



Financial Audits
Building Fund (2006 Measure B)
June 30, 2021
Oakland Unified School District

Oakland Unified School District
Building Fund (2006 Measure B)

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June 30, 2021

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Financial Audit
Building Fund (2006 Measure B)
June 30, 2021

Oakland Unified School District



Independent Auditor's Report

Governing Board and
Citizens Oversight Committee
Oakland Unified School District
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Oakland Unified School District's (the District), Building Fund (2006 Measure B), as of and for the year ended June 30, 2021, and the related notes to the 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 statement 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Building Fund (2006 Measure B) of Oakland Unified School District as of June 30, 2021, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Building Fund specific to 2006 Measure B are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of Oakland Unified School District as of June 30, 2021, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matter

Management has omitted the management's discussion and analysis that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2022, on our consideration of Oakland Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Oakland Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oakland Unified School District's internal control over financial reporting and compliance.



Menlo Park, California
May 3, 2022

Oakland Unified School District
Building Fund (2006 Measure B)
Balance Sheet
June 30, 2021

Assets	
Deposits and investments	\$ 13,976,475
Interest receivable	<u>31,366</u>
Total assets	<u>\$ 14,007,841</u>
Liabilities and Fund Balances	
Liabilities	
Trade accounts payable	<u>\$ 65,627</u>
Total liabilities	<u>65,627</u>
Fund Balance	
Restricted for Measure B	<u>13,942,214</u>
Total Liabilities and fund balance	<u>\$ 14,007,841</u>

Oakland Unified School District
 Building Fund (2006 Measure B)
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Year Ended June 30, 2021

Revenues		
Interest	\$	226,526
Changes in the fair value of investments		<u>116,424</u>
Total revenues		<u>342,950</u>
Expenditures		
Capital outlay		
Salaries		3,389
Employee benefits		511
Equipment		50,000
Construction		<u>6,773,721</u>
Total expenditures		<u>6,827,621</u>
Excess of expenditures over revenues		<u>(6,484,671)</u>
Net change in fund balance		<u>(6,484,671)</u>
Fund Balance, beginning of the year		<u>20,426,885</u>
Fund Balance, ending of the year	\$	<u><u>13,942,214</u></u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Oakland Unified School District's (the District) Building Fund (2006 Measure B) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). The Oakland Unified School District Building Fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

Financial Reporting Entity

The financial statements include only the Building Fund of the Oakland Unified School District used to account for 2006 Measure B projects. The Measure B General Obligation Bond Fund was established to account for the expenditures of general obligation bonds issued under the June 6, 2006 School Facilities Improvement Bond of 2006 Measure B of the Oakland Unified School District. Approval of measure B authorized the District to issue \$435,000,000 of general obligation bonds for construction or modernization of school facilities. The following table shows bonds issued under Measure B as of June 30, 2021.

Series Name	Issue Date	Initial Principal Amount
Series 2006	August 1, 2006	\$ 130,000,000
Series 2009A	August 12, 2009	87,885,000
Series 2009B	August 12, 2009	70,795,000
Series 2009C	August 12, 2009	26,320,000
Series 2012A	March 21, 2012	31,040,000
Series 2012B	March 21, 2012	23,960,000
Series 2016A	August 17, 2016	65,000,000
		\$ 435,000,000

These financial statements are not intended to present fairly the financial position and results of operations of the Oakland Unified School District in compliance with accounting principles generally accepted in the United States of America.

Fund Accounting

The operations of the Building Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of Accounting

The Building Fund is accounted for using a 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 balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District's governing board adopts an operating budget no later than July 1 in accordance with State law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid, and all outstanding encumbrances lapse at June 30.

Fund Balance - Building Fund (2006 Measure B)

As of June 30, 2021, the fund balance is classified as follows:

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.

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Investments

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 instrument; 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 agreement; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security, and collateralized mortgage obligations.

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fairly 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.

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 is to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the Alameda County Treasury Investment Pool. The District maintains a Building Fund (2006 Measure B) investment of \$13,976,475 with the Alameda County Treasury Investment Pool, with an average maturity of 593 days.

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 investment in the County Pool is not required to be rated, nor has been rated as of June 30, 2021.

Note 3 - 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 has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- 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, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Alameda County Treasury Investment Pool is not measured using the input levels above because the District's 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. The County Treasury Investment Pool has a daily redemption frequency period and a one-day redemption notice period.

Note 4 - Commitments and Contingencies

Performance Audit and Other Reports

The Alameda County Grand Jury Report and the Measure B Construction Bond Funds Performance Audit Report for the Fiscal Year Ended June 30, 2021 contain information that may be relevant to readers of the Fund financial statements. Management has determined that no conditions exist that require a loss contingency accrual, and no such estimate of an amount can be made based on facts and circumstances to date.

Construction Commitments

As of June 30, 2021, the Measure B Bond Fund had the following commitments with respect to unfinished projects:

Sites	Projets	Project Number	Balance of Measure B Contracts
Foster	Central Kitchen	13133	\$ 1,066,020
Fremont HS	Modernization & New Construction	13158	3,660
Glenview ES	Modernization & New Construction	13134	802,759
Madison MS	School Expansion	13124	464,975
Claremont MS	Kitchen & Cafeteria Annex	15127	530,448
Emerson MS	Softball Field	17111	22,449
		Total	<u>\$ 2,890,311</u>

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, 2021.



Independent Auditor's Report
June 30, 2021

Oakland Unified School District



CPAs & BUSINESS ADVISORS

**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***

Governing Board and
Citizens Oversight Committee
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 Oakland Unified School District (the District) Building Fund (2006 Measure B) as of and for the year ended June 30, 2021, and the related notes of the financial statements, and have issued our report thereon dated May 3, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oakland Unified School District's internal control over financial reporting (internal control) as a basis for designing 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 Oakland Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Oakland Unified School District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oakland Unified School District's Building Fund (2006 Measure B) financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management’s Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Menlo Park, California
May 3, 2022

Summary of Auditors Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

Yes

Significant deficiency identified?

None Reported

Noncompliance material to financial statements noted?

No

The following finding represents a significant deficiency related to the financial statements that is required to be reported in accordance with Government Auditing Standards.

2021-001, Audit Adjustments – Material Weakness in Internal Control Over Financial Reporting

Criteria

Management of the District is responsible for ensuring that the financial statements of the bond funds are complete and accurate representations of the bond fund accounting records.

Condition

Audit adjustments were necessary for the financial statements to be presented in accordance with generally accepted accounting principles.

Context

The following table itemizes the audit adjustment:

	Cash and Investment	Revenues
Per District books	\$ 13,860,051	\$ 226,526
Audit adjustment		
Fair market value adjustment	116,424	116,424
Per audited financial statements	\$ 13,976,475	\$ 342,950

The adjustment was necessary because the investments should be recorded at the fair market value.

Effect

Expenditures were not classified in accordance with generally accepted accounting principles on the internal management reports.

Cause

The State prescribed method of accounting does not always result in a GAAP basis presentation of financial statements.

Recommendation

We recommend the District’s Controller review the year-end closing entries to ensure they are presented per GAAP.

Views of Responsible Officials

We have adjusted our year-end close checklist to include the GASB 31 fair value adjustment.

There were no audit findings reported in the prior year's schedule of findings and questioned costs.