE REVENUES**

Lease agreements have been entered with various lessees for terms that exceed one year. None of the agreements contain purchase options. All 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
2018	\$ 574,746
2019	349,174
2020	363,766
2021	120,000
2022	120,000
Thereafter	1,470,000
Total	<u><u>\$ 2,997,686</u></u>

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### NOTE 11 - 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 \$10,000,000 and \$250,250,000 limits of excess coverage, respectively purchases from various insurance carriers. The District pays an annual contribution of \$2,000,000 to Northern California ReLiEF for its excess 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 \$1,000,000 per occurrence self-insurance retention. Above that level, the District purchases excess insurance to the statutory maximums for an annual combined premium of \$600,000. 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.

**OAKLAND UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**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, 2015, to June 30, 2017 (in thousands):

	<u>Self-Insurance</u>
Liability Balance, July 1, 2015	\$ 42,046
Claims and changes in estimates	22,402
Claims payments	<u>(22,401)</u>
Liability Balance, June 30, 2016	42,047
Claims and changes in estimates	26,572
Claims payments	<u>(24,443)</u>
Liability Balance, June 30, 2017	<u>\$ 44,176</u>
Assets available to pay claims at June 30, 2017	<u>\$ 6,787</u>

**NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS**

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

For the fiscal year ended June 30, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 289,147,011	\$ 55,378,832	\$ 7,179,387	\$ 33,981,115
CalPERS	137,626,784	46,093,520	5,433,225	22,616,282
Total	<u>\$ 426,773,795</u>	<u>\$ 101,472,352</u>	<u>\$ 12,612,612</u>	<u>\$ 56,597,397</u>

The details of each plan are as follows:

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

### Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program; thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.83%	8.83%



# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

### Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were \$25,568,915.

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

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	\$ 289,147,011
State's proportionate share of the net pension liability associated with the District	164,606,236
Total net pension liability, including State share	<u>\$ 453,753,247</u>

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.3575 percent and 0.3467 percent, resulting in a net decrease in the proportionate share of 0.0108 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$33,981,115. In addition, the District recognized pension expense and revenue of \$15,910,925 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 25,568,915	\$ -
Net change in proportionate share of net pension liability	6,822,870	125,974
Differences between projected and actual earnings on plan investments	22,987,047	-
Differences between expected and actual experience in the measurement of the total pension liability	-	7,053,413
Total	<u>\$ 55,378,832</u>	<u>\$ 7,179,387</u>

**OAKLAND UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments are amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 501,501
2019	501,502
2020	13,362,450
2021	8,621,594
Total	<u>\$ 22,987,047</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ (175,337)
2019	(175,337)
2020	(175,337)
2021	(175,337)
2022	(175,334)
Thereafter	520,165
Total	<u>\$ (356,517)</u>

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

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

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%
	100%	

**OAKLAND UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**Discount Rate**

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and if contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 416,147,760
Current discount rate (7.60%)	\$ 289,147,011
1% increase (8.60%)	\$ 183,671,146

**California Public Employees Retirement System (CalPERS)**

**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.



# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.89%	13.89%

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were \$13,731,155.



**OAKLAND UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$137,626,784. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016, and June 30, 2015, respectively was 0.6968 percent and 0.6522 percent, resulting in a net increase in the proportionate share of 0.0446 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$22,616,282. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 13,731,155	\$ -
Net change in proportionate share of net pension liability	5,087,844	1,298,360
Differences between projected and actual earnings on plan investments	21,355,251	-
Differences between expected and actual experience in the measurement of the total pension liability	5,919,270	-
Changes of assumptions	-	4,134,865
Total	<u>\$ 46,093,520</u>	<u>\$ 5,433,225</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments are amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	\$ 2,995,356
2019	2,995,357
2020	9,791,005
2021	5,573,533
Total	<u>\$ 21,355,251</u>

**OAKLAND UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2018	\$ 1,633,981
2019	1,717,516
2020	<u>2,222,392</u>
Total	<u>\$ 5,573,889</u>

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

**OAKLAND UNIFIED SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%
	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 205,339,928
Current discount rate (7.65%)	\$ 137,626,784
1% increase (8.65%)	\$ 81,242,266

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### **Social Security**

As established by Federal law, all public sector employees who are not members of either CalSTRS or CalPERS must be covered by social security or an alternative plan. The District has elected to use PARS as its alternative plan. Contributions made by the District and employee vest immediately. For employees who are members of CalPERS, the District and the employee each contribute 6.2 percent of the employee's gross earnings towards social security.

### **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, 2017, 2016, and 2015, were \$11,089,629, \$12,680,325, and \$8,535,695, respectively (8.828 percent of 2016-2017, 7.126 percent of 2015-2016, and 5.541 percent of 2014-2015 annual payrolls). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures in the 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 13 - 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, 2017.

### **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, 2017.

## OAKLAND UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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#### NOTE 14 - PARTICIPATION IN JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

##### **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, 2017, the District made no payments 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, 2017, 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, 2017, the District made payments of \$1,968,587 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.



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***REQUIRED SUPPLEMENTARY INFORMATION***

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OAKLAND UNIFIED SCHOOL DISTRICT

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
Local control funding formula	\$ 361,099,647	\$ 357,402,448	\$ 355,820,735	\$ (1,581,713)
Federal sources	43,540,134	49,563,105	44,636,387	(4,926,718)
Other state sources	60,465,134	62,654,277	68,551,346	5,897,069
Other local sources	54,831,417	68,888,030	69,672,303	784,273
<b>Total Revenues</b>	<b>519,936,332</b>	<b>538,507,860</b>	<b>538,680,771</b>	<b>172,911</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	200,050,390	198,618,774	201,644,455	(3,025,681)
Classified salaries	83,744,395	96,672,513	99,365,020	(2,692,507)
Employee benefits	132,192,418	132,569,364	133,822,986	(1,253,622)
Books and supplies	34,732,291	28,401,175	14,375,203	14,025,972
Services and operating expenditures	60,395,533	84,885,187	86,732,030	(1,846,843)
Other outgo	1,544,384	1,391,192	2,836,110	(1,444,918)
Capital outlay	11,000	3,022,181	2,912,076	110,105
Debt service - principal	5,195,403	5,195,403	5,195,403	-
Debt service - interest	777,208	777,208	777,208	-
<b>Total Expenditures</b>	<b>518,643,022</b>	<b>551,532,997</b>	<b>547,660,491</b>	<b>3,872,506</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,293,310</b>	<b>(13,025,137)</b>	<b>(8,979,720)</b>	<b>4,045,417</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	564,067	847,032	6,506,215	5,659,183
Transfers out	(1,619,490)	4,468,859	(5,157,909)	(9,626,768)
<b>Net Financing Sources (Uses)</b>	<b>(1,055,423)</b>	<b>5,315,891</b>	<b>1,348,306</b>	<b>(3,967,585)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>237,887</b>	<b>(7,709,246)</b>	<b>(7,631,414)</b>	<b>77,832</b>
<b>Fund Balance - Beginning</b>	<b>34,895,560</b>	<b>34,895,560</b>	<b>34,895,560</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 35,133,447</b>	<b>\$ 27,186,314</b>	<b>\$ 27,264,146</b>	<b>\$ 77,832</b>

See accompanying note to required supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

CAFETERIA FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
Federal sources	\$ 17,596,003	\$ 15,876,947	\$ 16,276,564	\$ 399,617
Other state sources	1,023,822	844,287	888,017	43,730
Other local sources	614,593	684,209	656,755	(27,454)
<b>Total Revenues</b>	<b>19,234,418</b>	<b>17,405,443</b>	<b>17,821,336</b>	<b>415,893</b>
<b>EXPENDITURES</b>				
Current				
Classified salaries	6,457,086	6,823,314	6,893,955	(70,641)
Employee benefits	3,044,739	3,630,746	3,380,126	250,620
Food	9,126,681	8,565,984	9,472,809	(906,825)
Services and operating expenditures	193,669	76,219	87,363	(11,144)
Other outgo	930,400	-	970,262	(970,262)
Equipment	-	86,417	66,385	20,032
<b>Total Expenditures</b>	<b>19,752,575</b>	<b>19,182,680</b>	<b>20,870,900</b>	<b>(1,688,220)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(518,157)</b>	<b>(1,777,237)</b>	<b>(3,049,564)</b>	<b>(1,272,327)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	725,000	2,525,000	3,044,396	519,396
Transfers out	(206,843)	(1,025,077)	-	1,025,077
<b>Net Financing Sources</b>	<b>518,157</b>	<b>1,499,923</b>	<b>3,044,396</b>	<b>1,544,473</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>(277,314)</b>	<b>(5,168)</b>	<b>272,146</b>
<b>Fund Balance - Beginning</b>	<b>6,266</b>	<b>6,266</b>	<b>6,266</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 6,266</b>	<b>\$ (271,048)</b>	<b>\$ 1,098</b>	<b>\$ 272,146</b>

See accompanying note to required supplementary information.

