



February 1, 2022

To the Board of Education  
Oakland Unified School District  
Oakland, California

We have audited the financial statements of the Oakland Unified School District (District) as of and for the year ended June 30, 2021 and have issued our report thereon dated January 27, 2022. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under the Uniform Guidance**

As communicated in our letter dated May 5, 2021, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America and to express an opinion on whether the District complied 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. Our audit of the financial statements and major program compliance does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility, as prescribed by professional standards as it relates to the audit of the District's major federal program compliance, is to express an opinion on the compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances 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, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the District's internal control over compliance.

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We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our 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* dated January 27, 2022. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated January 27, 2022.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

### **Significant Risks Identified**

We have identified the following significant risk:

Local Control Funding Formula (LCFF) revenue is the single most important source of revenue for the District, and amongst the most complicated to accurately calculate. Failure to accurately calculate the amount could potentially result in severe emergency budget cuts. There is also a significant risk regarding the reporting of compensated absences.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2021, except for the effects of the adoption of new accountant guidance, GASB Statement 84, *Fiduciary Activities* as described in Note 1 and Note 12. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are management's estimate of the net pension liability and related deferrals, and the self-insured claims liability.

Management's estimates are based on actuarial valuations. We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to: Net Pension Liabilities (NPL), claim liabilities, and debt to maturity schedules.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

The amount recorded for the self-insured dental claims liability in the self-insurance fund is understated by **\$41 thousand** because management used the previous year's valuation. Correction of the error would increase expenses by \$41 thousand with a corresponding decrease in the net position of the self-insurance fund.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Funds	Self-Insurance Fund
Fund balance/net position, unadjusted	\$ 113,364,168	\$ 27,461,890	\$ 74,351,172	\$ 114,563,540	\$ 28,228,758	\$ -
Audit adjustments were necessary for the following items						
GASB 31 required adjustment to the fair value of investments	956,951	190,243	631,021	959,908	229,107	193,287
Debt service payments were posted to the incorrect fiscal year	4,727,293	-	-	-	-	-
Recognize short-term borrowings that were unrecorded	(15,590,000)	-	-	-	-	-
Recognize cash held by the TRANS trustee that was not recorded	15,590,000	-	-	-	-	-
Accounts payable were overstated	4,567,083	-	-	-	-	-
Accounts receivable were overstated	(4,567,083)	-	-	-	-	-
Claims liability as of July 1, 2020	-	-	-	-	-	(42,601,756)
Net pension liability and deferrals as of July 1, 2020	-	-	-	-	-	(2,359,754)
Fund balance/net position, per audited financial statements	\$ 119,048,412	\$ 27,652,133	\$ 74,982,193	\$ 115,523,448	\$ 28,457,865	\$ (44,768,223)

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor’s report. No such disagreements arose during the course of the audit. Representations Requested from Management.

### Circumstances that Affect the Form and Content of the Auditor’s Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor’s report, which are summarized as follows:

Our independent auditor’s report is qualified because we were unable to determine whether any adjustments to the net pension liability, related deferrals or pension expense were necessary, as described at finding 2021-002 in the schedule of findings and questioned costs.

Our independent auditor’s report contains an emphasis of matter paragraph as a result of a change in accounting principles, GASB 84, *fiduciary activities*, was implemented impacting the July 1, 2020 beginning balance of the General Fund balance as presented in Note 12 of the financial statements.

Our independent auditor’s report in accordance with *Governmental Auditing Standards* is modified referring to internal control deficiencies described at 2021-001 through 2021-006 in the schedule of findings and questioned costs.

Our independent auditor’s report in accordance with the Uniform Guidance is modified because of internal control deficiencies and noncompliance described at 2021-007 in the in the schedule of findings and questioned costs.

Our independent auditor’s report on State compliance is modified because of internal control deficiencies and noncompliance described at 2021-008 through 2021-010 in the in the schedule of findings and questioned costs.

### Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated January 27, 2022.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

### **Noncompliance with Laws and Regulations**

We have identified the matters involving noncompliance with laws and regulations that came to our attention during the course of the audit. Such instances of noncompliance are described in the schedule of findings and questioned costs to the 2021 financial statements.

### **Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

However, in accordance with such standards, we will review the information inputted into the data collection form and will consider whether such information, or the manner of its presentation, is materially consistent with the financial statements.

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

A handwritten signature in cursive script that reads "Eide Sully LLP".

Menlo Park, California



Financial Statements  
June 30, 2021

# Oakland Unified School District

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Independent Auditor’s Report .....	1
Management’s Discussion and Analysis .....	4
Government Wide Financial Statements	
Statement of Net Position .....	13
Statement of Activities.....	14
Government Fund Financial Statements	
Balance Sheet – Governmental Funds .....	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Proprietary Fund Financial Statements	
Statement of Net Position – Proprietary Funds – Self Insurance .....	19
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – Self Insurance ...	20
Statement of Cash Flows – Proprietary Funds – Self Insurance .....	21
Notes to Financial Statements .....	22
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund .....	57
Budgetary Comparison Schedule – Cafeteria Fund .....	58
Schedule of Changes in the District’s Net pension Liability and Related Ratios.....	59
Schedule of District Contributions for pension.....	60
Note to Required Supplementary Information.....	61
Supplementary Information	
Schedule of Expenditures of Federal Awards .....	62
Local Education Agency Organization Structure.....	64
Schedule of Instructional Time .....	65
Schedule of Charter Schools .....	66
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements .....	67
Schedule of Financial Trends and Analysis .....	68
Combining Balance Sheet – Nonmajor Governmental Funds .....	69
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Nonmajor Governmental Funds.....	70
Notes to Supplementary Information.....	73
Schedule of Findings and Questioned Costs	
Summary of Auditor’s Results.....	83
Financial Statement Findings .....	84



## Independent Auditor's Report

Board of Education  
Oakland Unified School District  
Oakland, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oakland Unified School District (District) as of and for the year ended June 30, 2021, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Basis for Qualified Opinion on Governmental Activities**

The Oakland Unified School District's net pension liability, pension deferrals, and pension expense, reported with governmental activities, are based on the demographic census information on file with the District's pension providers. We were unable to obtain sufficient appropriate audit evidence about the completeness and accuracy of the demographic census information, as described in finding 2021-002 in the schedule of findings and questioned costs. Consequently, we were unable to determine whether the net pension liability and the pension related deferred outflows, deferred inflows, and expense are accurately stated.

### **Qualified Opinions**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Oakland Unified School District, as of June 30, 2021, 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.

### **Emphasis of Matter – Change in Accounting Principle**

As discussed in Notes 1 and 12 to the financial statements, the Oakland Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2021. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, budgetary comparison information on pages 57 through 58, Schedule of changes in the District's net pension liability and related ratios on page 59, and schedule of District contributions for pension on page 60, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards as required by the audit requirements of 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 other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining nonmajor governmental fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 combining nonmajor governmental fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information are 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 a report dated January 27, 2022 on our consideration of the Oakland Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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.

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

Menlo Park, California  
January 27, 2022

This section of the Oakland Unified School District's (District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. 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), deferred outflows of resources, as well as all liabilities (including long-term liabilities such as pensions and general obligation bonds) and deferred inflows of resources. Additionally, certain eliminations have been made as prescribed by the statement in regards to inter-fund activity, payables, and receivables.

The fund financial statements include statements for governmental and proprietary funds.

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.

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, deferred outflows of resources, liabilities, and deferred inflows of resources of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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 ongoing effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state, and local grants, as well as general obligation bonds, finance these activities.

## **Reporting the District's Most Significant Funds**

### **Fund Financial Statements**

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

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

**Proprietary Funds** - When the District charge fees for the services it provides, whether to outside customers or to other departments within the District, these fees 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

- At June 30, 2021, assets and deferred outflow of resources totaled \$1,829 million. Liabilities and deferred inflows of resources were \$1,893 million. This results to a deficit net position of \$64 million.
- At June 30, 2021, the general fund available reserves were \$51.2 million, or 8.1% of total general fund expenditures.
- For the year ending June 30, 2021, total general fund expenditures and other uses were \$634.5 million, which is an increase of \$100 million or 17% from the year ending June 30, 2020.
- For the year ending June 30, 2021, total general fund revenues were \$684 million, which is an increase of \$22.19 million or 3.66% from the year ending June 30, 2020. Much of the increase is due to COVID related State and Federal grants.
- The *restricted balance of the general fund* was \$52.4 million on June 30, 2021, an increase of \$17.9 million or 52% from June 30, 2020.
- Unrestricted general fund expenditures and transfers out were \$379 million for the year ended June 30, 2021, a decrease of \$21 million or 5.3% over expenditures of \$400 million the same period last year. The reason or the change was in the 2021-22 Fiscal year, the District received Restricted One Time COVID Resources in the General Fund to offset expenses and provide new investments to combat the impact from the pandemic. Many of the expenditures were re-allocated from the Unrestricted General Fund to these resources to appropriately account for labor and expenditures related to operating during the pandemic. The coinciding increase in the Restricted General Fund expenditures also reflects these unique additional expenditures. The District also experienced a Cost Avoidance for expenditures that if the District were open and fully operational it would have incurred, but did not which ranges from utilities, consultant expenditures, to additional labor costs. The District re-opened schools in April 2021.

- On a full accrual basis, the District's *net position* at June 30, 2021 is a deficit \$63.8 million, which is an improvement of \$87.3 million or 57% over fiscal year 2020. This amount includes long term assets such as capital assets, and long-term liabilities such as the state loan, general obligation bonds, self-insured claims, and pension. The unrestricted deficit net position improved from a deficit of \$428.8 million to a deficit of \$410.2 million, an improvement of \$18.7 million or 4%. The fluctuations are due to changes within the unrestricted general fund, changes in the CalSTRS and CalPERS net pension liability, payments and issuance of general obligation bonds, payments on the state emergency apportionment loan, and changes of the self-insured claims liability.

## The District as A Whole

### Net Position

The computation of the District's net position at June 30, 2021 and 2020 is presented in the table below:

**Table 1**

(Amounts in millions)	Governmental Activities	
	2021	2020
<b>Assets</b>		
Current and other assets	\$ 532.07	\$ 437.15
Capital assets	1,123.53	1,102.72
Total assets	<u>1,655.60</u>	<u>1,539.87</u>
Deferred outflows of resources	<u>173.53</u>	<u>171.71</u>
<b>Liabilities</b>		
Current liabilities	235.42	179.39
Long-term liabilities	1,625.69	1,639.94
Total liabilities	<u>1,861.12</u>	<u>1,819.33</u>
Deferred inflows of resources	<u>31.85</u>	<u>44.15</u>
<b>Net Position</b>		
Net investment in capital assets	144.44	124.45
Restricted	201.84	152.48
Unrestricted deficit	<u>(410.11)</u>	<u>(428.83)</u>
Total net position	<u>\$ (63.83)</u>	<u>\$ (151.90)</u>

The total assets and deferred outflow of resources increased by \$117.6 million in 2021. The total liabilities and deferred inflow of resources increased by \$29.5 million.

**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 13. 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	
	2021	2020
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 4.47	\$ 2.89
Operating grants and contributions	261.17	172.03
General revenues		
Federal and State aid not restricted	228.83	231.85
Property taxes	349.49	298.48
Other general revenues	10.74	41.26
<b>Total revenues</b>	<b>854.70</b>	<b>746.51</b>
<b>Expenses</b>		
Instruction-related	561.36	514.49
Pupil services	61.67	75.26
Administration	34.76	33.09
Plant services	69.58	64.68
All other services	40.04	62.16
<b>Total expenses</b>	<b>767.42</b>	<b>749.68</b>
<b>Change in net position</b>	<b>\$ 87.28</b>	<b>\$ (3.17)</b>

For Fiscal Year 2020-21, the District's total revenue is \$854.7 million, an increase of \$108.9 million or 15%. The District's total expenses were \$767.4 million, an increase of \$17.7 million or 2%.

The main source of the District's revenue is from Local Control Funding Formula (LCFF) which includes State aid and supplemental and concentration grants. LCFF is based on the Average Daily Attendance (ADA) per grade level. Supplemental and concentration grants are based on the percentage of unduplicated pupil count of the following: English learner, free and reduced price meal eligible students, and foster youth. Other sources of the District's revenue are from federal, state, and local grants.

**Governmental Activities**

As reported in the statement of activities on page 14, the cost of all our governmental activities this year was \$767.5 million. The amount that our taxpayers ultimately financed for these activities through local taxes was \$501.2 million because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions in the amount of \$261.2 million. We paid for the remaining "public benefit" portion of our governmental activities with \$578.4 million in federal and state funds and 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	
	2021	2020
Instruction-related	\$ (392.85)	\$ (403.39)
Pupil services	(5.76)	(39.83)
Administration	(26.65)	(28.98)
Plant services	(68.23)	(62.90)
All other services	(8.30)	(39.93)
	\$ (501.78)	\$ (575.03)

**The District's Funds**

As the District completed this year, our governmental funds reported a combined fund balance of \$365 million, which is an increase of \$30 million from last year (Table 4).

**Table 4**

Governmental Fund	Balances and Activity			
	June 30, 2020 as Restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2021
General	\$ 67.57	\$ 685.15	\$ 634.46	\$ 118.26
Adult Education	1.91	2.86	3.16	1.61
Child Development	2.25	15.06	14.45	2.86
Cafeteria	7.67	44.10	24.12	27.65
Deferred Maintenance	4.60	0.07	2.32	2.34
Building	123.94	2.59	51.55	74.98
Capital Facilities	5.46	6.00	0.64	10.81
County School Facilities	9.04	1.69	0.64	10.09
Special Reserve Fund for Capital Outlay Projects	1.21	0.03	0.51	0.73
Bond Interest and Redemption	111.14	92.92	88.54	115.52
Total	<u>\$ 334.79</u>	<u>\$ 850.48</u>	<u>\$ 820.40</u>	<u>\$ 364.87</u>

**General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget to reflect the most updated information and changes in revenues and expenditures for the fiscal year. 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 59.

