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April 8, 2014

David Kakishiba, President
Board of Education
Oakland Unified School District
1000 Broadway, Suite 680
Oakland, CA 94607

RE: Second Interim Report Submission

Dear President Kakishiba:

We have reviewed Oakland Unified School District's Second Interim Report, as submitted to ACOE on March 17, 2014. Based on our analysis, we have discovered a number of misstatements or inaccuracies in the District's submission. Some of these are highlighted below.

1. The District reports a negative \$19.9 million ending fund balance in unrestricted resource code 0000 for 2013-14.
2. Local Control Funding Formula (LCFF) revenues appear to be understated by approximately \$60 million, \$80 million, and \$107 million in 2013-14, 2014-15 and 2015-16, respectively.
3. Other State revenues appear to be overstated by approximately \$67 million each year, including approximately \$10 million each year of K-3 Class Size Reduction revenues.
4. The District reports that it will not be able to maintain its required level of reserves for 2014-15 and 2015-16 and will end 2015-16 with a negative fund balance of approximately \$12 million.
5. The District reports restricted undesignated/unappropriated fund balance components of approximately negative \$8 million and \$19.5 million in 2014-15 and 2015-16, respectively.
6. The District reports an unrestricted undesignated/unappropriated fund balance component of approximately negative \$22.6 million in 2015-16.

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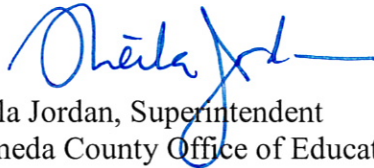
7. The District's payroll and benefit expenditures for 2013-14 may be understated by approximately \$13 million based on a comparison of the payroll expenditures in the District reports to ACOE's estimates.
8. The Second Interim Report contained fatal errors which prevented an official export of the SACS file.

As a result of these issues, we are unable to render an opinion on the financial state of the District at this time. We are therefore requesting that the District correct the errors in the Second Interim Report and resubmit to ACOE by April 30, 2014, following board approval. We understand the District may be modifying the Multi-Year Projection for resubmission to ACOE, however without the correction of numerous other errors included in the report, we cannot determine the accuracy of any future projections.

Please note that, until accurate financial information is received, ACOE will be unable to review the affordability of any tentative collective bargaining agreements.

If you have any questions or concerns regarding our review, please feel free to call me at (510) 670-4140 or Damon Smith at (510) 670-4270.

Sincerely,



Sheila Jordan, Superintendent
Alameda County Office of Education

SJ:jp

cc: Board of Education, Oakland USD
Gary Yee, Acting Superintendent, Oakland USD
Vernon Hal, Deputy Superintendent of Business and Operations, Oakland USD
Carlene Naylor, State Trustee, Oakland USD
Tom Torlakson, State Superintendent of Public Instruction, CDE
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