**OAKLAND UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2017**

Measurement Date, As of June 30,	2016	2015	2014
<b>CalSTRS</b>			
District's proportion of the net pension liability	0.35750%	0.34673%	0.34697%
District's proportionate share of the net pension liability	\$ 289,147,011	\$ 233,433,103	\$ 202,760,645
State's proportionate share of the net pension liability associated with the District	164,606,236	123,460,378	122,435,631
Total	<u>\$ 453,753,247</u>	<u>\$ 356,893,481</u>	<u>\$ 325,196,276</u>
District's covered payroll	<u>\$ 186,271,892</u>	<u>\$ 143,578,581</u>	<u>\$ 154,542,764</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	155.23%	162.58%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
<b>CalPERS</b>			
District's proportion of the net pension liability	0.69684%	0.65215%	0.66962%
District's proportionate share of the net pension liability	\$ 137,626,784	\$ 96,126,834	\$ 76,017,851
District's covered payroll	<u>\$ 88,303,630</u>	<u>\$ 108,315,164</u>	<u>\$ 70,293,104</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	155.86%	88.75%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

*Note* : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

**OAKLAND UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2017**

Fiscal Year End, June 30,	2017	2016	2015
<b>CalSTRS</b>			
Contractually required contribution	\$ 25,568,915	\$ 19,986,974	\$ 14,342,738
Contributions in relation to the contractually required contribution	(25,568,915)	(19,986,974)	(14,342,738)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 203,250,517	\$ 186,271,892	\$ 143,578,581
Contributions as a percentage of covered payroll	12.58%	10.73%	8.88%
<b>CalPERS</b>			
Contractually required contribution	\$ 13,731,155	\$ 10,461,331	\$ 10,641,777
Contributions in relation to the contractually required contribution	(13,731,155)	(10,461,331)	(10,641,777)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 98,870,644	\$ 88,303,630	\$ 108,315,164
Contributions as a percentage of covered payroll	13.89%	11.85%	11.77%

*Note* : In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.



## OAKLAND UNIFIED SCHOOL DISTRICT

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

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#### NOTE 1 - PURPOSE OF SCHEDULES

##### **Budgetary Comparison Schedules**

These schedules present information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations. The final budget is the projected year totals presented in the District's third interim financial report.

##### **Schedule of the District's Proportionate Share of the Net Pension Liability**

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the state's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

##### **Schedule of District Pension Contributions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

##### **Changes in Benefit Terms**

There were no changes in benefit terms since the previous valuation for either CalSTRS or CalPERS.

##### **Changes in Assumptions**

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. As of the June 30, 2015 measurement date, the CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

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***SUPPLEMENTARY INFORMATION***

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# OAKLAND UNIFIED SCHOOL DISTRICT

## LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE JUNE 30, 2017

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The Oakland Unified School District was established in 1855 and consists of an area comprising approximately 55 square miles. During the 2016-17 school year, the District operated 48 K-5 elementary schools, 6 K-8 elementary schools, 13 middle schools, 3 grades 6-12 schools, 7 grades 9-12 high schools, 8 alternative schools, and 29 early childhood education centers.

### GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
James Harris	President	January 2021
Nina Senn	Vice president	January 2019
Aime Eng	Director	January 2019
Shanthi Gonzales	Director	January 2019
Jumoke Hinton Hodge	Director	January 2021
Jody London	Director	January 2021
Roseann Torres	Director	January 2021

### STATE TRUSTEE

Carlene Naylor

### ADMINISTRATION

NAME	TITLE
Devin Dillon	Interim Superintendent
Marion McWilliams	General Counsel
Vernon Hal	Senior Business Officer

See accompanying note to supplementary information.

# OAKLAND UNIFIED SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2017

	Final Report		As Adjusted per Audit	
	Amended Second Period Report	Amended Annual Report	Second Period Report	Annual Report
Regular ADA				
Transitional kindergarten through third	12,953.53	12,960.46	12,953.53	12,960.46
Fourth through sixth	8,348.78	8,344.23	8,348.78	8,344.23
Seventh and eighth	4,449.91	4,458.44	4,449.91	4,458.44
Ninth through twelfth	8,959.04	8,901.29	8,938.04	8,880.29
Total Regular ADA	34,711.26	34,664.42	34,690.26	34,643.42
Extended Year Special Education				
Transitional kindergarten through third	16.05	16.05	16.05	16.05
Fourth through sixth	10.72	10.72	10.72	10.72
Seventh and eighth	6.76	6.76	6.76	6.76
Ninth through twelfth	17.49	17.49	17.49	17.49
Total Extended Year Special Education	51.02	51.02	51.02	51.02
Special Education, Nonpublic,				
Transitional kindergarten through third	13.69	13.71	13.69	13.71
Fourth through sixth	26.05	26.51	26.05	26.51
Seventh and eighth	28.63	29.06	28.63	29.06
Ninth through twelfth	91.60	85.91	91.60	85.91
Total Special Education, Nonpublic,	159.97	155.19	159.97	155.19
Extended Year Special Education,				
Transitional kindergarten through third	1.09	1.09	1.09	1.09
Fourth through sixth	2.21	2.21	2.21	2.21
Seventh and eighth	1.85	1.85	1.85	1.85
Ninth through twelfth	7.37	7.37	7.37	7.37
Total Extended Year Special Education,	12.52	12.52	12.52	12.52
Community Day School				
Transitional kindergarten through third	-	-	-	-
Fourth through sixth	-	-	-	-
Seventh and eighth	4.07	5.88	4.07	5.88
Ninth through twelfth	12.08	11.88	12.08	11.88
Total Community Day School	16.15	17.76	16.15	17.76
Total ADA	34,950.92	34,900.91	34,929.92	34,879.91

See accompanying note to supplementary information.

**OAKLAND UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2017**

<i>Grade Level</i>	<i>1986-87 Minutes Requirement</i>	<i>2016-17 Actual Minutes</i>	<i>Number of Days Traditional Calendar</i>	<i>Status</i>
Kindergarten	36,000	48,180	180	In Compliance
Grades 1 - 3				
Grade 1	50,400	50,555	180	In Compliance
Grade 2	50,400	50,700	180	In Compliance
Grade 3	50,400	50,700	180	In Compliance
Grades 4 - 6				
Grade 4	54,000	54,000	180	In Compliance
Grade 5	54,000	54,000	180	In Compliance
Grade 6	54,000	54,576	180	In Compliance
Grades 7 - 8				
Grade 7	54,000	54,576	180	In Compliance
Grade 8	54,000	54,576	180	In Compliance
Grades 9 - 12				
Grade 9	64,800	64,820	180	In Compliance
Grade 10	64,800	64,820	180	In Compliance
Grade 11	64,800	64,820	180	In Compliance
Grade 12	64,800	64,820	180	In Compliance

See accompanying note to supplementary information.