**Capital Asset and Debt Administration**

**Capital Assets**

At June 30, 2021, the District had \$1,124 million in a broad range of capital assets including land, buildings, furniture, and equipment. This amount represents a net increase of \$21 million or 19%, from last year (Table 5).

**Table 5**

(Amounts in millions)	Governmental Activities	
	2021	2020
Land and construction in progress	\$ 361.20	\$ 362.36
Buildings and improvements	757.02	735.03
Equipment	5.32	5.34
Total	<u>\$ 1,123.53</u>	<u>\$ 1,102.73</u>

**Long-Term Liabilities**

At the end of this year, the District had \$1,695 million in long-term liabilities outstanding versus \$1,706 million last year, a decrease of \$11 million. Much of the change is attributable to the issuance of general obligation bonds. Total long-term obligations, including unamortized bond premiums, consisted of the following:

**Table 6**

(Amounts in millions)	Governmental Activities	
	2021	2020
Long-Term obligations		
General obligation bonds	\$ 981.10	\$ 1,023.23
Unamortized premiums	98.91	107.83
Emergency apportionment loan	17.52	23.09
Claims liability	39.59	42.60
Other	3.79	6.01
Aggregate net pension liability	554.21	503.39
Total	<u>\$ 1,695.11</u>	<u>\$ 1,706.15</u>

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

### **General Fund Budgetary Highlights**

The District adopted its Fiscal Year 2020-21 budget during June 2020. Subsequent budget updates were reported in the first and second interim to reflect changes in revenue, expenses and their impact to fund balance.

Several budget revisions and adjustments are initiated throughout the fiscal year as follows:

1. District updates its revenue projection upon receipt of new Grant awards and entitlement letters.
2. At the close of prior year, carryover balances are rolled to the current year. Expenditure budgets are increased by carryovers when unaudited actual balances are calculated and closed.

### **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:

Chief Business Officer  
Oakland Unified School District  
1000 Broadway, Suite 450  
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, 2021

	Governmental Activities
<b>Assets</b>	
Deposits and investments	\$ 399,275,435
Receivables	3,953,269
Due from other governments	123,870,428
Prepaid expenses	4,971,744
Capital assets not depreciated	361,196,184
Capital assets, net of accumulated depreciation	762,337,739
Total assets	1,655,604,799
<b>Deferred Outflows of Resources</b>	
Deferred charge on refunding	26,805,222
Deferred outflows of resources related to pensions	146,724,343
Total deferred outflows of resources	173,529,565
<b>Liabilities</b>	
Accounts payable	75,137,161
Interest payable	20,575,510
Unearned revenue	8,472,893
Tax and revenue anticipation note	58,440,000
Long-term liabilities	
Portion due or payable within one year	
Claims	7,310,000
Compensated absences	3,385,237
Long term debt	61,481,884
Unclaimed property	622,310
Portion due or payable after one year	
Claims	32,275,946
Compensated absences	3,165,558
Long term debt	1,036,039,872
Aggregate net pension liability	554,211,298
Total liabilities	1,861,117,669
<b>Deferred Inflows of Resources</b>	
related to pensions	31,848,693
Total deferred inflows of resources	31,848,693
<b>Net Position</b>	
Net investment in capital assets	144,440,650
Restricted for	
Debt service	94,947,938
Educational programs	56,805,161
Capital projects	21,648,948
Child nutrition programs	27,652,133
Student Activity	786,637
Unrestricted deficit	(410,113,465)
Total net position	\$ (63,831,998)

Oakland Unified School District  
Statement of Activities  
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction	\$ 438,905,643	\$ 965,598	\$ 131,999,076	\$ (305,940,969)
Instruction-related activities				
Supervision of instruction	67,388,490	397,897	20,967,972	(46,022,621)
Instructional library, media, and technology	9,309,502	17,687	7,550,329	(1,741,486)
School site administration	45,761,103	49,795	6,567,598	(39,143,710)
Pupil services				
Home-to-school transportation	13,915,786	-	7,361,451	(6,554,335)
Food services	23,783,061	30,707	39,235,399	15,483,045
All other pupil services	23,971,295	47,509	9,239,579	(14,684,207)
Administration				
Data processing	8,583,197	-	37,497	(8,545,700)
All other administration	26,175,845	52,069	8,017,648	(18,106,128)
Plant services	69,579,268	87,500	1,264,820	(68,226,948)
Ancillary services	12,798,802	16,519	10,642,524	(2,139,759)
Community services	89,517	-	-	(89,517)
Interest on long-term liabilities	40,803,295	-	-	(40,803,295)
Other outgo	5,528,524	2,803,633	18,284,174	15,559,283
Total governmental activities	<u>767,417,398</u>	<u>4,468,914</u>	<u>261,168,067</u>	<u>(501,780,417)</u>
General Revenues and Subventions				
Property taxes, levied for general purposes				199,550,949
Property taxes, levied for debt service				89,831,081
Taxes levied for other specific purposes				60,103,356
Federal and State aid not restricted to specific purposes				228,831,724
Interest and investment earnings				1,649,571
Interagency revenues				1,435,226
Miscellaneous				7,656,742
Subtotal, general revenues				<u>589,058,649</u>
Change in Net Position				87,278,232
Net Position - Beginning, as Restated				<u>(151,110,230)</u>
Net Position - Ending				<u>\$ (63,831,998)</u>

Oakland Unified School District  
Balance Sheet – Governmental Funds  
June 30, 2021

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Deposits and investments	\$ 133,816,280	\$ 22,849,395	\$ 75,787,591	\$ 115,287,916	\$ 27,516,682	\$ 375,257,864
Accounts receivables	440,345	510,058	165,176	236,694	1,877,435	3,229,708
Due from other funds	572,771	-	-	-	-	572,771
Grant receivables	49,505,858	6,282,871	-	-	1,617,842	57,406,571
LCFF apportionment receivable	66,025,762	-	-	-	-	66,025,762
Prepaid expenditures	4,727,293	-	244,451	-	-	4,971,744
<b>Total assets</b>	<b>\$ 255,088,309</b>	<b>\$ 29,642,324</b>	<b>\$ 76,197,218</b>	<b>\$ 115,524,610</b>	<b>\$ 31,011,959</b>	<b>\$ 507,464,420</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payables	\$ 40,523,289	\$ 1,273,165	\$ 1,200,311	\$ -	\$ 1,855,782	\$ 44,852,547
Due to other governments	22,409,167	-	-	-	-	22,409,167
Salaries and benefits	6,799,215	147,327	14,714	1,162	90,573	7,052,991
Due to other funds	-	569,699	-	-	3,072	572,771
Tax and revenue anticipation notes	58,440,000	-	-	-	-	58,440,000
Unearned revenue	7,868,226	-	-	-	604,667	8,472,893
<b>Total liabilities</b>	<b>136,039,897</b>	<b>1,990,191</b>	<b>1,215,025</b>	<b>1,162</b>	<b>2,554,094</b>	<b>141,800,369</b>
<b>Fund Balances</b>						
Nonspendable	4,877,293	-	244,452	-	-	5,121,745
Restricted	52,338,245	27,652,133	74,737,741	115,523,448	28,457,865	298,709,432
Assigned	10,621,453	-	-	-	-	10,621,453
Unassigned	51,211,421	-	-	-	-	51,211,421
<b>Total fund balances</b>	<b>119,048,412</b>	<b>27,652,133</b>	<b>74,982,193</b>	<b>115,523,448</b>	<b>28,457,865</b>	<b>365,664,051</b>
<b>Total liabilities and fund balances</b>	<b>\$ 255,088,309</b>	<b>\$ 29,642,324</b>	<b>\$ 76,197,218</b>	<b>\$ 115,524,610</b>	<b>\$ 31,011,959</b>	<b>\$ 507,464,420</b>

Oakland Unified School District  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 For the year ending June 30, 2021

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Total Fund Balance - Governmental Funds		\$ 365,664,051
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
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	\$ 1,600,876,263	
Accumulated depreciation is	<u>(477,342,340)</u>	
Net capital assets		1,123,533,923
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		
		(20,575,510)
An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		
		(17,160,782)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources are from pensions		
		146,253,187
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to pensions		
		(31,790,096)
Expenditures relating to deferred charges on bond issuances were recognized on the modified accrual basis, but are amortized over the life of the debt on the accrual basis.		
		26,805,222
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		
		(551,867,132)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds	\$ (1,080,005,215)	
Unclaimed property	(622,310)	
Compensated absences (vacations)	(6,550,795)	
Emergency apportionment loan	<u>(17,516,541)</u>	
Total long-term liabilities		<u>(1,104,694,861)</u>
Total net position - governmental activities		<u>\$ (63,831,998)</u>

Oakland Unified School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2021

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Local Control Funding Formula	\$ 384,268,671	\$ -	\$ -	\$ -	\$ -	\$ 384,268,671
Federal sources	90,290,705	40,318,791	-	1,104,133	1,537,137	133,250,766
Other State sources	114,885,751	2,377,812	10,313	408,967	16,233,834	133,916,677
Other local sources	94,591,884	1,402,475	2,576,986	91,410,115	7,949,129	197,930,589
<b>Total revenues</b>	<b>684,037,011</b>	<b>44,099,078</b>	<b>2,587,299</b>	<b>92,923,215</b>	<b>25,720,100</b>	<b>849,366,703</b>
<b>Expenditures</b>						
<b>Current</b>						
Instruction	381,577,468	-	-	-	12,041,719	393,619,187
Instruction-related activities						
Supervision of instruction	60,687,794	-	-	-	1,370,093	62,057,887
Instructional library, media, and technology	8,968,736	-	-	-	-	8,968,736
School site administration	40,838,052	-	-	-	2,990,350	43,828,402
Pupil services						
Home-to-school transportation	13,686,700	-	-	-	-	13,686,700
Food services	699,909	22,290,973	-	-	-	22,990,882
All other pupil services	21,840,641	-	-	-	-	21,840,641
Administration						
Data processing	8,240,213	-	-	-	-	8,240,213
All other administration	22,911,749	999,496	-	-	830,559	24,741,804
Plant services	50,148,067	-	2,975,248	-	329,343	53,452,658
Ancillary services	12,509,102	-	-	-	-	12,509,102
Community services	86,089	-	-	-	-	86,089
Other outgo	5,528,524	-	-	-	-	5,528,524
Capital outlay	708,766	-	48,571,959	-	3,943,943	53,224,668
Debt service						
Principal	5,574,871	-	-	42,125,000	-	47,699,871
Interest and other	453,571	-	-	46,410,731	-	46,864,302
<b>Total expenditures</b>	<b>634,460,252</b>	<b>23,290,469</b>	<b>51,547,207</b>	<b>88,535,731</b>	<b>21,506,007</b>	<b>819,339,666</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>49,576,759</b>	<b>20,808,609</b>	<b>(48,959,908)</b>	<b>4,387,484</b>	<b>4,214,093</b>	<b>30,027,037</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	1,056,262	-	-	-	-	1,056,262
Proceeds from the sale of Land and Buildings	58,555	-	-	-	-	58,555
Transfers out	-	(827,366)	-	-	(228,896)	(1,056,262)
<b>Net Financing Sources (Uses)</b>	<b>1,114,817</b>	<b>(827,366)</b>	<b>-</b>	<b>-</b>	<b>(228,896)</b>	<b>58,555</b>
<b>Net Change in Fund Balances</b>	<b>50,691,576</b>	<b>19,981,243</b>	<b>(48,959,908)</b>	<b>4,387,484</b>	<b>3,985,197</b>	<b>30,085,592</b>
<b>Fund Balance - Beginning, as Restated</b>	<b>68,356,836</b>	<b>7,670,890</b>	<b>123,942,101</b>	<b>111,135,964</b>	<b>24,472,668</b>	<b>335,578,459</b>
<b>Fund Balance - Ending</b>	<b>\$ 119,048,412</b>	<b>\$ 27,652,133</b>	<b>\$ 74,982,193</b>	<b>\$ 115,523,448</b>	<b>\$ 28,457,865</b>	<b>\$ 365,664,051</b>

Oakland Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2021

Total net change in fund balances - Governmental Funds	\$ 30,085,592
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.	
This is the amount by which capital outlays exceeds depreciation in the period.	
Depreciation expense	\$ (29,194,641)
Capital outlays	<u>51,886,130</u>
Net expense adjustment	22,691,489
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.	(1,885,057)
In the governmental funds, pension costs 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.	(34,482,332)
Governmental funds report the effect of premiums, discounts, and the deferred charge on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Premium amortization	8,927,891
Deferred charge on refunding amortization	(2,076,548)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	42,125,000
Emergency apportionment loan	5,574,871
Liquidations of unclaimed property are not expenses on the government-wide statements	286,599
Interest on long-term liabilities 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 accretes or accrues, regardless of when it is due.	(790,336)
An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	<u>10,189,080</u>
Change in net position of governmental activities	<u>\$ 87,278,232</u>

Oakland Unified School District  
Statement of Net Position – Proprietary Funds – Self Insurance  
June 30, 2021