# OAKLAND UNIFIED SCHOOL DISTRICT

## SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2017

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Name of Charter School	Included in District Financial Statements or Separate Report
Achieve Academy	Separate Report
American Indian Charter School II	Separate Report
American Indian Public Charter High	Separate Report
American Indian Public Charter School	Separate Report
ARISE High School	Separate Report
ASCEND Academy	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 Charter Academy	Separate Report
Aspire Monarch Academy	Separate Report
Aspire Triumph Technology Academy	Separate Report
Bay Area Technology School	Separate Report
Castlemont Primary Academy	Separate Report
Civicorps Corpsmember Academy	Separate Report
Conservatory of Vocal & Instrumental Arts	Separate Report
Conservatory of Vocal & Instrumental Arts High School	Separate Report
Downtown Charter Academy	Separate Report
East Bay Innovation Academy	Separate Report
East Oakland Leadership Academy	Separate Report
EPIC Charter School	Separate Report
Francophone Charter School of Oakland	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
Lodestar: A Lighthouse Community Charter Public School	Separate Report
LPS Oakland R&D	Separate Report
North Oakland Community Charter School	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
Roses in Concrete Community School	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, 2017**

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Adult Education Fund
Unaudited actuals	\$ 23,475,856	\$ 25	206,850,401	\$ 85,932,554	\$ 1,849,941
Changes from					
Cash and investments	90,224	1,073	443,091	177,380	2,598
Accounts receivable	2,688,322	-	-	-	-
Accounts payable	1,009,744	-	-	-	-
Interfund payables/receivables	-	-	-	-	-
Current loans	-	-	-	-	-
Beginning fund balance	-	-	-	-	-
Fund balance per audited	<u>\$ 27,264,146</u>	<u>\$ 1,098</u>	<u>\$ 207,293,492</u>	<u>\$ 86,109,934</u>	<u>\$ 1,852,539</u>

	Child Development Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Self Insurance Fund
Unaudited actuals	\$ 1,519	\$ 16,502,763	\$ 2,968,840	\$ 1,230,467	\$ 6,780,961
Changes from					
Cash and investments	2,236	29,173	8,194	2,629	6,168
Accounts receivable	-	-	-	-	-
Accounts payable	-	-	-	-	-
Claims liability *	-	-	-	-	(44,175,999)
Net pension liability *	-	-	-	-	(922,268)
Fund balance per audited	<u>\$ 3,755</u>	<u>\$ 16,531,936</u>	<u>\$ 2,977,034</u>	<u>\$ 1,233,096</u>	<u>\$ (38,311,138)</u>

There was an additional adjustment to increase the cash and investment balances of the deferred maintenance fund by \$11. The balance per unaudited actuals is \$5,389 and the balance per the financial statement is \$5,400.

\* The self-insurance fund claims liability and net pension liability are actuarial determined estimates of the long-term obligations associated with the District's self-insured workers' compensation program, and participation in employee pension programs. The District does not report these liabilities on the SACS Unaudited Actual financial reports because they do not require the usage of current financial resources, however reporting such liabilities is required for GAAP financial reporting.

See accompanying note to supplementary information.

**OAKLAND UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

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	\$ 213,395
Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	17,664,697
Title II, Part A, Improving Teacher Quality State Grants program	84.367	14341	3,431,680
Title II, Part B, Mathematics and Science Partnerships	84.366	14512	313,038
Title III, English Language Acquisition State Grants			
Title III, Limited English Proficient Student Program	84.365	14346	1,361,811
Title III, Immigrant Education program	84.365	15146	145,997
Total Title III			<u>1,507,808</u>
Title IV, Part B, 21st Century Community Learning Centers	84.287	14349	6,419,597
Career and Technical Education	84.048	14894	384,982
Rehabilitation Services, Vocational Rehabilitation	84.126	10006	391,639
Advanced Placement Test Fee Reimbursement	84.000	N/A	52,364
Adult Education	84.002	13978	190,888
IDEA Early Intervention Programs, Part C	84.181	23761	205,411
State Improvement Grant, Improving Special Education System	84.323	14913	12,000
Special Education - Individuals with Disabilities Education Act			
Part B, Sec 611, Basic Local Assistance Entitlement	84.027	13379	8,145,333
Part B, Sec 611, Preschool Local Entitlement	84.027A	13682	1,234,066
Part B, Sec 619, Preschool Grants	84.173	13430	234,017
Part B, Sec 619, Preschool Staff Development	84.173A	13431	37,652
Total IDEA Cluster			<u>9,551,068</u>
Total passed through California Department of Education			<u>40,438,567</u>

See accompanying note to supplementary information.

**OAKLAND UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

Program Title	CFDA Number	Pass-through Identifying Number	Federal Expenditures
Federal Project Prevention	84.184	N/A	812,038
Full Services Community School	84.215	N/A	558,671
Carol M. White Physical Education Program	84.215F	N/A	83,003
Indian Education	84.060	N/A	35,711
Promoting Readiness of Minors	84.418P	N/A	310,219
School Climate Transformation	84.184G	N/A	727,826
Low-cost, Short-duratoin Evaluation of Education Interventions	84.305L	N/A	119,425
Total U.S Department of Education			43,085,460
 U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education			
Child Nutrition Cluster			
Summer Food Service Program for Children	10.559	13005	406,825
National School Lunch Program	10.555	13391/13396	12,820,608
National School Lunch Program Equipment Assistance	10.579	14906	66,385
Total Child Nutrition Cluster			13,293,818
Fresh Fruit and Vegetable Program	10.582	14968	488,360
Child Care Food Program - Centers and Family Day Homes	10.558	13393	2,310,295
Farm to School Grant Program	10.575	N/A	1,539
Specialty Crop Block Grant Program	10.170	N/A	168,953
HealthierUS School Challenge: Smarter Lunchrooms	10.000	N/A	13,600
Total U.S. Department of Agriculture			16,276,565

See accompanying note to supplementary information.

**OAKLAND UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

Program Title	CFDA Number	Pass-through Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Education			
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance			
	93.079	U87PS004136	393,134
Refugee and Entrant Assistance	93.576	24791	191,993
	93.596,		
Federal Child Care, Center-based	93.575	13609	1,082,895
Total California Department of Education			<u>1,668,022</u>
Passed through California Department of Health Care Services			
Medical Assistance Program	93.778	10013	1,078,747
Total U.S. Department of Health and Human Services			<u>2,746,769</u>
<b>U.S. DEPARTMENT OF DEFENSE</b>			
Passed through California Department of Education			
Junior Reserve Officers Training Corps	12.000	N/A	77,940
Total U.S. Department of Defense			<u>77,940</u>
Total expenditures of federal awards			<u><u>\$ 62,186,734</u></u>

See accompanying note to supplementary information.



OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
 JUNE 30, 2017

	(Budget) 2018 <sup>1</sup>	2017	2016	2015
GENERAL FUND				
Revenues <sup>3</sup>	\$ 555,556,403	\$ 538,680,771	\$ 523,723,088	\$ 444,002,637
Other sources	-	4,772,512	182,423	542,275
Total Revenues and Other Sources	555,556,403	543,453,283	523,905,511	444,544,912
Expenditures	547,239,775	545,926,788	515,055,166	441,960,164
Other uses and transfers out	8,792,109	5,157,909	3,097,178	806,946
Total Expenditures and Other Uses	556,031,884	551,084,697	518,152,344	442,767,110
CHANGE IN FUND BALANCE	\$ (475,481)	\$ (7,631,414)	\$ 5,753,167	\$ 1,777,802
ENDING FUND BALANCE	\$ 26,788,665	\$ 27,264,146	\$ 34,895,560	\$ 29,142,393
AVAILABLE RESERVES <sup>2</sup>	\$ 11,500,000	\$ 3,062,676	\$ 11,039,634	\$ 9,084,159
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	2.07%	0.56%	2.13%	2.05%
LONG TERM COMMITMENTS	\$ 1,021,225,376	\$ 1,063,239,386	\$ 1,030,710,818	\$ 876,035,567
CLAIMS LIABILITY	44,175,999	44,175,999	42,046,657	42,046,657
NET PENSION LIABILITY	426,773,795	426,773,795	329,559,937	278,778,496
TOTAL LONG-TERM OBLIGATIONS	\$ 1,492,175,170	\$ 1,534,189,180	\$ 1,402,317,412	\$ 948,392,535
K-12 AVERAGE DAILY ATTENDANCE AT P-2	35,231	34,951	35,484	35,375

The general fund balance has decreased by \$1.9 million over the past two years. The fiscal year 2017-18 budget projects a decrease of \$476 thousand. 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).