	Governmental Activities - Internal Service Fund
Assets	
Current assets	
Deposits and investments	\$ 24,017,571
Receivables	1,161,656
Total assets	25,179,227
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	471,156
Total deferred outflows of resources	471,156
Liabilities	
Current liabilities	
Accounts payable	822,456
Claims liability	7,310,000
Total current liabilities	8,132,456
Noncurrent liabilities	
Claims liabilities	32,275,946
Net pension liability	2,344,166
Total noncurrent liabilities	34,620,112
Total liabilities	42,752,568
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	58,597
Total deferred outflows of resources	58,597
Net Position	
Unrestricted deficit	(17,160,782)
Total net position (deficit)	\$ (17,160,782)

Oakland Unified School District  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds – Self Insurance  
Year Ended June 30, 2021

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	Governmental Activities - Internal Service Fund
Operating Revenues	
In-district premiums	\$ 25,893,626
Operating Expenses	
Claims	11,395,003
Excess insurance	3,154,039
Salaries and benefits	2,010,852
Supplies and materials	85,902
Other	(578,849)
Total operating expenses	16,066,947
Operating Income	9,826,679
Nonoperating Revenues	
Interest income	362,401
Total nonoperating revenues	362,401
Change in Net Position	10,189,080
Net Position (deficit) - Beginning	(27,349,862)
Net Position (deficit) - Ending	\$ (17,160,782)

Oakland Unified School District  
Statement of Cash Flows – Proprietary Funds – Self Insurance  
Year Ended June 30, 2021

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	Governmental Activities - Internal Service Fund
Operating Activities	
Cash receipts for insurance premiums	\$ 25,893,626
Other operating cash receipts	1,399,725
Cash payment for insurance claims	(14,624,813)
Cash payments to employees for services	(1,967,843)
Other operating cash payments	(2,661,092)
Net cash provided by operating activities	8,039,603
Cash flows from noncapital financing activities	
Cash payment for interfund transfer	1,079,228
Cash flows from investing activities	
Interest on investments	362,401
Net change in cash and cash equivalents	9,481,232
Cash, beginning	14,536,339
Cash, ending	\$ 24,017,571
Reconciliation of operating income to net cash from operating activities	
Operating income	\$ 9,826,679
Change in pension liability and related deferred inflows and outflows	146,785
Changes in assets and liabilities	
Receivables	1,295,949
Accrued liabilities	(214,000)
Net cash from operating activities	\$ 8,039,603

## **Note 1 - Summary of Significant Accounting Policies**

### **Financial Reporting Entity**

The Oakland Unified School District (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 State and Federal agencies. During the 2020-21 school year, the District operated 48 K-5 elementary schools, 5 K-8 elementary schools, 1 grade 4-5 elementary school, 14 middle schools, 3 grades 6-12 schools, 8 grades 9-12 high schools, 11 alternative schools, and 28 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 two broad fund categories: governmental and proprietary.

**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). The District elected to present the cafeteria fund as a major fund.

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

**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).

**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 workers' compensation and general liability programs that are accounted for in an internal service fund.

#### **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. 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.

**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.

**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. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

**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 liabilities, 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 with original maturities greater than one year 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 (Expenses)**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

### **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.

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.

The following are the changes in the balances of compensated absences during the year:

Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in one year
\$ 13,182,778	\$ 1,538,403	\$ (8,170,386)	\$ 6,550,795	\$ 3,385,237

Compensated absences will be paid by the fund from which the employee worked.

### **Accrued Liabilities and Long-Term Liabilities**

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

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. 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 in the period the bonds are issued.

### **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, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

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 deferred charges on refunding of debt, for pension related items, and for OPEB 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. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

## Fund Balances - Governmental Funds

As of June 30, 2021, 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.

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

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

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Delegated authority to assign fund balances is with the District's chief business officer.

**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**

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

### **Self-Insurance Obligation**

The self-insurance fund is used to account for the District's self-insurance obligation related to workers' compensation, general liability, 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 to specified limits for workers' compensation and general liability, as described in Note 11. 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.

### **Investment Valuations**

Investments are reported at fair market value for investments with quoted market prices. Investments in government pools are reported at net asset value (NAV). All investment income, including changes in fair market value of investments is reported as revenue in the statements of revenues, expenditures, and changes in fund balance.

### **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.

### **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.

### **Change in Accounting Principles**

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities.

The impact to the District resulted in the reclassifying student activities funds, previously reported in a fiduciary fund, to a restricted program within the general fund. The effect of the implementation of this standard on beginning net position and fund balance is disclosed in Note 12.

**Note 2 - Deposits and Investments**

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 375,257,864
Proprietary funds	<u>24,017,571</u>
Total deposits and investments	<u><u>\$ 399,275,435</u></u>

Deposits and investments as of June 30, 2021, consist of the following:

Cash on hand and in banks	\$ 3,307,936
Cash with fiscal agent	639,575
Cash held by the debt trustee	15,590,000
Cash in revolving	150,000
Investments	<u>379,587,924</u>
Total deposits and investments	<u><u>\$ 399,275,435</u></u>

**Policies and Practices**

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

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

**General Authorizations**

Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedule 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
CA Local Agency Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper-Pooled Funds	270 days	40%	10%
Commercial Paper-Non-Pooled Funds	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Non-Negotiable Certificates of Deposit	5 years	None	None
Placement Service Certificates of Deposit	5 years	30%	None
Placement Service Deposits	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 does not have a policy regarding interest rate risk beyond the limitations imposed by California Government Code. The District manages its exposure to interest rate risk by investing in the Alameda County Treasury Investment Pool. 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 593 days on June 30, 2021.

### **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 does not have a policy regarding credit risk beyond the limitations imposed by California Government Code. The District's investments in the Alameda County Treasury Investment Pool are not rated as of June 30, 2021.

### **Concentration Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not have a policy regarding concentration of credit risk beyond the limitations imposed by California Government Code. The District manages its exposure to this risk by investing in the Alameda County Treasury Investment Pool.

### **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, 2021, the District's bank balance of \$572,756 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.

Deposits and withdrawals in the Alameda County investment pool are made on the basis of \$1 and not fair value. Accordingly, the District's proportionate share of investments in the county pool at June 30, 2021 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

**Note 3 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 17,701,767	\$ -	\$ -	\$ 17,701,767
Construction in progress	344,655,890	48,080,538	(49,242,011)	343,494,417
Total capital assets not being depreciated	362,357,657	48,080,538	(49,242,011)	361,196,184
Capital assets being depreciated				
Buildings and improvements	1,182,241,997	51,603,977	(11,464,437)	1,222,381,537
Furniture and equipment	16,606,954	1,443,626	(752,038)	17,298,542
Total capital assets being depreciated	1,198,848,951	53,047,603	(12,216,475)	1,239,680,079
Total capital assets	1,561,206,608	101,128,141	(61,458,486)	1,600,876,263
Accumulated depreciation				
Buildings and improvements	(447,208,691)	(27,741,245)	9,586,809	(465,363,127)
Furniture and equipment	(11,270,426)	(1,453,396)	744,609	(11,979,213)
Total accumulated depreciation	(458,479,117)	(29,194,641)	10,331,418	(477,342,340)
Governmental activities capital assets, net	<u>\$ 1,102,727,491</u>	<u>\$ 71,933,500</u>	<u>\$ (51,127,068)</u>	<u>\$ 1,123,533,923</u>

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

Governmental Activities	
Instruction	\$ 17,361,453
Supervision of instruction	3,709,026
Instructional library, media, and technology	246,992
School site administration	3,538,418
Home-to-school transportation	376,921
Food services	633,151
All other pupil services	601,474
Ancillary Services	344,491
Community Services	2,371
Data processing	226,929
All other administration	681,370
Plant services	<u>1,472,045</u>
Total depreciation expenses governmental activities	<u><u>\$ 29,194,641</u></u>

**Note 4 - Interfund Transactions**

**Interfund Receivables and 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, 2021, between major and nonmajor governmental funds, and internal service funds are as follows:

Interfund payable	Interfund receivable
	General Fund
Cafeteria Fund	\$ 569,699
Nonmajor Governmental Funds	<u>3,072</u>
Total	<u><u>\$ 572,771</u></u>

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

**Interfund 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, 2021, consisted of the following:

- The cafeteria fund transferred \$827,366 to the general fund for its proportion of the State loan repayment.
- The child development fund transferred \$228,896 to the general fund for its proportion of the State loan repayment.

**Note 5 - Current Loans**

**Tax and Revenue Anticipation Notes**

On April 7, 2021, the District issued \$58,440,000 of Tax and Revenue Anticipation Notes bearing interest from 0.18 percent to 0.22 percent and which are due and payable before December 31, 2021. The District has pledged a portion of its State principal apportionment revenues in an amount equal to the principal and interest due on the notes.

The outstanding Tax and Revenue Anticipation Notes are as follows:

<u>Issue Date</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Outstanding June 30, 2021</u>
April 7, 2021	0.22%	12/30/2021	\$ -	\$ 42,850,000	\$ -	\$ 42,850,000
April 7, 2021	0.18%	8/30/2021	-	15,590,000	-	15,590,000
			<u>\$ -</u>	<u>\$ 58,440,000</u>	<u>\$ -</u>	<u>\$ 58,440,000</u>

**Note 6 - Long-Term Debt**

**Summary**

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

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
Long-Term Debt					
General obligation bonds	\$ 1,023,225,000	\$ -	\$ (42,125,000)	\$ 981,100,000	\$ 46,880,000
Unamortized debt premiums	107,833,106	-	(8,927,891)	98,905,215	8,927,891
Emergency apportionment- direct borrowing loan	23,091,412	-	(5,574,871)	17,516,541	5,673,993
Total	<u>\$ 1,154,149,518</u>	<u>\$ -</u>	<u>\$ (56,627,762)</u>	<u>\$ 1,097,521,756</u>	<u>\$ 61,481,884</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 primarily by the general fund.

**General Obligation Bonds**

The outstanding general obligation bonded debt is as follows:

Bond Issuance	Issuance Date	Final Maturity Date	Interest Rate	Original Issue
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	4.00-5.00%	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	4.00-5.00%	65,000,000
2016 Refunding	Aug-16	Aug-31	2.00-5.00%	155,780,000
2017 Refunding - Series A	May-17	Aug-25	4.00-5.00%	111,055,000
2017 Refunding - Series B	May-17	Aug-32	4.00-5.00%	24,155,000
2017 Refunding - Series C	May-17	Aug-38	4.00-5.00%	82,930,000
2017 Refunding - Series D	May-17	Aug-34	3.405-3.955%	75,420,000
2019 Series A	Aug-19	Aug-40	3.00-5.00%	160,000,000
2019 Series B	Aug-19	Aug-22	2.096-2.146%	15,000,000
				<u>\$ 1,232,865,000</u>

  

Bond Issuance	Bonds Outstanding July 1, 2020	Issued	Redeemed	Bonds Outstanding June 30, 2021
Election of 2006 - Series 2009 C	\$ 26,320,000	\$ -	\$ -	\$ 26,320,000
Election of 2006 - Series 2012 A	3,045,000	-	(770,000)	2,275,000
Election of 2006 - Series 2012 B	23,960,000	-	-	23,960,000
Election of 2012 - Series 2013	3,625,000	-	-	3,625,000
Election of 2012 - Series 2015A	169,165,000	-	(4,670,000)	164,495,000
2015 Refunding	136,755,000	-	(10,005,000)	126,750,000
Election of 2006 - Series 2016A	65,000,000	-	(1,940,000)	63,060,000
2016 Refunding	150,755,000	-	(6,150,000)	144,605,000
2017 Refunding - Series A	87,595,000	-	(13,110,000)	74,485,000
2017 Refunding - Series B	24,135,000	-	(10,000)	24,125,000
2017 Refunding - Series C	82,450,000	-	(255,000)	82,195,000
2017 Refunding - Series D	75,420,000	-	-	75,420,000
2019 Series A	160,000,000	-	-	160,000,000
2019 Series B	15,000,000	-	(5,215,000)	9,785,000
	<u>\$ 1,023,225,000</u>	<u>\$ -</u>	<u>\$ (42,125,000)</u>	<u>\$ 981,100,000</u>

**Debt Service Requirements to Maturity**

The general obligation bonds mature through 2042 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2022	\$ 46,880,000	\$ 44,542,373	\$ 91,422,373
2023	49,420,000	42,394,650	91,814,650
2024	49,435,000	39,949,489	89,384,489
2025	79,130,000	36,789,587	115,919,587
2026	58,190,000	33,666,225	91,856,225
2027-2031	266,910,000	128,642,678	395,552,678
2032-2036	246,915,000	64,798,619	311,713,619
2037-2041	179,945,000	17,975,950	197,920,950
2042	4,275,000	64,125	4,339,125
Total	<u>\$ 981,100,000</u>	<u>\$ 408,823,696</u>	<u>\$ 1,389,923,696</u>

**State of California Emergency Apportionment Direct Borrowing 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 to 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:

Fiscal Year	Principal	Interest to Maturity	Total
2022	\$ 5,673,993	\$ 311,444	\$ 5,985,437
2023	5,774,877	210,560	5,985,437
2024	1,987,020	107,883	2,094,903
2025	2,022,349	72,554	2,094,903
2026	2,058,302	36,598	2,094,900
	<u>\$ 17,516,541</u>	<u>\$ 739,039</u>	<u>\$ 18,255,580</u>

**Note 7 - Fund Balances**

Fund balances are composed of the following on June 30, 2021:

	General Fund	Cafeteria Fund	Building Funds	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total
<b>Nonspendable</b>						
Revolving cash	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ 150,000
Prepaid expenditures	4,727,293	-	-	-	-	4,727,293
Total nonspendable	<u>4,877,293</u>	<u>-</u>	<u>244,452</u>	<u>-</u>	<u>-</u>	<u>5,121,745</u>
<b>Restricted</b>						
Purpose of the grant	16,523,903	-	-	-	4,427,245	20,951,148
Purpose of the local grant	9,910,166	-	-	-	-	9,910,166
Associated student body	769,418	-	-	-	-	769,418
Measure G1 programs	13,471,132	-	-	-	-	13,471,132
Measure N programs	11,663,626	-	-	-	-	11,663,626
Deferred maintenance	-	-	-	-	2,321,680	2,321,680
Food service	-	27,461,890	-	-	-	27,461,890
Capital projects	-	-	74,106,720	-	21,479,833	95,586,553
Debt services	-	-	-	114,563,540	-	114,563,540
Total restricted	<u>52,338,245</u>	<u>27,652,133</u>	<u>74,737,741</u>	<u>115,523,448</u>	<u>28,457,865</u>	<u>298,709,432</u>
<b>Assigned</b>						
Supplemental and Concentrati	10,039,497	-	-	-	-	10,039,497
Stale dated warrants	581,956	-	-	-	-	581,956
Total assigned	<u>10,621,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,621,453</u>
<b>Unassigned</b>						
Reserve for economic uncertainties	12,806,047	-	-	-	-	12,806,047
Remaining unassigned	38,405,374	-	-	-	-	38,405,374
Total unassigned	<u>51,211,421</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,211,421</u>
Total	<u>\$ 119,048,412</u>	<u>\$ 27,652,133</u>	<u>\$ 74,982,193</u>	<u>\$ 115,523,448</u>	<u>\$ 28,457,865</u>	<u>\$ 365,664,051</u>

**Note 8 - 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 \$500,250,000 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 to date.

**Workers' Compensation**

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

**Claims Liabilities**

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

**Unpaid Claims Liabilities**

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents the changes in approximate aggregate liabilities for the District from July 1, 2019, to June 30, 2021 (in thousands):

Liability Balance, June 30, 2019	\$ 42,128,558
Claims and changes in estimates	19,350,011
Claims payments	<u>(18,876,813)</u>
Liability Balance, June 30, 2020	42,601,756
Claims	11,040,285
Claims payments	<u>(14,056,095)</u>
Liability Balance, June 30, 2021	<u><u>\$ 39,585,946</u></u>

**Note 9 - 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, 2021, the District reported its proportionate share of 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	\$ 353,672,576	\$ 103,785,104	\$ 19,239,715	\$ 50,780,087
CalPERS	200,538,722	42,939,239	12,608,978	38,589,462
Total	<u>\$ 554,211,298</u>	<u>\$ 146,724,343</u>	<u>\$ 31,848,693</u>	<u>\$ 89,369,549</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.

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, 2019, 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, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	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%	10.205%
Required employer contribution rate	16.15%	16.15%
Required state contribution rate	10.328%	10.328%

### 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, 2021, are presented above and the District's total contributions were \$34,302,902.

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

At June 30, 2021, 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:

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 353,672,576
State's proportionate share of the net pension liability	<u>182,318,255</u>
Total	<u><u>\$ 535,990,831</u></u>

The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, respectively, was 0.3650 percent and 0.3410 percent, resulting in a net increase in the proportionate share of 0.0240 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$50,780,087. In addition, the District recognized pension expense and revenue of \$25,540,999 for support provided by the State. At June 30, 2021, 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	\$ 34,302,902	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	25,968,823	9,265,542
Differences between projected and actual earnings on pension plan investments	8,401,224	-
Differences between expected and actual experience in the measurement of the total pension liability	624,070	9,974,173
Changes of assumptions	<u>34,488,085</u>	<u>-</u>
Total	<u><u>\$ 103,785,104</u></u>	<u><u>\$ 19,239,715</u></u>

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
2022	\$ (5,126,377)
2023	2,862,451
2024	5,710,910
2025	4,954,240
Total	\$ 8,401,224

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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 seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 12,327,465
2023	13,049,221
2024	12,539,793
2025	(535,047)
2026	1,824,435
Thereafter	2,635,396
Total	\$ 41,841,263

**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, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2021, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Fixed income	15%	1.3%
Real estate	13%	3.6%
Private equity	12%	6.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	-0.4%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10 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 (7.10 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:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 534,349,998
Current discount rate (7.10%)	353,672,576
1% increase (8.10%)	204,497,922

**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, 2019 Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

**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, 2021, 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%	7.00%
Required employer contribution rate	20.700%	20.700%

**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, 2021, are presented above and the total District contributions were \$20,437,530.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$200,538,722. The net pension liability was measured as of June 30, 2020. 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, 2020, and June 30, 2019, respectively was 0.6536 percent and 0.6706 percent, resulting in a net decrease in the proportionate share of 0.0170 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$38,589,462. At June 30, 2021 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	\$ 20,437,530	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	7,645,643	12,608,978
Differences between projected and actual earnings on pension plan investments	4,174,578	-
Differences between expected and actual experience in the measurement of the total pension liability	9,946,105	-
Changes of assumptions	735,383	-
Total	\$ 42,939,239	\$ 12,608,978

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
2022	\$ (1,562,214)
2023	1,393,439
2024	2,422,026
2025	1,921,327
Total	\$ 4,174,578

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2022	\$ 2,835,319
2023	4,168,302
2024	(1,115,241)
2025	(170,227)
Total	\$ 5,718,153

#### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent scale MP-2016.

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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

### Discount Rate

The discount rate used to measure the total pension liability was 7.15 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:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 288,310,982
Current discount rate (7.15%)	200,538,722
1% increase (8.15%)	127,692,151

### **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 contribution for fiscal year ending June 30, 2021 was \$20,633,026. The CalSTRS on behalf contribution is reported in the general fund as state revenue and pension expenditure.

## **Note 10 - 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, 2021.

### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management, 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.

### **Health Benefits Obligation**

In October 2015, the District entered into an agreement with its employee unions setting up a coordinated bargaining process for health and welfare benefits to be conducted through a Health Benefits Governance Board (HBGB). The intention of the agreement is to provide stability and help manage benefits costs. The HBGB consists of representatives of each signatory union and the District.

Section IV of the agreement defines a formula to annually calculate the District's responsibility to fund health and welfare benefits. If the District's financial obligations, as calculated per the HBGB formula, exceed the actual costs of benefits, such excess contributions are restricted for future health and welfare obligations. Conversely, if actual benefits costs are greater than the District's financial obligations per the HBGB formula, those costs are first paid from restricted resources, and then are obligations of the signatory unions. In other words, the District's obligations to fund health and welfare costs are determined by the HBGB formula.

The impact to the District's financial statements - when HBGB contribution becomes determinable - will vary if the actual contribution is greater than, or less than, the HBGB calculated contribution requirement. If the actual payments for health and welfare benefits are less than the District's required contribution per the HBGB formula, the effect to the general fund would be to restrict a portion of its ending equity for future general fund health and welfare obligations. There is no impact to expenditures. If the actual payments for health and welfare benefits are greater than the District's required contribution per the HBGB formula, the effect to the general fund would be recognition of a receivable and an increase in ending fund balance.

### **Note 11 - 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, 2021, 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, 2021, 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 ending June 30, 2021 the District made payments of \$3.0 million to 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.

**Note 12 - Restatement of Prior Year Net Position and Fund Balance**

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity previously reported as a fiduciary fund to a restricted program within the general fund.

The restatement of beginning fund balance and net position is summarized as follows:

	General Fund	Total Governmental
Beginning fund balance previously reported at July 1, 2020	\$ 67,570,199	\$ 334,791,822
Reclassification of student activity funds from agency funds to the general fund	786,637	786,637
Fund balance - beginning, as restated July 1, 2020	\$ 68,356,836	\$ 335,578,459
<b>Governmental Activities</b>		
Beginning net position previously reported at July 1, 2020		\$ (151,896,867)
Reclassification of student activity funds from agency funds to the general fund		786,637
Net position - beginning, as restated July 1, 2020		\$ (151,110,230)



Required Supplementary Information  
June 30, 2021

**Oakland Unified School District**

Oakland Unified School District  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Local Control Funding Formula	\$351,377,713	\$385,147,021	\$384,268,671	\$ (878,350)
Federal sources	61,935,638	103,833,645	90,290,705	(13,542,940)
Other State sources	76,689,158	85,745,298	114,885,751	29,140,453
Other local sources	76,800,598	80,533,627	94,591,884	14,058,257
Total revenues	<u>566,803,107</u>	<u>655,259,591</u>	<u>684,037,011</u>	<u>28,777,420</u>
<b>Expenditures</b>				
Current				
Certificated salaries	203,706,300	223,621,057	217,547,483	6,073,574
Classified salaries	87,640,837	103,863,180	107,977,226	(4,114,046)
Employee benefits	172,698,067	182,533,509	167,157,753	15,375,756
Books and supplies	18,777,440	65,182,709	40,607,334	24,575,375
Services and operating expenditures	74,883,101	81,417,412	89,968,340	(8,550,928)
Other outgo	4,556,179	4,340,924	3,698,469	642,455
Capital outlay	679,867	342,582	1,475,205	(1,132,623)
Debt service				
Debt service - principal	5,574,871	5,574,871	5,574,871	-
Debt service - interest and other	410,566	453,571	453,571	-
Total expenditures	<u>568,927,228</u>	<u>667,329,815</u>	<u>634,460,252</u>	<u>32,869,563</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,124,121)</u>	<u>(12,070,224)</u>	<u>49,576,759</u>	<u>61,646,983</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	264,067	264,067	1,056,262	792,195
Proceeds from sale	-	-	58,555	58,555
Transfers out	(1,600,000)	1,600,000	-	(1,600,000)
Net financing sources (uses)	<u>(1,335,933)</u>	<u>1,864,067</u>	<u>1,114,817</u>	<u>(749,250)</u>
Net Change in Fund Balances	(3,460,054)	(10,206,157)	50,691,576	60,897,733
Fund Balance - Beginning, as restated	<u>68,356,836</u>	<u>68,356,836</u>	<u>68,356,836</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 64,896,782</u>	<u>\$ 58,150,679</u>	<u>\$ 119,048,412</u>	<u>\$ 60,897,733</u>

Oakland Unified School District  
 Budgetary Comparison Schedule – Cafeteria Fund  
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Federal sources	\$ 18,289,000	\$ 18,289,000	\$ 40,318,791	\$ 22,029,791
Other State sources	983,905	983,905	2,377,812	1,393,907
Other local sources	1,546,500	1,622,500	1,402,475	(220,025)
Total revenues	<u>20,819,405</u>	<u>20,895,405</u>	<u>44,099,078</u>	<u>23,203,673</u>
<b>Expenditures</b>				
<b>Current</b>				
Classified salaries	7,879,948	5,837,432	5,813,100	(24,332)
Employee benefits	5,283,620	3,417,705	3,510,037	92,332
Books and supplies	8,159,275	18,649,613	11,575,199	(7,074,414)
Services and operating expenditures	549,818	608,818	1,271,884	663,066
Other outgo	1,038,635	1,285,885	999,496	(286,389)
Capital Outlay	-	160,000	120,753	(39,247)
Total expenditures	<u>22,911,296</u>	<u>29,959,453</u>	<u>23,290,469</u>	<u>(6,668,984)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,091,891)</u>	<u>(9,064,048)</u>	<u>20,808,609</u>	<u>8,062,891</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,600,000	1,600,000	-	(1,600,000)
Transfers out	(206,843)	(206,843)	(827,366)	(620,523)
Net financing sources (uses)	<u>1,393,157</u>	<u>1,393,157</u>	<u>(827,366)</u>	<u>(2,220,523)</u>
Net Change in Fund Balances	(698,734)	(7,670,891)	19,981,243	27,652,134
Fund Balance - Beginning	<u>7,670,890</u>	<u>7,670,890</u>	<u>7,670,890</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 6,972,156</u>	<u>\$ (1)</u>	<u>\$ 27,652,133</u>	<u>\$ 27,652,134</u>

Oakland Unified School District  
Schedule of Changes in the District's Net pension Liability and Related Ratios  
Last ten fiscal years

	2021	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>							
Proportion of the net pension liability (asset)	0.3650%	0.3410%	0.3594%	0.3799%	0.3575%	0.3467%	0.3470%
Proportionate share of the net pension liability (asset)	\$ 353,672,576	\$ 307,944,534	\$ 330,349,607	\$ 351,313,224	\$ 289,147,011	\$ 233,433,103	\$ 202,760,645
State's proportionate share of the net pension liability (asset)	182,318,255	168,004,302	189,140,600	207,833,936	164,606,236	123,460,378	122,435,631
Total	<u>\$ 535,990,831</u>	<u>\$ 475,948,836</u>	<u>\$ 519,490,207</u>	<u>\$ 559,147,160</u>	<u>\$ 453,753,247</u>	<u>\$ 356,893,481</u>	<u>\$ 325,196,276</u>
Covered payroll	<u>\$ 196,576,152</u>	<u>\$ 283,102,783</u>	<u>\$ 192,490,076</u>	<u>\$ 201,334,054</u>	<u>\$ 186,271,892</u>	<u>\$ 143,578,581</u>	<u>154,542,764</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	179.92%	108.77%	171.62%	174.49%	155.23%	162.58%	131%
Plan fiduciary net position as a percentage of the total pension liability	72%	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>							
Proportion of the net pension liability (asset)	0.6536%	0.6706%	0.6299%	0.7382%	0.6968%	0.6522%	0.6696%
Proportionate share of the net pension liability (asset)	\$ 200,538,722	\$ 195,440,841	\$ 167,950,475	\$ 176,224,617	\$ 137,626,784	\$ 96,126,834	\$ 76,017,581
Covered payroll	<u>\$ 96,082,262</u>	<u>\$ 125,876,874</u>	<u>\$ 94,834,299</u>	<u>\$ 94,133,345</u>	<u>\$ 88,281,274</u>	<u>\$ 84,140,175</u>	<u>70,293,104</u>
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	208.72%	155.26%	177.10%	187.21%	155.90%	114.25%	108%
Plan fiduciary net position as a percentage of the total pension liability	70%	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Oakland Unified School District  
Schedule of District Contributions for pension  
Last ten fiscal years

	2021	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>							
Contractually required contribution	\$ 34,302,902	\$ 33,614,522	\$ 46,089,133	\$ 27,776,318	\$ 25,327,824	\$ 19,117,248	\$ 14,343,738
Less contributions in relation to the contractually required contribution	34,302,902	33,614,522	46,089,133	27,776,318	25,327,824	19,117,248	14,343,738
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 212,401,870	\$ 196,576,152	\$ 283,102,783	\$ 192,490,076	\$ 201,334,054	\$ 186,271,892	\$ 143,578,581
Contributions as a percentage of covered payroll	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
<b>CalPERS</b>							
Contractually required contribution	\$ 20,437,530	\$ 18,947,422	\$ 22,735,881	\$ 14,728,715	\$ 13,073,239	\$ 10,461,331	\$ 9,904,140
Less contributions in relation to the contractually required contribution	20,437,530	18,947,422	22,735,881	14,728,715	13,073,239	10,461,331	9,904,140
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 98,732,029	\$ 96,082,262	\$ 125,876,874	\$ 94,834,299	\$ 94,133,345	\$ 88,281,274	\$ 84,140,175
Contributions as a percentage of covered payroll	20.70%	19.72%	18.06%	15.53%	13.89%	11.85%	11.77%

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

## **Note 1 - Purpose of Schedules**

### **Budgetary Comparison Schedules**

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California Education Code. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. 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.