Management's plans to increase available reserve to the state mandated minimal levels are described in the notes to the supplementary information.

Average daily attendance has decreased by 424 over the past two years. ADA is anticipated to increase 280 during fiscal year 2017-18.

<sup>1</sup> Budget 2018 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances of the general fund.

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING BALANCE SHEET  
 JUNE 30, 2017

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund
<b>ASSETS</b>				
Deposits and investments	\$ 1,847,655	\$ 2,184,561	\$ 5,394	\$ 15,599,886
Receivables	153,767	610,099	6	998,732
Due from other funds	-	-	-	-
<b>Total Assets</b>	<u>\$ 2,001,422</u>	<u>\$ 2,794,660</u>	<u>\$ 5,400</u>	<u>\$ 16,598,618</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Payables	\$ 100,078	\$ 370,939	\$ -	\$ 66,682
Due to other funds	48,805	2,419,966	-	-
Unearned revenue	-	-	-	-
<b>Total Liabilities</b>	<u>148,883</u>	<u>2,790,905</u>	<u>-</u>	<u>66,682</u>
<b>Fund Balances</b>				
Restricted	1,704,399	3,755	-	16,531,936
Committed	148,140	-	5,400	-
<b>Total Fund Balances</b>	<u>1,852,539</u>	<u>3,755</u>	<u>5,400</u>	<u>16,531,936</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,001,422</u>	<u>\$ 2,794,660</u>	<u>\$ 5,400</u>	<u>\$ 16,598,618</u>

See accompanying note to supplementary information.

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County School Facilities Fund	Special Reserve Capital Outlay Fund	Nonmajor Governmental Funds
\$ 3,654,230	\$ 1,304,425	\$ 24,596,151
6,283	1,976	1,770,863
-	-	-
<u>\$ 3,660,513</u>	<u>\$ 1,306,401</u>	<u>\$ 26,367,014</u>

\$ 683,479	\$ -	\$ 1,221,178
-	-	2,468,771
-	73,305	73,305
<u>683,479</u>	<u>73,305</u>	<u>3,763,254</u>

2,977,034	1,106,514	22,323,638
-	126,582	280,122
<u>2,977,034</u>	<u>1,233,096</u>	<u>22,603,760</u>
<u>\$ 3,660,513</u>	<u>\$ 1,306,401</u>	<u>\$ 26,367,014</u>

OAKLAND UNIFIED SCHOOL DISTRICT

**NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017**

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund
<b>REVENUES</b>				
Federal sources	\$ 190,888	\$ 1,082,895	\$ -	\$ -
Other state sources	2,672,577	9,947,776	-	-
Other local sources	124,991	466,758	710	10,934,884
<b>Total Revenues</b>	<b>2,988,456</b>	<b>11,497,429</b>	<b>710</b>	<b>10,934,884</b>
<b>EXPENDITURES</b>				
Current				
Instruction	1,523,707	11,072,098	-	-
Instruction-related activities:				
Supervision of instruction	52,589	741	-	-
School site administration	594,863	1,601,815	-	-
Pupil services:				
All other pupil services	-	20,831	-	-
Administration:				
All other administration	80,455	682,985	-	323,798
Plant services	-	239,624	-	-
Facility acquisition and construction	-	-	-	545,163
<b>Total Expenditures</b>	<b>2,251,614</b>	<b>13,618,094</b>	<b>-</b>	<b>868,961</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>736,842</b>	<b>(2,120,665)</b>	<b>710</b>	<b>10,065,923</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	2,113,513	-	-
Other uses	-	(215)	-	-
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>2,113,298</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>736,842</b>	<b>(7,367)</b>	<b>710</b>	<b>10,065,923</b>
<b>Fund Balance - Beginning</b>	<b>1,115,697</b>	<b>11,122</b>	<b>4,690</b>	<b>6,466,013</b>
<b>Fund Balance - Ending</b>	<b>\$ 1,852,539</b>	<b>\$ 3,755</b>	<b>\$ 5,400</b>	<b>\$ 16,531,936</b>

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Capital Outlay Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ 1,273,783
-	-	12,620,353
31,445	48,003	11,606,791
<u>31,445</u>	<u>48,003</u>	<u>25,500,927</u>
-	-	12,595,805
-	-	53,330
-	-	2,196,678
-	-	20,831
-	-	1,087,238
-	-	239,624
4,881,361	288,207	5,714,731
<u>4,881,361</u>	<u>288,207</u>	<u>21,908,237</u>
(4,849,916)	(240,204)	3,592,690
-	-	2,113,513
-	-	(215)
-	-	2,113,298
(4,849,916)	(240,204)	5,705,988
7,826,950	1,473,300	16,897,772
<u>\$ 2,977,034</u>	<u>\$ 1,233,096</u>	<u>\$ 22,603,760</u>



OAKLAND UNIFIED SCHOOL DISTRICT

GENERAL FUND SCHEDULE OF UNRESTRICTED AND RESTRICTED  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Restricted	Total General Fund
<b>REVENUES</b>			
Local control funding formula	\$ 353,163,790	\$ 2,656,945	\$ 355,820,735
Federal sources	52,364	44,584,023	44,636,387
Other state sources	17,611,233	50,940,113	68,551,346
Other local sources	35,789,200	33,883,103	69,672,303
<b>Total Revenues</b>	<u>406,616,587</u>	<u>132,064,184</u>	<u>538,680,771</u>
<b>EXPENDITURES</b>			
Current			
Instruction	196,207,894	116,226,300	312,434,194
Instruction related activities	63,838,651	39,629,797	103,468,448
Pupil services	13,446,008	10,212,702	23,658,710
General administration	26,702,263	3,910,197	30,612,460
Plant services	32,880,030	18,154,818	51,034,848
Ancillary services	1,370,585	11,447,929	12,818,514
Community services	597,701	-	597,701
Other outgo	278,138	2,557,974	2,836,112
Facility acquisition and construction	2,493,190	-	2,493,190
Debt service			
Principal	5,195,403	-	5,195,403
Interest	777,208	-	777,208
<b>Total Expenditures</b>	<u>343,787,071</u>	<u>202,139,717</u>	<u>545,926,788</u>
<b>Excess (Deficiency) of revenues over expenditures</b>	62,829,516	(70,075,533)	(7,246,017)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	4,772,512	-	4,772,512
Transfers out	(5,157,909)	-	(5,157,909)
Other sources (uses)	(70,662,645)	70,662,645	-
<b>Net Financing Uses</b>	<u>(71,048,042)</u>	<u>70,662,645</u>	<u>(385,397)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(8,218,526)	587,112	(7,631,414)
<b>Fund Balance - Beginning</b>	11,794,376	23,101,184	34,895,560
<b>Fund Balance - Ending</b>	<u>\$ 3,575,850</u>	<u>\$ 23,688,296</u>	<u>\$ 27,264,146</u>

See accompanying note to supplementary information.

## OAKLAND UNIFIED SCHOOL DISTRICT

### NOTE TO SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

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#### **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 FOR THE YEAR ENDED JUNE 30, 2017

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### 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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:	\$ 65,461,783
Federal interest subsidy on qualified construction bonds and build America bonds	(3,275,049)
Total federal expenditures on the schedule of expenditures of federal awards	<u>\$ 62,186,734</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 through the end of the next operating cycle.