This schedule presents 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.

### **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**

There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.



Supplementary Information  
June 30, 2021

**Oakland Unified School District**

Oakland Unified School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Special Education Cluster (IDEA)			
Special Education Grants to States (IDEA, Part B)	84.027	13379	\$ 7,210,382
Special Education Grants to States (IDEA, Part B)	84.027	10115	49,119
Special Education Grants to States (IDEA, Part B)	84.027	15197	412,668
Special Education Preschool Grants (IDEA Preschool)	84.173	13430	204,517
Special Education Preschool Grants (IDEA Preschool)	84.173	13007	14,601
Special Education Preschool Grants (IDEA Preschool)	84.173	13431	2,456
Total Special Education Cluster (IDEA)			<u>7,893,743</u>
Title I Grants to Local Educational Agencies (LEAs)			
Title I Grants to LEAs	84.010	14329	15,535,686
Title I, ESSA School Improvement (CSI) Funding for LEAs	84.010	15438	2,891,169
Total Title I Grants to Local Educational Agencies			<u>18,426,855</u>
School Improvement Grants			
Supporting Effective Instruction State Grant	84.377	15127	3,695,091
Title III, English Language Acquisition State Grants	84.367	14341	1,538,242
English Language Acquisition Grants			
English Language Acquisition Grants	84.365	14346	333,850
English Language Acquisition Grants	84.365	15146	1,282,108
Total English Language Acquisition Grants			<u>1,615,958</u>
Education Stabilization Fund			
COVID-19, Elementary and Secondary School Emergency Relief	84.425D	15536	10,648,662
COVID-19, Elementary and Secondary School Emergency Relief	84.425D	15547	3,413,386
COVID-19, Governor's Emergency Education Relief (GEER I and	84.425C	15517	2,572,111
COVID-19, Child Nutrition Covid Cares	84.425	15535	2,283,399
Total Education Stabilization Fund			<u>18,917,558</u>
Adult Education - Basic Grants to States			
Adult Education - Basic Grants to States	84.002	13978	40,378
Adult Education - Basic Grants to States	84.002	14508	113,291
Adult Education - Basic Grants to States	84.002	14109	28,560
Total Adult Education - Basic Grants to States			<u>182,229</u>
Student Support and Academic Enrichment Grants			
Twenty-First Century Community Learning Centers	84.424	14346	1,106,589
Education for Homeless Children and Youth	84.287	14349	4,358,782
Career and Technical Education -- Basic Grants to States	84.196	14332	94,622
Rehabilitation Services Vocational Rehabilitation Grants to States	84.048	14894	260,889
IDEA Early Intervention Programs, Part C	84.126	10006	402,319
Full-Service Community Schools	84.181	23761	205,411
Indian Education Grants to LEAs	84.215	Unknown	16,670
Indian Education Grants to LEAs	84.060	10011	34,852
Total U.S. Department of Education			<u>58,749,810</u>

Oakland Unified School District  
Schedule of Expenditures of Federal Awards  
June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	13526	9,910,754
National School Lunch Program	10.555	13391/13396	15,820,358
National School Lunch Program, donated commodity foods	10.555	Unknown	<u>1,131,704</u>
Total Child Nutrition Cluster			26,862,816
Child and Adult Care Food Program (CACFP)	10.558	13393	<u>11,172,575</u>
Total U.S. Department of Agriculture			<u>38,035,391</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Education			
Cooperative Agreements to Promote Adolescent Health through			
School-Based HIV/STD Prevention and School-Based Surveillance	93.079		491,777
Demonstration Grants for Domestic Victims of Human Trafficking	93.327		164,760
Refugee and Entrant Assistance Discretionary Grants	93.576	24791	129,980
Child Care Mandatory and Matching Funds of the Child Care	93.596	13609	885,795
COVID-19, Child Care and Development Block Grant			
Coronavirus Response and Relief Supplemental Appropriations Act	93.575	15555	<u>469,114</u>
Total Child Care Development Fund Cluster			1,354,909
Total U.S. Department of Health and Human Services			<u>2,141,425</u>
DEPARTMENT OF THE TREASURY			
COVID-19, Coronavirus Relief Fund: Learning Loss Mitigation	21.019	25516	<u>33,220,005</u>
Total Federal Financial Assistance			<u><u>\$ 132,146,631</u></u>

The Oakland Unified School District was established in 1855 and consists of an area comprising approximately 55 square miles. During the 2020-21 school year, the District operated 48 K-5 elementary schools, 5 K-8 elementary schools, 1 4-5 elementary school, 14 middle schools, 3 grades 6-12 schools, 8 grades 9-12 high schools, 11 alternative schools, and 28 early childhood education centers. There were no boundary changes during the year.

**Governing Board**

Member	Office	Term Expires
District 1 – Benjamin Davis	Vice President	January 2025
District 2 - Aimee Eng	Director	January 2023
District 3 – VanCedric Williams	Director	January 2025
District 4 - Gary Yee	Director	January 2023
District 5 – Mike Hutchinson	Director	January 2025
District 6 - Shanthi Gonzales	President	January 2023
District 7 – Clifford Thompson	Director	January 2025

**County Trustee**

Luz Cazares

**Administration**

Name	Title
Kyla Johnson-Trammell	Superintendent
Joshua Daniels	General Counsel
Lisa Grant-Dawson	Chief Business Officer

Oakland Unified School District

Schedule of Instructional Time

Year Ended June 30, 2021

Grade Level	Number of Actual Days		Number of Days Credited Form J-13A	Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar			
Kindergarten	180	N/A	N/A	180	Complied
Grades 1 - 3					
Grade 1	180	N/A	N/A	180	Complied
Grade 2	180	N/A	N/A	180	Complied
Grade 3	180	N/A	N/A	180	Complied
Grades 4 - 8					
Grade 4	180	N/A	N/A	180	Complied
Grade 5	180	N/A	N/A	180	Complied
Grade 6	180	N/A	N/A	180	Complied
Grade 7	180	N/A	N/A	180	Complied
Grade 8	180	N/A	N/A	180	Complied
Grades 9 - 12					
Grade 9	180	N/A	N/A	180	Complied
Grade 10	180	N/A	N/A	180	Complied
Grade 11	180	N/A	N/A	180	Complied
Grade 12	180	N/A	N/A	180	Complied

Oakland Unified School District

Schedule of Charter Schools

Year Ended June 30, 2021

Name of Charter School	Charter Number	Included in Audit Report
Achieve Academy	0780	Separate Report
American Indian Charter School II	0882	Separate Report
AIMS College Prep High	0765	Separate Report
AIMS College Prep Middle	0106	Separate Report
ARISE High School	0837	Separate Report
ASCEND Academy	1443	Separate Report
Aspire Berkley Maynard Academy	0726	Separate Report
Aspire College Academy	1577	Separate Report
Aspire ERES Academy	1115	Separate Report
Aspire Golden State College Preparatory Academy	1023	Separate Report
Aspire Lionel Wilson College Preparatory Charter Academy	0465	Separate Report
Aspire Monarch Academy	0252	Separate Report
Aspire Triumph Technology Academy	1663	Separate Report
Bay Area Technology School	0661	Separate Report
Civicorps Corpmembers (East Bay Conservation Corps)	0948	Separate Report
Conservatory of Vocal & Instrumental Arts High School	1745	Separate Report
Downtown Charter Academy	1661	Separate Report
East Bay Innovation Academy	1620	Separate Report
Francophone Charter School of Oakland	1708	Separate Report
KIPP Bridge Charter School	0938	Separate Report
Learning Without Limits	1442	Separate Report
Lighthouse Community Charter High School	0700	Separate Report
Lighthouse Community Charter School	0413	Separate Report
Lodestar: A Lighthouse Community Charter Public School	1783	Separate Report
LPS Oakland R&D	1449	Separate Report
North Oakland Community Charter School	0302	Separate Report
Oakland Charter Academy	0014	Separate Report
Oakland Charter High School	0883	Separate Report
Oakland Military Institute	0349	Separate Report
Oakland School for the Arts	0340	Separate Report
Oakland Unity High School	0510	Separate Report
Roses in Concrete Community School	1713	Separate Report
Vincent Academy	1271	Separate Report

Oakland Unified School District  
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
 Year Ended June 30, 2021

The following is a reconciliation of the District's unaudited financial reports to the audited GAAP basis financial statements:

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Funds	Self-Insurance Fund
Fund balance/net position, unadjusted	\$ 113,364,168	\$ 27,461,890	\$ 74,351,172	\$ 114,563,540	\$ 28,228,758	\$ -
Audit adjustments were necessary for the following items						
GASB 31 required adjustment to the fair value of investments	956,951	190,243	631,021	959,908	229,107	193,287
Debt service payments were posted to the incorrect fiscal year	4,727,293	-	-	-	-	-
Recognize short-term borrowings that were unrecorded	(15,590,000)	-	-	-	-	-
Recognize cash held by the TRANS trustee that was not recorded	15,590,000	-	-	-	-	-
Accounts payable were overstated	4,567,083	-	-	-	-	-
Accounts receivable were overstated	(4,567,083)	-	-	-	-	-
Claims liability as of July 1, 2020	-	-	-	-	-	(42,601,756)
Net pension liability and deferrals as of July 1, 2020	-	-	-	-	-	(2,359,754)
Fund balance/net position, per audited financial statements	<u>\$ 119,048,412</u>	<u>\$ 27,652,133</u>	<u>\$ 74,982,193</u>	<u>\$ 115,523,448</u>	<u>\$ 28,457,865</u>	<u>\$ (44,768,223)</u>

Oakland Unified School District  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2021

	(Budget) 2022 <sup>1</sup>	2021	2020	2019
General Fund				
Revenues	\$ 748,199,147	\$ 684,037,011	\$583,829,663	\$606,101,494
Other sources	25,000	1,114,817	264,067	185,645
Total Revenues and Other Sources	748,224,147	685,151,828	584,093,730	606,287,139
Expenditures	745,980,384	634,460,252	590,368,577	575,812,737
Other uses and transfers out	5,000,000	-	886,044	5,726,382
Total Expenditures and Other Uses	750,980,384	634,460,252	591,254,621	581,539,119
Increase/(Decrease) in Fund Balance	(2,756,237)	50,691,576	(7,160,891)	24,748,020
Ending Fund Balance	\$110,587,931	\$119,048,412	\$67,570,199	\$74,731,090
Available Reserves <sup>2</sup>	\$ 34,544,776	\$ 51,211,421	\$25,688,419	\$24,069,906
Available Reserves as a Percentage of Total Outgo	4.60%	8.07%	4.34%	4.14%
Long-term commitments				
Bonded debt	1,028,202,503	1,080,005,215	1,131,058,106	977,293,190
Direct district obligations				
State loan	11,842,548	17,516,541	23,091,412	28,568,894
Claims liability	39,585,946	39,585,946	42,601,756	42,128,558
Net pension liability	554,211,298	554,211,298	503,385,375	498,300,082
Other	3,787,868	3,787,868	6,008,646	15,642,696
Total direct district obligations	609,427,660	615,101,653	575,087,189	584,640,230
Total Long-term Commitments	\$ 1,637,630,163	\$ 1,695,106,868	\$1,706,145,295	\$1,561,933,420
K-12 Average Daily Attendance at P-2	33,911	33,699	33,699	32,635

The general fund balance has increased by \$44.3 million over the past two years. The fiscal year 2021-22 budget at the first interim reporting period projects a decrease of \$2.7 million (2 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an overall operating surplus over the past two years and anticipates incurring an operating deficit during the 2021-22 fiscal year. Total long-term liabilities have increased by \$133 million over the past two years.

Average daily attendance has increased by 64 over the past two years. ADA is expected to increase for the fiscal year 2021-22 as compared to the fiscal year 2020-21 by 212.

<sup>1</sup> Budget 2022 is per the First Interim and is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances in the General Fund.

Oakland Unified School District  
Combining Balance Sheet – Nonmajor Governmental Funds  
June 30, 2021

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Nonmajor Governmental Funds
<b>Assets</b>							
Deposits and investments	\$ 941,288	\$ 3,823,481	\$ 2,440,651	\$ 9,473,653	\$ 10,091,930	\$ 745,679	\$ 27,516,682
Receivables	15,077	8,170	6,301	1,825,304	20,955	1,628	1,877,435
Due from other governments	784,227	833,615	-	-	-	-	1,617,842
<b>Total assets</b>	<b>\$ 1,740,592</b>	<b>\$ 4,665,266</b>	<b>\$ 2,446,952</b>	<b>\$ 11,298,957</b>	<b>\$ 10,112,885</b>	<b>\$ 747,307</b>	<b>\$ 31,011,959</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 130,517	\$ 1,200,686	\$ 104,951	\$ 479,365	\$ 19,009	\$ 11,827	\$ 1,946,355
Due to other funds	-	3,072	-	-	-	-	3,072
Unearned revenue	-	604,667	-	-	-	-	604,667
<b>Total liabilities</b>	<b>130,517</b>	<b>1,808,425</b>	<b>104,951</b>	<b>479,365</b>	<b>19,009</b>	<b>11,827</b>	<b>2,554,094</b>
<b>Fund Balances</b>							
Restricted	1,610,075	2,856,841	2,342,001	10,819,592	10,093,876	735,480	28,457,865
<b>Total fund balances</b>	<b>1,610,075</b>	<b>2,856,841</b>	<b>2,342,001</b>	<b>10,819,592</b>	<b>10,093,876</b>	<b>735,480</b>	<b>28,457,865</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,740,592</b>	<b>\$ 4,665,266</b>	<b>\$ 2,446,952</b>	<b>\$ 11,298,957</b>	<b>\$ 10,112,885</b>	<b>\$ 747,307</b>	<b>\$ 31,011,959</b>

Oakland Unified School District  
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Nonmajor Governmental Funds  
June 30, 2021

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Nonmajor Governmental Funds
<b>Revenues</b>							
Federal sources	\$ 182,229	\$ 1,354,908	\$ -	\$ -	\$ -	\$ -	\$ 1,537,137
Other State sources	2,571,102	13,662,732	-	-	-	-	16,233,834
Other local sources	109,369	46,674	68,897	5,998,231	1,693,663	32,295	7,949,129
Total revenues	2,862,700	15,064,314	68,897	5,998,231	1,693,663	32,295	25,720,100
<b>Expenditures</b>							
<b>Current</b>							
Instruction	2,326,010	9,715,709	-	-	-	-	12,041,719
Instruction-related activities							
Supervision of instruction	1,880	1,368,213	-	-	-	-	1,370,093
School site administration	705,540	2,284,810	-	-	-	-	2,990,350
Administration							
All other administration	129,430	701,129	-	-	-	-	830,559
Plant services	-	154,672	-	-	60,838	113,833	329,343
Capital outlay	-	-	2,324,734	643,439	579,835	395,935	3,943,943
Total expenditures	3,162,860	14,224,533	2,324,734	643,439	640,673	509,768	21,506,007
Excess (Deficiency) of Revenues Over Expenditures	(300,160)	839,781	(2,255,837)	5,354,792	1,052,990	(477,473)	4,214,093
<b>Other Financing Sources (Uses)</b>							
Transfers out	-	(228,896)	-	-	-	-	(228,896)
Net Financing Sources (Uses)	-	(228,896)	-	-	-	-	(228,896)
Net Change in Fund Balances	(300,160)	610,885	(2,255,837)	5,354,792	1,052,990	(477,473)	3,985,197
Fund Balance - Beginning, as restated	1,910,235	2,245,956	4,597,838	5,464,800	9,040,886	1,212,953	24,472,668
Fund Balance - Ending	\$ 1,610,075	\$ 2,856,841	\$ 2,342,001	\$ 10,819,592	\$ 10,093,876	\$ 735,480	\$ 28,457,865

Oakland Unified School District  
Combining Schedule of the Unrestricted and Restricted General Fund Balance Sheet  
June 30, 2021

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total General Fund</u>
<b>Assets</b>			
Deposits and investments	\$ 81,401,749	\$ 52,414,531	\$ 133,816,280
Receivables	78,385,940	37,586,025	115,971,965
Due from other funds	572,771	-	572,771
Prepaid expenditures	4,727,293	-	4,727,293
<b>Total Assets</b>	<u>\$ 165,087,753</u>	<u>\$ 90,000,556</u>	<u>\$ 255,088,309</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Payables	\$ 39,937,586	\$ 29,794,085	\$ 69,731,671
Current Loans	58,440,000	-	58,440,000
Unearned revenue	-	7,868,226	7,868,226
<b>Total Liabilities</b>	<u>98,377,586</u>	<u>37,662,311</u>	<u>136,039,897</u>
<b>Fund Balances</b>			
Nonspendable	4,877,293	-	4,877,293
Restricted	-	52,338,245	52,338,245
Assigned	10,621,453	-	10,621,453
Unassigned	51,211,421	-	51,211,421
<b>Total Fund Balances</b>	<u>66,710,167</u>	<u>52,338,245</u>	<u>119,048,412</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 165,087,753</u>	<u>\$ 90,000,556</u>	<u>\$ 255,088,309</u>

Oakland Unified School District  
Combining Schedule of the Unrestricted and Restricted General Fund Income Statement  
Year Ended June 30, 2021

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total General Fund</u>
<b>Revenues</b>			
Local control funding formula	\$ 380,761,269	\$ 3,507,402	\$ 384,268,671
Federal sources	1,104,135	89,186,570	90,290,705
Other state sources	24,114,000	90,771,751	114,885,751
Other local sources	6,003,793	88,588,091	94,591,884
<b>Total Revenues</b>	<u>411,983,197</u>	<u>272,053,814</u>	<u>684,037,011</u>
<b>Expenditures</b>			
Current			
Instruction	165,927,106	215,650,362	381,577,468
Instruction related activities	64,299,766	46,194,816	110,494,582
Pupil services	15,771,257	20,455,993	36,227,250
General administration	23,789,435	7,362,527	31,151,962
Plant services	31,456,209	18,691,858	50,148,067
Ancillary services	1,379,269	11,129,833	12,509,102
Community services	86,089	-	86,089
Other outgo	69,035	5,459,489	5,528,524
Capital outlay	708,766	-	708,766
Debt service			
Principal	5,574,871	-	5,574,871
Interest	453,571	-	453,571
<b>Total Expenditures</b>	<u>309,515,374</u>	<u>324,944,878</u>	<u>634,460,252</u>
<b>Excess (Deficiency) of revenues over expenditures</b>	<u>102,467,823</u>	<u>(52,891,064)</u>	<u>49,576,759</u>
<b>Other Financing Sources (Uses)</b>			
Interfund transfers in	1,056,262	-	1,056,262
Other sources	58,555	-	58,555
Contributions	(69,916,291)	69,916,291	-
<b>Net Financing Uses</b>	<u>(68,801,474)</u>	<u>69,916,291</u>	<u>1,114,817</u>
<b>Net Change in Fund Balances</b>	33,666,349	17,025,227	50,691,576
<b>Fund Balance - Beginning, as restated</b>	<u>33,043,818</u>	<u>35,313,018</u>	<u>68,356,836</u>
<b>Fund Balance - Ending</b>	<u>\$ 66,710,167</u>	<u>\$ 52,338,245</u>	<u>\$ 119,048,412</u>

**Note 1 - Schedule of Expenditures of Federal Awards (SEFA)**

Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of the Oakland Unified School District (District) under programs of the federal government for the year ended June 30, 2021. The information 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). Because the schedule presents only a selected portion of the operations of the Oakland Unified School District, it is not intended to and does not present the financial position, changes in net assets (or net position or fund balance), or cash flows of Oakland Unified School District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed.

**Note 2 - Other Schedules**

**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 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.

Actual minutes offered at Redwood Heights Elementary School for grades four and five was the minimum required by law plus 450 minutes, per the CDE Disposition Letter dated November 12, 2019 (Waiver #: 6-7-2019-W-03).

### **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.

### **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.

### **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.

### **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.



Independent Auditor's Reports  
June 30, 2021

# Oakland Unified School District



**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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oakland Unified School District, (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated January 27, 2022.

**Qualified Opinion on Governmental Activities**

Our opinion on governmental activities is qualified because we were unable to determine whether the net pension liability and the pension related deferred outflows, deferred inflows, and expense are accurately stated.

**Emphasis of Matter – Change in Accounting Principle**

As discussed in Notes 1 and 12 to the financial statements, Oakland Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

**Internal Control over Financial Reporting**

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

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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-002, 2021-003, 2021-004, 2021-005, and 2021-06 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Oakland Unified School 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 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 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 2021-007, 2021-008, 2021-009, and 2021-010.

### **Oakland Unified School District's Responses to Findings**

The Oakland Unified School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were 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 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  
January 27, 2022



## **Independent Auditor's Report on Compliance for Each Major Federal Program; Report 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 the 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, 2021. 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 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 the Twenty-First Century Community Learning Centers**

As described in the accompanying schedule of findings and questioned costs, Oakland Unified School District did not comply with requirements regarding 84.287 Twenty-First Century Community Learning Centers as described in finding number 2021-007 for reporting. Compliance with such requirements is necessary, in our opinion, for the Oakland Unified School District to comply with the requirements applicable to that program.

### **Qualified Opinion on the Twenty-First Century Community Learning Centers**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Oakland Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Twenty-First Century Community Learning Centers program for the year ended June 30, 2021.

### **Opinion on Each of the Other Major Federal Programs**

In our opinion, Oakland Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-007.

The Oakland Unified School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Oakland Unified School 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 Oakland Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered 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.

*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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-007 that we consider to be a material weakness.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Menlo Park, California  
January 27, 2022



## Independent Auditor's Report on State Compliance

Board of Education  
Oakland Unified School District  
Oakland, California

### Report on State Compliance

We have audited Oakland Unified School District's (the District) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

### Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

### Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. 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 audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

**Compliance Requirements Tested**

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

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	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
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, see below
<b>CHARTER SCHOOLS</b>	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	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.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

The District does not have any dependent charter schools.

**Basis for Qualified Opinion on Attendance, Teacher Certification and Misassignments, and School Accountability Report Card**

As described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*, the District did not comply with requirements regarding Attendance (2021-008), Teacher Certification and Misassignments (2021-009), and School Accountability Report Card (2021-010). Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements referred to above.

**Qualified Opinion on Attendance, Teacher Certification and Misassignments, and School Accountability Report Card**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2021.

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.

**Unmodified Opinion on Each of the Other Programs**

In our opinion, the District complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021, except as described in the accompanying schedule of findings and questioned costs.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Menlo Park, California  
January 27, 2022

**Financial Statements**

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

Internal control over financial reporting:  
 Material weaknesses identified Yes  
 Significant deficiencies identified not considered to be material weaknesses Yes

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major program:  
 Material weaknesses identified Yes  
 Significant deficiencies identified not considered to be material weaknesses No

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516 9(a): Yes

**Identification of Major Programs**

Name of Federal Program or Cluster	CFDA Number
Title I Grants to Local Educational Agencies	84.010
School Improvement Grant	84.377
Special Education - IDEA Cluster	84.027, 84.173
Twenty-First Century Community Learning Centers	84.287
Child Nutrition Cluster	10.553, 10.555
Child and Adult Care Food Program	10.558
Coronavirus Relief Fund	21.019
Education Stabilization Fund	84.425, 84.425C, 84.425D

Dollar threshold used to distinguish between type A and type B programs: \$ 3,000,000

Auditee qualified as low-risk auditee? No

**State Compliance**

Unmodified for all programs except for the following programs which were qualified:

Name of Program
Attendance
Teacher Certification and Misassignments
School Accountability Report Card

The following findings are significant deficiencies, material weaknesses, and 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:

10000 Attendance, 20000 Inventory of Equipment, 30000 Internal Control, 40000 State Compliance, 42000 Charter School Facilities Programs, 43000 Apprenticeship: Related and Supplemental Instruction, 50000 Federal Compliance, 60000 Miscellaneous, 61000 Classroom Teacher Salaries, 62000 Local Control Accountability Plan, 70000 Instructional Materials, 71000 Teacher Misassignments, 72000 School Accountability Report Card.

### **Financial Statement Findings**

**2021-001      Financial Statement Presentation of Student Activity Funds**  
Code 30000

#### **Criteria**

As a school district and custodian of associated student body funds, the District has a responsibility to ensure the safeguarding and accounting of those funds.

#### **Condition**

A significant deficiency in internal control over financial reporting - The District cannot provide documented evidence that all student body activity is captured within its accounting records. Furthermore, the District is developing the controls to ensure that student activity funds are expended for allowable activities and accordingly were not auditable for the year ended June 30, 2021.

#### **Questioned costs**

Not applicable.

#### **Context**

Cash held on behalf of students varies depending on the size of the student body at each of the respective schools. The District operated 48 K-5 elementary schools, 5 K-8 elementary schools, one grade 4-5 elementary schools, 14 middle schools, three grades 6-12 schools, eight grades 9-12 high schools, 11 alternative schools, and 28 early childhood education centers. Management of the District has obtained support for \$786 thousand of student activity funds deposited in District-controlled accounts.