Management of the District budgeted to increase available reserves as a percentage of total general fund outgo at June 30, 2018 to exceed the 2% minimum state required reserve ratio by the end of the next operating cycle. Unrestricted general fund LCFF revenues were \$353.2 million for the year ending June 30, 2017 but are projected to be \$359.6 million for the year ending June 30, 2018, an increase of 1.8%. At the start of the 2018 school year, the District experienced an increase in enrollment of approximately 300 students, which has remained stable through December 2017. Unrestricted general fund total outgo for the year ended June 30, 2017 was \$419.6 million, but for fiscal year 2018 is budgeted to be \$399.8 million, a projected decrease of 4.7%. Fiscal year 2017 included non-recurring employee bonuses. At the start of fiscal year 2018, budgeted central service expenditures had declined \$17.4 million over the same period of fiscal year 2017.

### 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.

**OAKLAND UNIFIED SCHOOL DISTRICT**

**NOTE TO SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Schedules of the unrestricted and restricted General Fund**

The schedules of unrestricted and restricted portions of the general fund are included to provide additional information regarding the different categories of general fund operations.

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***INDEPENDENT AUDITOR'S REPORTS***

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**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 Oakland Unified School District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2017.

**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 District'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 preceding paragraph 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 findings 2017-001 through 2017-004, described in the accompanying schedule of findings and questioned costs, to be material weaknesses.

## Compliance and Other Matters

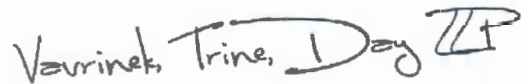
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 as items 2017-005 through 2017-012.

## The District's Response to Findings

The District's response to the findings identified in our audit are 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 them.

## 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 result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Palo Alto, California  
December 15, 2017



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

Board of Education  
Oakland Unified School District  
Oakland, California

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

We have audited Oakland Unified School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 qualified 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 the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the following federal programs:

<b>Finding</b>	<b>Program Name (CFDA)</b>	<b>Compliance Requirement</b>
2017-005	U.S. Department of Education, California Department of Education: Title I (84.010)	Special Tests and Provisions
2017-006	U.S. Department of Agriculture, California Department of Education: Child and Adult Care Food Program (10.558)	Eligibility
2017-007	U.S. Department of Agriculture, California Department of Education: Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)	Eligibility
2017-008	U.S. Department of Education, California Department of Education: Title I (84.010), Title II (84.367), 21 Century (84.287), Special Education (84.027, 84.027A, 84.173, 84.173A), U.S. Department of Agriculture, California Department of Education: Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559), Child and Adult Care Food Program (10.558).	Activities Allowable

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to each 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 major federal program for the year ended June 30, 2017.

**Other Matters**

The District’s response to the noncompliance findings identified in our audit are 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 the Uniform Guidance, 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.



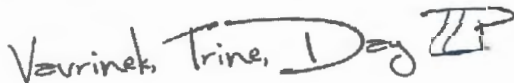
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-005 through 2017-008 to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit are 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Palo Alto, California  
December 15, 2017



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## 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 (District) compliance with the types of compliance requirements as identified in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's state government programs as noted below for the year ended June 30, 2017.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of state laws, regulations, and the terms and conditions of its State awards applicable to its State 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 *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. 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 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 educator effectiveness (2017-009), attendance (2017-010), after school education and safety (2017-011), and unduplicated local control funding formula pupil count (2017-012). 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, 2017.

**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, 2017.

**Other Matters**

The District’s response to the noncompliance findings identified in our audit are 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.

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 Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below

	<u>Procedures Performed</u>
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

We did not perform procedures regarding certain state programs for the following reasons:

- The District did not offer an early retirement incentive program.
- The District does not have any juvenile court schools.
- The District does not have any middle or early college high schools.
- The District does not offer a before school education and safety Program.
- The District does not offer course based independent study program.
- The District does not have any dependent charter schools.

*Vaurinek, Trine, Day ZP*

Palo Alto, California  
December 15, 2017

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**OAKLAND UNIFIED SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2017**

**FINANCIAL STATEMENTS**

Type of auditor's report issued:	Qualified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major federal programs:	
Material weakness identified?	Yes
Significant deficiency identified?	None reported
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 200.516(a) of the Uniform Guidance?	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 - Supporting Effective Instruction
84.287	Title IV, Part B of the ESEA, 21 Century Community Learning Centers
84.027, 84.027A, 84.173, 84.173A	Special Education - IDEA Cluster
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 1,865,602
Auditee qualified as low-risk auditee?	No

**STATE AWARDS**

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

Name of Program
Educator Effectiveness (2017-009)
Attendance (2017-010)
After School Education and Safety (2017-011)
Unduplicated Local Control Funding Formula Pupil Count (2017-012)

# OAKLAND UNIFIED SCHOOL DISTRICT

## AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

### FINANCIAL STATEMENT FINDINGS

#### 2017-001 Financial Statement Presentation of Fiduciary Funds, ASB Code 30000, 60000

##### Criteria

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 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. During the year, the District operated 48 elementary schools, 6 K-8 schools, 13 middle schools, 3 grades 6-12 schools, 7 grades 9-12 schools, 8 alternative schools and 29 early childhood education centers. Likely, not all of these schools have ASB accounts.

##### 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.

##### Identification as a repeat finding

See finding 2016-001.

##### 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.

## OAKLAND UNIFIED SCHOOL DISTRICT

### AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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#### **Views of responsible officials/corrective action plan**

During fiscal year 2014-15, Oakland Unified School District (the District) began to survey school sites to determine which schools operated Associated Student Body (ASB) funds and in 2015-16 the District visited some of the high schools to determine the level of student activities.

We take our responsibilities as custodian of student body funds seriously. Due to personnel turnover, we have been unable to implement this recommendation within the period originally planned. We will continue to work towards a resolution as soon as possible.

## OAKLAND UNIFIED SCHOOL DISTRICT

### AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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#### 2017-002 Human Resources/Payroll Internal Control Findings Code 30000

##### **Criteria**

Best practice internal controls are intended to ensure that open positions are budgeted and approved with an eligible funding source before they are filled. Furthermore, expenditures for wages and benefits are allocated among various restricted and unrestricted funding sources based on the activity in which the employee is working. The District is responsible to ensure proper allocation of salaries and benefits among various funding sources.

The District is billed by its pension and medical benefit providers based on the number of enrolled employees and pensionable earnings reported by the District. The District is responsible to ensure the completeness and accuracy of information reported to the benefit providers.

##### **Condition**

During our testing of this control process, the District was unable to locate the data supporting the determination that controls over cost allocation of payroll to specific resources, and preapproval in the budget. In substantive testing of payroll transactions in such areas as the parcel tax expenditures and in testing of costs allocated to federal programs, we did satisfy ourselves that such expenditures were properly allocated.

Also, during our testing of this control process the District was unable to provide satisfactory documentation to satisfy us that the information transmitted to benefit providers is complete and accurate.

##### **Context**

Expenditures for wages and benefits represent approximately 70% of general fund expenditures.

##### **Effect**

Failure to ensure that open positions are budgeted prior to being filled, could result in actual expenditures in excess of budgeted expenditures. Failure to correctly allocate salary among funding sources could result in forfeiture of grant revenue or an additional liability to the unrestricted general fund. Failure to timely notify the benefit providers of employee separations could result in the District incurring excess benefit costs.

##### **Cause**

There appears to be a lack of ongoing monitoring to ensure that employees involved in key process are consistently following the established policies and procedures, which includes the retention of pertinent physical records to support the performance of documented controls.

##### **Identification as a repeat finding**

See finding 2016-003.