#### **Effect**

The District is continuing the development of its internal control process over the student activity funds.

#### **Cause**

The District has not completed implementing the procedures to accumulate the data necessary to support all audit steps fully.

#### **Identification as a Repeat Finding**

See finding 2020-001.

**Recommendation**

The District should continue implementing a corrective action that started during the fiscal year 2021. We recommend the District formally document how it concluded that all student body funds were recorded into the District's accounting records. Additionally, the District should adopt the procedures contained in the FCMAT ASB manual regarding custody and oversight of the student body funds.

**Views of Responsible Officials/Corrective Action Plan**

The District has adopted the procedures contained in the FCMAT ASB manual regarding custody and oversight of student body funds.

As of 6/30/2021, the District has accounted for all ASB accounts as reported by the school principal and/or Treasurer. The District has provided training to ASB staff of both the use of ASB accounting software as well as FCMAT ASB management procedures. The District will continue to provide ongoing training to ASB staff. The District will refine its documentation regarding how all ASBs were recorded into the District's accounting records.

**2021-002      Human Resources/Payroll Internal Control Process, Pension  
Code 30000****Criteria**

Pension and medical benefit providers invoice the District based on demographic information such as age and hire date of enrolled employees. The District is responsible for ensuring the completeness and accuracy of the information reported to the benefit providers and ensuring that such information is available to support an audit.

**Condition**

A material weakness in internal control over financial reporting and scope limitation in our audit of the financial statements – The District could not supply documentation to satisfy us that census information and payroll amounts reported to pension providers are complete and accurate. We analytically recalculated these expenses, noting that the payment made to pension providers during the year appears correctly recorded in the accounting records of the District. However, since we could not verify if the underlying data on which those charges are based is complete and accurate, we cannot confirm if the eventual payments are for the correct amounts.

**Context**

Expenditures for wages and benefits of \$492.7 million are approximately 78% of general fund expenditures. The condition applies to 59 items from our total sample of 80.

**Effect**

Internal controls are essential so that users of the financial statements have confidence that financial information published by the District's management is complete and accurate. There is a higher than average risk that payments to pension providers could be for incorrect amounts.

**Cause**

There appears to be a lack of ongoing monitoring and oversight to ensure that employees involved in the critical process are consistently following the established policies and procedures, including the retention of pertinent physical records to support the performance of documented controls. Often no single person is accountable to locate documents or answer questions.

**Identification as a Repeat Finding**

See finding 2020-002.

**Recommendation**

The District should ensure that management in charge of these areas is held accountable to ensure that all critical internal control policies and procedures are communicated to the employees charged with carrying out those procedures. Management further needs to monitor compliance and ensure that processes are being performed timely and consistently. Furthermore, there needs to be one established method to ensure that controls are being followed and that employees do not deviate from established District policies. Finally, there needs to be a formal record retention policy that supports the fact that controls are being followed per District policies.

**Views of Responsible Officials and Planned Corrective Actions**

The District has identified this area as a key concern and the alignment between payroll, human resources, business services, and risk management has been critical to address this issue. The District is identifying that not only are the internal procedures fragmented, but the District has also identified critical system needs as post-correction from its 2018-19 transition to the Escape System. Though there were challenges in its use of the former IFAS system and recordkeeping, the Alameda County Office of Education has supported and hosted meetings in support of correcting the system needs to provide more accurate reporting. This activity has been focused and ongoing since September 2020.

The District leadership team is actively working to identify, train, and focus on the critical areas to make sure that the position management, attachment, employee compensation alignment, and reporting are accurate and reliable. This is an intense area of focus with a desire to make significant strides for improvement in 2020-21.

**2021-003 Payroll Internal Control Process, Vacation Tracking**

Code 30000

**Criteria**

Internal controls are essential so that users of the financial statements have confidence that financial information published by the District's management is complete and accurate. The District is responsible for providing documentation to support the amounts recorded in the general ledger accounting records.

The centralized payroll department records the usage of vacation hours in the payroll system based on paper timecards prepared at the site where the employee works. The payroll department calculates the accrued vacation owed to an employee upon separation from the District.

**Condition**

A material weakness in internal control over financial reporting – The District was unable to supply documentation to prove that vacation usage is accurately recorded in the payroll system and that balances do not exceed the maximum allowed per District policy. Furthermore, we noted that the controls over the calculation of accrued vacation on separation do not include documentary evidence of an independent reviewer. The District verbally informed us that someone independent of the preparer reviews each calculation. However, because evidence of the control is not documented, we consider this to be evidence of a material weakness.

In substantive testing of general ledger account balances, the reported payroll expenditures are fairly stated based on the amounts paid upon separation. However, we cannot conclude if the District has a complete and accurate accounting of vacation balances on which to base payments upon separation.

**Context**

Expenditures for wages and benefits of \$492.7 million are approximately 78% of general fund expenditures. Vacation payouts during the year were \$7 million of the \$14 million total estimated accrued vacation liability.

**Effect**

Although the accounting records reflect actual expense paid, there is a higher risk that employee vacation is not reported, and the liability and eventual payout may be more than what was earned.

**Cause**

There appears to be a lack of ongoing monitoring and oversight to ensure that employees involved in the critical process are consistently following the established policies and procedures, including the retention of pertinent physical records to support the performance of documented controls. Often no single person is accountable to locate documents or answer questions. Furthermore, adequate internal controls are an overall District responsibility requiring interdepartmental communication to be successful.

**Identification as a Repeat Finding**

See finding 2020-003.

**Recommendation**

Management in charge of these areas should be held accountable to ensure that all critical internal control policies and procedures are communicated to the employees charged with carrying out those procedures. Management further needs to monitor compliance and ensure that processes are being performed timely and consistently. Furthermore, there needs to be one established method to ensure that controls are being followed and that employees do not deviate from established District policies. Finally, there needs to be a formal record retention policy that supports the fact that controls are being followed following District policies.

**Views of Responsible Officials and Planned Corrective Actions**

Similar to what was stated above in finding 2021-002, the District's inability to validate compensation records and transactions to include leave taken, reported, and recorded is another key area of focus and the appropriate assignments to lead this project has been done upon the selection and hiring of the Directors of Payroll and Budget and Finance. The leadership team and assigned staff will also develop a revised standard operating procedure to share with all departments and sites to ensure that leave procedures are understood and followed, which includes monthly reconciliation by department and site and the use of the Frontline System designed to capture the information.

**2021-004      Payroll Internal Control Process, Vacation Payments**  
Code 30000**Criteria**

Internal controls are essential so that users of the financial statements have confidence that financial information published by the District's management is complete and accurate. The District is responsible for providing documentation to support the amounts recorded in the general ledger accounting records.

The centralized payroll department records the usage of vacation hours in the payroll system based on paper timecards prepared at the site where the employee works. The payroll department calculates the accrued vacation owed to an employee upon separation from the District.

**Condition**

A material weakness in internal control over financial reporting – The District was able to pay \$7 million to employees for vacation accumulated; however, it is unable to assert that the amounts paid were actually due to the employees.

**Context**

Expenditures for wages and benefits of \$492.7 million are approximately 78% of general fund expenditures. Vacation payouts during the year were \$7 million of the \$14 million total estimated accrued vacation liability.

**Effect**

We could not conclude if payouts of an accrued vacation made to employees during the year were for amounts owned to the employees who received the payments.

**Cause**

There appears to be a lack of ongoing monitoring and oversight to ensure that employees involved in the critical process are consistently following the established policies and procedures, including the retention of pertinent physical records to support the performance of documented controls. Often no single person is accountable to locate documents or answer questions. Furthermore, adequate internal controls are an overall District responsibility requiring interdepartmental communication to be successful.

**Identification as a Repeat Finding**

This is not reported as a prior year audit finding.

**Recommendation**

Management in charge of these areas should be held accountable to ensure that all critical internal control policies and procedures are communicated to the employees charged with carrying out those procedures. Management further needs to monitor compliance and ensure that processes are being performed timely and consistently.

Management should prepare an auditable accounting of the documentation of which the District determined payouts of accumulated vacation during the year to be valid. The District should consult with legal counsel about recovery if any payouts are determined to have been incorrect.

**Views of Responsible Officials and Planned Corrective Actions**

Similar to what was stated above in finding 2021-002, the District's inability to validate compensation records and transactions to include leave taken, reported, and recorded is another critical area of focus, and the appropriate assignments to lead this project has been done upon the selection and hiring of the Directors of Payroll and Budget and Finance. The leadership team and assigned staff will also develop a revised standard operating procedure to share with all departments and sites to ensure that leave procedures are understood and followed, including monthly reconciliation by department and location and the use of the Frontline System designed to capture the information.

**2021-005      Health Benefits Governing Board  
Code 30000****Criteria**

In October 2015, the District agreed with its employee unions to set up a coordinated bargaining process for health and welfare benefits through a Health Benefits Governance Board (HBGB). The agreement intends to provide stability and help manage benefits costs. The HBGB consists of representatives of each signatory union and the District.

Section IV of the agreement defines a formula to annually calculate the District's responsibility to fund health and welfare benefits. If the District's financial obligations, as calculated per the HBGB formula, exceed the actual costs of benefits, such excess contributions become restricted to offset future health and welfare costs. Conversely, if real benefits costs are higher than the District's financial obligations per the HBGB formula, those costs first are paid from HBGB restricted resources and then are obligations of the signatory unions. In other words, the District's obligations to fund health and welfare costs are determined by the HBGB formula.

**Condition**

A material weakness in internal control over financial reporting – The formula to calculate the District's health and welfare obligations per the HBGB agreement is unclear and has been interpreted differently with substantially varying outcomes. Specifically, the part of the formula that reads "...take the FTE from the total of all authorized full-time equivalent positions covered by this Agreement...as outlined in the Position Control Report as of October 31..." is not clear. Standard usage of the PCR is for budgeting purposes, subject to estimation risk and uncertainty.

The position control report (PCR) is not reliable for calculating a financial obligation. No industry regulatory standard specifies the form and content of the report; it will fluctuate depending on parameters entered into the District's ERP system when generated. Furthermore, unlike after-the-fact accounting records that we can audit, the PCR is a budget document not subject to audit or other defined benchmarks to measure completeness and accuracy.

Furthermore, the phrase "authorized FTE" seems to include employees not receiving health and welfare benefits and positions classified as "open" in the PCR but with no actual funding source. It is not clear how to adjust the PCR for purposes of the HBGB calculation.

As a result of the above, a strict application of the HBGB formula results in the District paying health and welfare benefits for positions that do not exist and position not eligible for medical uses such as part-time or temporary employees. The signers probably did not intend this to the agreement, which likely presumed that the formula was a straight mathematical calculation.

**Context**

Expenditures for health and welfare benefits of \$62 million are approximately 10% of general fund expenditures.

The financial statements correctly reflect the health and welfare benefits expenditures that were paid during the current fiscal year. Specifically, concerning the general fund, which reports accounting activity on the modified accrual basis of accounting, health and welfare expenditures are correctly reported as they are paid or accrued.

The impact on the District's financial statements - when HBGB contribution becomes determinable - will vary if the actual contribution is more significant than, or less than, the HBGB calculated contribution requirement.

If the actual payments for health and welfare benefits are less than the District's required contribution per the HBGB formula, the effect to the general fund would be to restrict a portion of its ending equity for future general fund health and welfare obligations. There is no impact on expenditures.

If the actual payments for health and welfare benefits are more significant than the District's required contribution per the HBGB formula, the effect to the general fund would be recognition of a receivable and an increase in ending fund balance.

**Effect**

If the "HBGB" calculation is challenged, the impact on the District's financial position is not objectively determinable.

**Cause**

The HBGB formula was not subject to third-party testing. The formula to calculate the District's obligations to fund the HBGB is unclear and has been interpreted differently.

**Identification as a Repeat Finding**

See finding 2020-005.

**Recommendation**

We recommend the District renegotiate the agreement concerning the formula used to calculate the District's annual obligation for health and welfare. The formula should be subject to independent recalculation to ensure that its results are consistent with its intent.

**Views of Responsible Officials and Planned Corrective Actions**

The negotiations process is in progress with HBGB, and the objective to negotiate a formula that is clearer and minimizes the risk of interpretation for future operational failure is the goal of the District.

**2021-006      Audit Adjustments**

Code 30000

**Criteria**

Management of the District must account for all transactions per generally accepted accounting principles.

**Condition**

A material weakness in internal control over financial reporting – Audit adjustments was necessary for the financial statements to be presented to conform with generally accepted accounting principles.

**Context**

The following is a summary of the adjustments that were necessary for the accounting records to be presented per governmental accounting standards:

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Funds	Self-Insurance Fund
Fund balance/net position, unadjusted	\$ 113,364,168	\$ 27,461,890	\$ 74,351,172	\$ 114,563,540	\$ 28,228,758	\$ -
Audit adjustments were necessary for the following items						
GASB 31 required adjustment to the fair value of investments	956,951	190,243	631,021	959,908	229,107	193,287
Debt service payments were posted to the incorrect fiscal year	4,727,293	-	-	-	-	-
Recognize short-term borrowings that were unrecorded	(15,590,000)	-	-	-	-	-
Recognize cash held by the TRANS trustee that was not recorded	15,590,000	-	-	-	-	-
Accounts payable were overstated	4,567,083	-	-	-	-	-
Accounts receivable were overstated	(4,567,083)	-	-	-	-	-
Claims liability as of July 1, 2020	-	-	-	-	-	(42,601,756)
Net pension liability and deferrals as of July 1, 2020	-	-	-	-	-	(2,359,754)
<b>Fund balance/net position, per audited financial statements</b>	<b>\$ 119,048,412</b>	<b>\$ 27,652,133</b>	<b>\$ 74,982,193</b>	<b>\$ 115,523,448</b>	<b>\$ 28,457,865</b>	<b>\$ (44,768,223)</b>

**Effect**

Audit adjustments were necessary for the financial statements to be presented per GAAP. Furthermore, there is a higher than usual risk that other errors may exist that were not detected by our audit procedures.

**Cause**

Management personnel responsible for financial accounting and reporting did not consider all applicable accounting standards for governmental entities.

**Identification as a Repeat Finding**

See finding 2020-006

**Recommendation**

Management personnel responsible for financial accounting and reporting should seek continuing professional education regarding accounting standards applicable to governmental entities.

**Views of Responsible Officials and Planned Corrective Actions**

The District has procedures in place at year end to review for audit adjustments and will ensure that the procedures are completed.

**2021-007      Twenty-First Century Attendance Reporting**

A material weakness in internal control and material noncompliance about attendance reporting Code 50000.

**Federal Program Affected**

U.S. Department of Agriculture, California Department of Education: Twenty-First Century Community Learning Centers, 84.287.

**Criteria**

The California Department of Education (CDE) administers California's 21st Century Community Learning Centers CCLC) program. Education Code sections 8484.7 - 8484.9 further define California's 21st CCLC Program. This state-administered, federally funded program provides five-year grant funding to establish or expand before and after school programs that provide disadvantaged kindergarten through twelfth-grade students with academic enrichment opportunities and supportive services to help the students meet state and local standards in core content areas.

The District evidences student participation by reporting attendance to the CDE. The daily attendance shall be recorded for all the students attending the after-school program on each school day the program operates.

**Condition**

There was a material weakness in internal control over compliance and noncompliance because attendance reported to the CDE was incorrect.

**Questioned Costs**

Not applicable.

**Context**

The District operates a 21 Century Program at over 60 schools. We selected a sample of five schools, and the condition applies to one of the sampled schools. For that school, the District's monthly records support 27,595 days of attendance, inclusive of ASES; however, the amount reported was 22,944, which is a difference of 4,651 or 17 percent.

**Cause**

After the District reported the attendance number to CDE, lead agencies could modify attendance records without notifying the District.

**Identification as a Repeat Finding**

See finding 2020-010

**Recommendation**

Any changes to attendance records after the cut-off period should require manual override by responsible District officials.

**Views of Responsible Officials/Corrective Action Plan**

The State and Federal Compliance Department will develop procedures to ensure compliance with federal grants. These trainings will include the appropriate method to report, retain, and validate attendance timely.

**State Compliance Findings**

**2021-008**      **Attendance Recording**  
Code 10000, 40000

**Criteria**

EDC §41601 requires reporting of average daily attendance (ADA) to the California Department of Education, which is the basis of state funding, and for other compliance reasons.

**Condition**

If not for audit adjustments, reported attendance, and by extension, state funding that is based on ADA would have been overstated.

Aeries defaults students as present unless specially marked absent by the classroom teacher. The District's internal control process requires site clerks to verify that a "single period" attendance is correct. We identified instances where the verification occurred, but the necessary revisions to the Aeries attendance records did not happen.

Furthermore, various designations are used to record when students are absent because of, for example, illness, vacation, field trip, unexcused. We identified instances where students were counted as "present" when multiple absence codes were used on a single day.

### **Questioned Costs**

No questioned costs are associated with this finding because the matter was corrected before the 2020 P-2 reporting period.

### **Context**

This is a carryover finding from 2020 due to a temporary carryover of ADA from 2020. The total regular ADA at P-2 was 33 thousand. A change of one ADA has approximately a \$10,800 effect on the unrestricted general fund.

### **Effect**

Although this was identified and corrected early in the year 2020, there is a higher than normal risk to the District that ADA projections and reported ADA is incorrect. Furthermore, there is a higher than average risk that attendance reported on P-2 could be overstated.

### **Cause and Recommendation**

The District has official policies and procedures to identify and correct these errors. However, there is no specific person responsible for implementing the corrections within the attendance accounting system. We recommend that the District appoint a particular person responsible for implementing and enforcing the policies. Furthermore, we found instances where the "single period forms" were completed, but necessary updates were not entered into Aeries, and there must be an emphasis on that follow through. Management should monitor secondary sites to ensure they are completing the "single period attendance reports" weekly.

The issue of mixed attendance codes is a system-level issue that should be addressed in cooperation with the District's IT department personnel responsible for Aeries.

### **Identification as a Repeat Finding**

See finding 2020-012

### **Views of Responsible Officials/Corrective Action Plan**

The attendance taking process has improved substantially over the past few years as we make progress on past audit findings. We will continue to revise our attendance taking policies and procedures as issues are identified.

*The district has increased its training, internal auditing, and monitoring to improve the single attendance training.*

- Weekly Attendance Q & A's and coaching sessions are held throughout the year for attendance specialists to provide real time coaching, support and direct guidance.
- The Coordinator of Systems and Operations conducts small group training sessions to review specific processes and provide intensive training when assessed that training needed.
- Secondary site specialists attend required sessions for the Single Period Verification process to ensure that the forms are being provided to teachers routinely and the data is being input in Aeries.
- The Single Period Verification Process is being monitored and audited on a monthly basis.
- Mixed absence codes are updated on a monthly basis by I.T.

**2021-009      Teacher Certification and Misassignments**  
Code 10000, 4000

**Criteria**

The *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, (Audit Guide) requires us to verify whether sampled teachers were assigned to teach in a position consistent with the authorization of their certification or otherwise authorized by law pursuant to (1) a governing board resolution in conformance with subdivision (b) of Education Code section 44256, 44258.2, 44258.3, or 44263 or (2) the approval of a committee on assignments pursuant to subdivision (c) or (d) of Education Code section 44258. 7.

**Condition**

From a sample of 100, we identified two possible instances of noncompliance. One sample was identified with an attempted transfer out of state credential but not valid currently, and the last sample was identified showing no credential.

**Questioned Costs**

Not applicable

**Context**

We identified two instances from a sample of 100.

**Effect**

We could not conclude if the District complied with the Teacher Certification and Misassignments compliance requirements per the LEA Audit Guide.

**Cause and Recommendation**

We recommend the District evaluate processes in this area about compliance.

**Identification as a Repeat Finding**

This was not reported as a prior year finding.

**Views of Responsible Officials/Corrective Action Plan**

We are facing a national teacher shortage, impacting all districts, including Oakland Unified's ability to find fully credentialed teachers. Therefore, some of the teachers we have do not have the appropriate credentials. We have been supporting teachers to get the appropriate authorizations by one on one support about the credentialing process, identifying pathways for teachers to credentials and additional authorizations. We have established a cross departmental team to analyze how courses are coded and which teachers are assigned to help mitigate the amount of mis-assignments. As part of our goals of increasing diversity in our teaching force, we recognize that traditional credentialing programs do not have a significant pool of teachers of color. As we target the recruitment of more teachers of color, we are strategically recruiting people of color into the teaching force and they are needing emergency credentialing authorizations as we support them to become fully credentialed. Additionally, we are exploring an in-house OUSD credentialing program.

**2021-010**      **School Accountability Report Card**  
Code 40000, 72000

**Criteria**

EDC §35186(d) requires that a school district shall report summarized data on the nature and resolution of all complaints on a quarterly basis to the county superintendent of schools and the governing board of the school district. The summaries shall be publicly reported on a quarterly basis at a regularly scheduled meeting of the governing board of the school district.

**Condition**

The District did not provide us with the quarterly summaries described in the criteria paragraph.

**Questioned Costs**

There is no questioned cost associated with this condition.

**Context**

The condition is not specific to any single site.

**Effect**

Information contained in the SARC regarding complaints related to teacher misassignments or vacancies may be incomplete or inaccurate. Furthermore, the District did not comply with the requirements noted in the Criteria paragraph.

**Cause and Recommendation**

We recommend that the District appoint someone to be accountable for compliance in this area.

**Identification as a Repeat Finding**

See finding 2020-013

**Views of Responsible Officials/Corrective Action Plan**

District HR/Talent office staff are developing procedures to address this finding. To that end, Talent staff will work to ensure that it is in compliance with Teacher Certification Misassignment Compliance requirements. See responses for finding 2021-009.

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

## Financial Statement Findings

### 2020-001 - 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 2021-001.

### 2020-002 Human Resources/Payroll Internal Control Process, Pension

#### ***Finding***

The District was unable to supply documentation to satisfy us that census information and payroll amounts reported to pension providers are complete and accurate. We analytically recalculated these expenses, noting that the total charges are overall reasonable, and accordingly, we reached a conclusion about the financial statements. However, we had to perform much more work than is typically necessary to reach that conclusion, which is evidence of the internal control deficiency.

#### ***Recommendation***

The District should ensure that management in charge of these areas is held accountable to ensure that all critical internal control policies and procedures are 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. Furthermore, there needs to be one established method to ensure that controls are being followed and that employees do not deviate from established District policies. Finally, there needs to be a formal record retention policy that supports the fact that controls are being followed in accordance with District policies.

#### ***Current Status***

See finding 2021-002.

**2020-003 – Payroll Internal Control Process, Vacation*****Finding***

The District was unable to supply documentation to prove that usage of vacation is consistently recorded in the payroll system and that balances do not exceed the maximum allowed per District policy. Furthermore, we noted that the controls over the calculation of accrued vacation on separation do not include documentary evidence of an independent reviewer. We were verbally informed that someone independent of the preparer reviews each calculation. However, because evidence of the control is not documented, we consider this to be evidence of a material weakness.

***Recommendation***

Management in charge of these areas should be held accountable to ensure that all critical internal control policies and procedures are 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. Furthermore, there needs to be one established method to ensure that controls are being followed and that employees do not deviate from established District policies. Finally, there needs to be a formal record retention policy that supports the fact that controls are being followed in accordance with District policies.

***Current Status***

See finding 2021-003.

**2020-004 - Contractor Selection Internal Controls*****Finding***

Significant deficiency in internal control - In our testing of internal controls over the accounts payable and cash disbursement processes, we noted instances where the District was unable to provide documentation to show us that vendors were selected pursuant to District purchasing policy.

***Recommendation***

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

***Current Status***

Resolved

**2020-005 - Health Benefits Governing Board**

***Finding***

Material weakness in internal control - The formula to calculate the District's health and welfare obligations per the HBGB agreement is not clear and has been interpreted differently with substantially varying outcomes. The District's obligation to (or receivable from) the "HBGB" is not calculated.

***Recommendation***

We recommend the District to re-negotiate the agreement with respect to the formula used to calculate the District's annual obligation for health and welfare.

***Current Status***

See finding 2021-005.

**2020-006 - Audit Adjustment**

***Finding***

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

***Recommendation***

We recommend that management consider the accounting standards applicable to governmental entities when making decisions involving financial reporting.

***Current Status***

Seen finding 2021-006

**2020-007 - Documenting Activities and Costs Charged to Federal Grants**

***Finding***

Material weakness in internal control over compliance and instances of non-compliance - The Uniform Guidance specifies the standards for documenting salaries and wages charged to federal programs. 2 CFR section 200.430. The District does not maintain the required documentation in a manner to support the audit.

***Recommendation***

The responsibility to collect federal time accounting documents should be handled by centralized personnel at the District office. One person should be tasked with this responsibility and held accountable for compliance.

***Current Status***

Resolved

**2020-008 - Procurement funded by Federal grants**

***Finding***

Material weakness in internal control over compliance and noncompliance because the District could not provide evidence that vendors were selected pursuant to its Federal grant agreements.

***Recommendation***

There should be a person responsible for reviewing the calculation and initiating follow-up action as necessary.

***Current Status***

Resolved.

**2020-009 - Eligibility for Free and Reduced Priced Meals**

***Finding***

Material weakness in internal control over compliance and noncompliance because students are classified as eligible for free or reduced price meals, although the District did not provide a supporting applications.

***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.

***Current Status***

Resolved.

**2019-010 - Twenty-First Century Attendance Reporting**

***Finding***

Attendance reported to the CDE was overstated.

***Recommendation***

Any changes to attendance records after the cut-off period should require manual override by responsible District officials.

***Current Status***

See finding 2021-007

**2020-011 - Special Education Early Intervention Services**

***Finding***

The District did not separately track expenditures for early intervention services from other federal special education expenditures.

***Recommendation***

The District should separately track expenditures for early intervention services from other special education services so that it may demonstrate compliance.

***Current Status***

Resolved

**2020-012 - Attendance Recording**

***Finding***

If not for audit adjustments, reported attendance, and by extension LCFF revenues, would have been overstated.

***Recommendation***

Appointment someone with the responsibility and authority to oversee the attendance taking process.

***Current Status***

See finding 2021-008

**2020-013 - School Accountability Report Card (complaints)**

***Finding***

The District did not provide us with quarterly Williams complaint forms.

***Recommendation***

We recommend that the District appoint someone to be accountable for compliance in this area.

***Current Status***

See finding 2021-010

**2020-014 - School Accountability Report Card (Facilities Inspection Tool)**

***Finding***

The District could not provide the FIT, or equivalent, for us to compare with the information about facilities published in the SARC.

***Recommendation***

We recommend that the District appoint someone to be accountable for compliance in this area.

***Current Status***

Resolved

**2020-015 - Unduplicated Local Control Funding Formula Pupil Counts**

***Finding***

Pupils were incorrectly classified in CALPADS.

***Recommendation***

The District's internal control process over reviewing meal price applications does not include adequate monitoring for quality control.

***Current Status***

Resolved