## OAKLAND UNIFIED SCHOOL DISTRICT

### AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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#### **Recommendation**

Management in charge of these areas needs to make sure that all critical internal control policies and procedures are effectively communicated to the employees charged with the responsibility of carrying out those procedures. Management further needs to monitor compliance and make sure that processes are being performed timely and consistently. There needs to be one established methodology to ensure that controls are being followed. Employees should not be allowed to deviate from established policies. Finally, there needs to be an established record retention policy that supports the fact that controls are being followed in accordance with District policies.

#### **Views of responsible officials and planned corrective actions**

As of the beginning of the 2017-18 fiscal year, additional monitoring procedures were implemented to ensure that only budgeted positions are filled.

The District will formally document the policies and procedures designed to ensure that wages are allocated to proper funding sources, and that accurate information is communicated to benefit providers. Written procedures will be provided to employees in key positions. As part of the written policies and procedures, the District will also develop an ongoing system of monitoring to ensure the policies and consistently followed. Towards that end, the District established a standing committee comprised of key staff members from Human Resources, Payroll, Benefits and Information Technology divisions during fiscal year 2017.



# OAKLAND UNIFIED SCHOOL DISTRICT

## AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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### 2017-003 Cafeteria cash receipts internal controls Code 30000

#### **Criteria**

Best practice internal controls related to the cafeteria program cash receipting process is necessary to provide reasonable assurance that transactions are accurately recorded in the accounting records of the District.

#### **Condition**

The District has internal control processes designed to ensure that cafeteria cash collections are accurately recorded in the accounting records of the District. However, documentation is not always maintained to provide evidence that the controls are operating the manner intended. Therefore, we are unable to determine if controls in this area are being followed by district personnel.

#### **Context**

Of the eight transactions selected for testing, the condition applies to seven.

#### **Effect**

There may be errors in the recording of cafeteria cash collections that are not detected and corrected in the normal course of posting transactions to the general ledger.

#### **Cause**

There is a lack of monitoring to ensure that internal control policies and procedures are implemented and followed in the manner intended when they were established.

#### **Identification as a repeat finding**

This finding was not reported in the previous year.

#### **Recommendation**

Department personnel should periodically review transactions to confirm that policies and procedures are being followed in the manner intended.

#### **Views of responsible officials and planned corrective actions**

We will work to develop monitoring procedures that can be implemented as soon as feasible, but not later than the beginning of the 2018-19 school year.

# OAKLAND UNIFIED SCHOOL DISTRICT

## AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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### 2017-004 Cash disbursement/accounts payable internal controls Code 30000

#### Criteria

Best practice internal controls related to the cash disbursement process are necessary to ensure that, among others, only budgeted expenditures are authorized for payment.

#### Condition

In our testing of internal controls over the accounts payable and cash disbursement processes, we noted instances where the District was unable to provide satisfactory documentation to show that the invoice submitted for payment was reconciled with a prior approved purchase order.

#### Context

Of the 40 vendor payment transaction that we selected for testing, this condition applies to nine.

#### Effect

Failure to match payment request with a pre-approved purchase order increases the risk that actual expenditures could exceed budgeted expenditures.

#### Cause

There is a lack of monitoring to ensure that internal control policies and procedures are implemented and followed in the manner intended when they were established.

#### Identification as a repeat finding

This finding was not reported in the previous year.

#### Recommendation

Department personnel should periodically review transactions to confirm that policies and procedures are being followed in the manner intended.

#### Views of responsible officials and planned corrective actions

At the beginning of the 2017-18 school year, all sites were reminded that pre-approved purchase orders must accompany all requests for payment. Personnel responsible for processing accounts payable have been told not to process requests for payment unless accompanied with adequate approvals.

# OAKLAND UNIFIED SCHOOL DISTRICT

## AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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### FEDERAL COMPLIANCE FINDINGS

#### 2017-005 Highly Qualified Paraprofessionals Code 50000

##### Federal Program

U.S. Department of Education, California Department of Education: Title I (84.010).

##### Criteria

An LEA must ensure that each paraprofessional who is hired by the LEA and who works in a program supported with Title I, Part A funds meets specific qualification requirements.

A paraprofessional must hold a high-school diploma or its recognized equivalent and meet one of the following requirements:

- (1) Have completed at least two years of study at an institution of higher education.
- (2) Have obtained an associate's or higher degree.
- (3) Pass a local assessment of knowledge and skills in assisting in instruction.

##### Condition

The District could not provide satisfactory documentation that paraprofessionals hired during fiscal year 2016-17 meet the specific requirements noted in the criteria paragraph.

##### Questioned costs

Questioned costs is \$11,741, which is calculated as the program funded salary and benefits of the employees identified in the condition paragraph.

##### Context

The total population of paraprofessionals hired of which this requirement is applicable is approximately 80. Our audit sample consisted of eight employees. The condition applies to two employees.

##### Effect

There may be paraprofessionals funded by Title I who are incorrectly classified as highly qualified.

##### Cause

The District did not have adequate control processes in place to ensure compliance with this requirement.

##### Identification as a repeat finding

See finding 2016-005.

##### Recommendation

The District should adopt human resources procedures intended to ensure that all paraprofessionals budgeted to be funded with Title I grants meet the requirements identified in the criteria paragraph.

**OAKLAND UNIFIED SCHOOL DISTRICT**

**AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Views of responsible officials/corrective action plan**

The Talent Division is working to develop new procedures under ESSA to be implemented at the start of the 2018-19 school year.

# OAKLAND UNIFIED SCHOOL DISTRICT

## AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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### 2017-006 Income eligibility, Child and Adult Care Food Program Code 50000

#### **Federal Program Affected**

U.S. Department of Agriculture, California Department of Education: Child and Adult Care Food Program (10.558).

#### **Criteria**

The District requests reimbursement for meals served to students eligible for free or reduced pricing. The reimbursement rates are different depending on how the student is classified.

The District is responsible to ensure that students classified as eligible for free or reduced price meals meet the income eligibility requirements for such designation.

#### **Condition**

We identified instances where individuals classified as eligible for free or reduced price meals did not meet the income eligibility requirement for such designation.

#### **Questioned costs**

Questioned costs associated with this condition are \$1,424, which is the amount of excess reimbursement received by the District for known individuals who did not meet the eligibility requirements.

#### **Context**

We selected a sample of 60 participants for eligibility testing and identified two deviations. One student had been classified as free, but should have been classified as reduced. One student should have been classified as reduced, but was classified as free.

#### **Effect**

The District requested reimbursement for meals served to students that did not meet the eligibility criteria for such a designation.

#### **Cause**

The District did not have adequate processes to review all income verification forms to ensure they meet the income eligibility requirements.

#### **Identification as a repeat finding**

This finding was not reported in the previous year.

#### **Recommendation**

Personnel responsible for compliance in this area should ensure that all income eligibility forms are reviewed and that records are updated timely based on the review.

#### **Views of responsible officials/corrective action plan**

We will implement added review procedures in the next fiscal year intended to ensure that all students are classified properly.



# OAKLAND UNIFIED SCHOOL DISTRICT

## AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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### 2017-007 Income eligibility, Child Nutrition Program Code 50000

#### **Federal Program Affected**

U.S. Department of Agriculture, California Department of Education: Child Nutrition Cluster (10.553, 10.555).

#### **Criteria**

The District requests reimbursement for meals served to students eligible for free or reduced pricing. The reimbursement rates are different depending on how the student is classified.

The District is responsible to ensure that students classified as eligible for free or reduced price meals meet the income eligibility requirements for such designation.

#### **Condition**

We identified instances where students were classified as eligible for free meals, when they should have been classified as eligible for reduced price meals.

#### **Questioned costs**

Questioned costs associated with this condition are \$1,660, which is the amount of excess reimbursement received by the District for known individuals who did not meet the eligibility requirements.

#### **Context**

We selected a sample of 60 and identified two instances where students should have been classified as paid but were actually classified as free.

#### **Cause**

The District did not have adequate processes to review all income verification forms to ensure they meet the income eligibility requirements.

#### **Identification as a repeat finding**

This finding was not reported in the previous year.

#### **Recommendation**

Personnel responsible for compliance in this area should ensure that all income eligibility forms are reviewed and that records are updated timely based on the review.

#### **Views of responsible officials/corrective action plan**

We will implement added review procedures in the next fiscal year intended to ensure that all students are classified properly.

# OAKLAND UNIFIED SCHOOL DISTRICT

## AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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### 2017-008 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), 21 Century (84.287), Special Education (84.027, 84.027A, 84.173, 84.173A), U.S. Department of Agriculture, California Department of Education: Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559), Child and Adult Care Food Program (10.558).

#### Criteria

The Uniform Guidance specifies the standards for documenting salaries and wages charged to federal programs.

Employees who work solely on a single federal award or cost objective need only complete a periodic certification meeting certain requirements. 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. 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.

#### 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

Questioned costs are \$18,483, which is the amount of known salary and benefits charged to federal resources of which the condition is applicable.

#### Context

Approximately \$41 million of salary and benefits related to 3,000 employees were funded by federal resources during the year. Our audit sample consisted of 60 items covering \$2.3 million. The condition applies to two samples.

This finding is related to the District being unable to produce documents required by the uniform guidance. In such instances, we performed additional audit procedures, that primarily consisted of inquiries of department heads and reviews of other documents, to satisfy ourselves that the employees are engaged in an eligible activity.

#### Effect

The District is required to maintain the time and effort documentation as a prerequisite of receiving federal grants. Failure to do so could result in disallowance of expenditures allocated to federal programs.

#### Cause

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

## OAKLAND UNIFIED SCHOOL DISTRICT

### AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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#### **Identification as a repeat finding**

This finding was not reported in the previous year.

#### **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.

#### **Views of responsible officials/corrective action plan**

During 2014-15, the District enhanced its time accounting monitoring procedures to better support central departments and school sites to submit completed documentation to the Office of Accountability Partners (OAP). We have seen an improvement since then. We will continue revising our procedures working towards full compliance.

# OAKLAND UNIFIED SCHOOL DISTRICT

## AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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### STATE COMPLIANCE FINDINGS

#### 2017-009 Educator Effectiveness Code 4000

##### Criteria

As a condition of receiving Educator Effectiveness funds, a school district is required to develop and adopt a plan delineating how the Educator Effectiveness funds will be spent. The plan must be explained in a public meeting of the governing board of the school before its adoption in a subsequent public meeting.

##### Condition

The District expended grant funds prior to adoption of the plan by the governing board.

##### Questioned Costs

There is no questioned costs because the District achieved full compliance by the end of the 2017 fiscal year.

##### Context

This was an audit finding in the 2015-16 fiscal year. During fiscal year 2016-17, the District developed a plan delineating how the funds will be spent. However, the District spent grant funds prior to adoption of the plan by the governing board. The plan was formally adopted by the board of education in June 2017.

##### Effect

The District was not in compliance with the grant requirements for eleven months of the fiscal year.

##### Cause

Personnel charged with responsibility to manage the program were unaware of the requirements regarding development and adoption of the plan.

##### Identification as a repeat finding

See finding 2016-009.

##### Recommendation

None. This is a nonrecurring compliance requirement. The District achieved compliance as of the end of the fiscal year.

##### Views of responsible officials/corrective action plan

No further action is necessary to achieve compliance because the plan was formally adopted by the board of education in June 2017.

## OAKLAND UNIFIED SCHOOL DISTRICT

### AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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2017-010 Attendance  
Code 10000, 40000

#### Criteria

EDC §41601 requires the District to report average daily attendance (ADA) to the California Department of Education, which is the basis for calculating state funding. To this end, District policy requires classroom teachers to record attendance electronically in the Aeries student information system. Aeries defaults all students as present, unless specifically marked absent by the classroom teacher.

#### Condition

We noted instances where it appears that teacher did not input attendance into Aeries, which defaulted students to present when in fact documentation showed the student was absent.

#### Questioned Costs

State funding is calculated based on the higher of current year or prior year ADA. For fiscal year 2017, the District is funded on prior year ADA. Therefore, no questioned costs are associated with this finding.

#### Context

Of the 16 schools in our audit sample, 13 identified no exceptions. We observed questioned ADA of 21.

#### Effect

The District overstated ADA reported to the CDE.

#### Cause

The District recently implemented an electronic attendance recording system. In developing procedures over electronic recording of attendance, the District did not include adequate procedures to ensure that "single period" attendance marks are valid.

#### Identification as a repeat finding

This finding was not reported in the previous year.

#### Views of responsible officials/corrective action plan

The attendance taking process has improved substantially over the past few years. We will continue to revise our attendance taking policies and procedures as issues are identified. Revised procedures are in place as of the first day of the 2017-18 school year specifically to ensure this issue does not recur.

The 2016-17 P-2 and P-Annual reports of attendance were revised to exclude the questioned ADA.



## OAKLAND UNIFIED SCHOOL DISTRICT

### AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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#### 2017-011 After School Education and Safety Code 40000

##### Criteria

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]).

##### Condition

Written records documenting student's participation in the program do not support the reported number of students served. We identified instances where the sign in/out origination documentation did not agree with the attendance reported on the semiannual attendance reports.

##### 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.

##### Context

The District operates an ASES after school program at over 60 schools. Of the nine schools in our sample, eight schools identified only minor exceptions. At one school size, we examined 38 days of attendance records and identified an error rate of approximately 11%.

This finding has repeated for multiple years. However, the magnitude of noncompliance has reduced substantially as the District has worked to implement corrective action.

##### Effect

The ASES attendance reported to the CDE was not accurate.

##### 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.

# OAKLAND UNIFIED SCHOOL DISTRICT

## AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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### Identification as a repeat finding

See finding 2016-006.

### Recommendation

We recommend the District continue implementation of the corrective action that is currently in progress.

Our prior findings 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.

### Views of responsible officials/corrective action plan

The OUSD After School Programs Office (ASPO) implemented several new procedures beginning in the 2014-15 school year to increase standardization and effective OUSD central oversight of ASES attendance gathering and reporting. Consequently, OUSD ASES programs made significant improvements in ensuring that written attendance records were complete and compliant, early release codes were properly utilized, and attendance data reported to the California Department of Education could be substantiated with student signatures on daily sign in/out sheets. The 2015-16 audit findings noted for ASES are significantly better than previous years, and reflects our improved after school internal monitoring procedures. We will continue to utilize and strengthen these procedures, detailed here:

- ASPO has established the following after school attendance requirements for all ASES and 21<sup>st</sup> 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 attendance 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 crosscheck that the daily count of student attendance signatures match Cityspan data.
- These attendance requirements are documented in the 2015-16 OUSD After School Operations Manual. All program sites received documentation of these attendance requirements during the 2015 After School August Institute training, and electronically through email correspondence. The Operations Manual is also accessible via the After School webpage of the OUSD website. New after school site coordinators and program staff responsible for attendance record keeping received training on these new requirements during the New Site Coordinators orientation in

## OAKLAND UNIFIED SCHOOL DISTRICT

### AUDIT FINDINGS

#### FOR THE YEAR ENDED JUNE 30, 2017

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August 2015, and during Cityspan trainings at the beginning of the 2015-16 school year. 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 2014-15 school year, and continues to use this improved process in the current 2015-16 school year. ASPO completes its 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 only reports attendance numbers that can 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 monitors monthly attendance records and internal audit logs from each site to determine whether Cityspan numbers and signatures are matching up, and provides 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 sites on the early release policy and proper documentation of early release occurrences during the 2015 August Institute training, and during the Cityspan trainings we provided at the beginning of the 2015-16 school year.
- The OUSD After School Programs Office created a new Compliance and Operations Program Manager position 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. We also shifted responsibilities of our Program Assistant so that this staff member can monitor monthly attendance submissions from all program sites. The Program Assistant follows up immediately with sites with missing, incomplete, or inaccurate monthly attendance data.
- In Spring 2014, as part of OUSD After School's new Lead Agency Request for Qualifications (RFQ) process, we defined lead agency partner expectations for ensuring compliance and developing agency systems and structures to ensure proper attendance record-keeping. Moving forward, lead agency evaluation will include a review of their ability to maintain compliant programs and accurate attendance records. Lead agencies that consistently fall short of OUSD's performance expectations regarding compliance may not be allowed to continue serving in the lead agency role for OUSD after school.

The above strategies were first implemented beginning in the 2014-15 school year, and continue to be implemented with more fidelity in 2015-16 school year and thereafter. As our program sites and lead agency partners become more familiar with these new attendance monitoring processes and strengthen their own internal processes for attendance monitoring and oversight, we anticipate that the number of ASES-related audit findings will continue to reduce in the upcoming program years.

# OAKLAND UNIFIED SCHOOL DISTRICT

## AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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### 2017-012 Unduplicated Local Control Funding Formula Pupil Counts Code 40000

#### Criteria

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 procedures identified 4 pupils incorrectly classified as “English learner” (EL) in CALPADS.

#### Questioned Costs

Recalculation of the LCFF revenues using the adjusted unduplicated pupil count percentage does not result in a change in net state aid.

#### Context

We selected a sample of 60 pupils reported in CALPADS as FRPM eligible and identified two deviations. We selected a sample of 60 pupils reported in CALPADS as EL and identified two deviations. We selected a sample of 60 pupils reported in CALPADS as FRPM eligible *and* EL and identified four deviations with respect to the EL designation, but not with respect to the FRPM eligibility (no misstatement of the unduplicated pupil count).



## OAKLAND UNIFIED SCHOOL DISTRICT

### AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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CALPADS certified total enrollment count was 36,761 and the certified total unduplicated pupil count was 28,203. Decreases to the unduplicated pupil count based on the audit are 4 (2 in the category of FRPM and 2 in the category of EL) resulting in an adjusted count of 28,199.

#### **Effect**

There may be errors in the unduplicated pupil count. Identification and correction of any errors could result in considerable questioned costs.

#### **Cause**

The differences in classification between Aeries and CALPADS is primarily due to errors in data reported to CALPADS by students' former school districts or due to reclassifications since the initial entry into CALPADS.

#### **Identification as a repeat finding**

See finding 2016-008.

#### **Recommendation**

We recommend the District to formalize procedures related to pupil classification, and designate an individual with the responsibility of implementing those procedures. Procedures should include a process to monitor the listing of pupils designated as "English learner" (EL) in CALPADS Report 1.18, by selecting a random sample of pupils and ensuring that underlying documentation supports the CALPADS classification.

Upon enrollment of a student transferring into OUSD from another school district, the District should request supporting documentation from the outgoing district. Pupils incorrectly classified by another school district should be detected and corrected during the CALPADS revision window.

The District should also develop procedure to verify that only students eligible for FRPM are designated as such in CalPADS.

#### **Views of responsible officials/corrective action plan**

Since audit year 2014-15 (to current year) the District has made considerable improvements to the intake process, including requiring the enrollment attendant to follow up with the outgoing school districts when a student transfers in. The timelines for CALPADS reporting are also closely monitored, to ensure that any discrepancies between the information in Aeries and in CALPADS are resolved prior to the deadline for submission. The District has one full time employee responsible for CALPADS submissions and a team of enrollment and attendance staff who follow up as needed to ensure accurate reporting. The District will review the English Learner (EL) pupil identification process, implement appropriate procedures and ensure adequate training is provided.



# OAKLAND UNIFIED SCHOOL DISTRICT

## AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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Summarized below is the status of all audit findings reported in the prior year schedule of financial statement findings.

### FINANCIAL STATEMENT FINDINGS

#### 2016-001 Financial Statement Presentation of Fiduciary Funds, ASB

##### Finding

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.

##### 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

See finding 2017-001

#### 2016-002 Financial Statement Presentation of Fiduciary Funds, Fund 76 Reconciliation

##### Finding

The payroll revolving fund (Fund 76) must be reconciled on a regular basis to enable management to identify any excess or deficiency during the normal course of business.

##### 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.

##### Current Status

Resolved

#### 2016-003 Human Resources/Payroll Internal Control Findings

##### Finding

During our testing of this control process, the District was unable to locate the data supporting the determination that controls over cost allocation of payroll to specific resources.

## OAKLAND UNIFIED SCHOOL DISTRICT

### AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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#### **Recommendation**

Management in charge of these areas needs to make sure that all critical internal control policies and procedures are effectively communicated to the employees charged with the responsibility of carrying out those procedures. Management further needs to monitor compliance and make sure that processes are being performed timely and consistently. There needs to be one established methodology to ensure that controls are being followed. Employees should not be allowed to deviate from established policies. Finally, there needs to be an established record retention policy that supports the fact that controls are being followed in accordance with District policies.

#### **Current Status**

See finding 2017-002

### **FEDERAL COMPLIANCE FINDINGS**

#### **2016-004 Procurement and Suspension and Debarment**

##### **Finding**

The District had not completed implementation of effective internal controls over federal compliance regarding policies for federally funded procurements. The former policies did not include procedures to ensure vendors are not prohibited from participation in federal grants

##### **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**

Resolved

#### **2016-005 Highly Qualified Teachers and Paraprofessionals**

##### **Finding**

The District is not utilizing the Highly Qualified Teacher Certificate of Compliance form, as required by the California Department of Education. In order to insure compliance, the District is utilizing its own internally developed form. However, it was noted during the audit that the internally developed form is not used in all situations where it is applicable.

##### **Recommendation**

The District should adopt procedures, and assign responsibility to ensure those procedures are implemented as intended. District personnel should utilize the Highly Qualified Teacher Certificate of Compliance, as required by the California Department of Education. The certificates should be maintained in the personnel folder for the respective employee.

##### **Current Status**

See finding 2017-005

# OAKLAND UNIFIED SCHOOL DISTRICT

## AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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### STATE COMPLIANCE FINDINGS

#### 2016-006 After School Education and Safety

##### **Finding**

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.

##### **Recommendation**

We recommend the District continue implementation of the corrective action that is currently in progress.

Our prior findings 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**

See finding 2017-011

#### 2016-007 School Accountability Report Card

##### **Finding**

We identified instances where the SARC was not adequately supported by source documentation regarding school facility condition and teacher misassignments and vacancies.

##### **Recommendation**

SARC findings have been reported for multiple years. However, the District is showing progress towards full remediation, as the magnitude of this finding continues to diminish. We recommend the District continue implementation of the SARC corrective action that began after the fiscal year 2013-14 finding.

Our prior findings recommend the District to appoint a single person to obtain information from various departments involved in SARC compilation. Supporting documentation should be retained in a central location.

##### **Current Status**

Resolved

## OAKLAND UNIFIED SCHOOL DISTRICT

### AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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#### 2016-008 Unduplicated Local Control Funding Formula Pupil Counts

##### **Finding**

Our audit procedures identified 4 pupils incorrectly classified as “English learner” (EL) in CALPADS.

##### **Recommendation**

We recommend the District to formalize procedures related to pupil classification, and designate an individual with the responsibility of implementing those procedures. Procedures should include a process to monitor the listing of pupils designated as “English learner” (EL) in CALPADS Report 1.18, by selecting a random sample of pupils and ensuring that underlying documentation supports the CALPADS classification.

Upon enrollment of a student transferring into OUSD from another school district, the District should request supporting documentation from the outgoing district. Pupils incorrectly classified by another school district should be detected and corrected during the CALPADS revision window.

##### **Current Status**

See finding 2017-012

#### 2016-009 Educator Effectiveness

##### **Finding**

The District expended grant funds prior to adoption of the required spending plan by the governing board.

##### **Recommendation**

Ensure the spending plan is adopted by the governing board prior to spending grant funds.

##### **Current Status**

See finding 2017-009