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**OAKLAND UNIFIED
SCHOOL DISTRICT**
Community Schools, Thriving Students

Board Cover Memorandum

To Measure G1 Districtwide Teacher Retention and Middle School Improvement Act Oversight Commission

From Middle School Network

Meeting Date March 28, 2023

Subject OUSD 2022 Final Measure G1 Parcel Tax Financial Report

Ask of the Commission OUSD 2022 Final Measure G1 Parcel Tax Financial Report

Discussion Middle School Network is open to questions from the commission regarding the discussion of the OUSD 2022 Final Measure G1 Parcel Tax Financial Report. Eide Bailly have audited Oakland Unified School District's compliance with the requirements described in the November 8, 2016 Measure G1 for the year ended June 30, 2022 and have issued our report thereon dated December 13, 2022.

Attachment(s) Parcel Tax Financial Report attached





December 13, 2022

To the Measure G1 Citizens' Oversight Committee and
the Board of Education of the Oakland Unified School District

We have audited Oakland Unified School District's compliance with the requirements described in the November 8, 2016 Measure G1 for the year ended June 30, 2022 and have issued our report thereon dated December 13, 2022. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Compliance Audit under Generally Accepted Auditing Standards and Government Auditing Standards

As communicated in our letters dated April 22, 2022 our responsibility, as described by professional standards, is to plan and perform the audit to obtain reasonable assurance about whether the District complied with the compliance requirements of the Measure G1 for the fiscal years ending June 30, 2022. Our audit of compliance does not relieve you or management of your 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 District complied with Measure G1. An audit of compliance in accordance with *Government Auditing Standards* 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.

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.

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

As stated in our auditor’s report, professional standards require us to design our audit to obtain reasonable assurance about whether material noncompliance with the compliance requirements of the November 8, 2016 Measure G1 occurred whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the compliance and assess the risk that material noncompliance could occur. Areas that are potentially more susceptible to material noncompliance, and thereby require special audit considerations, are designated as “significant risks.” We identified no significant risks of material noncompliance.

Significant Difficulties Encountered during the Audit

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

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 District’s financial statements or the auditor’s report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated December 13, 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 Oakland Unified School District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, 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.

This report is intended solely for the information and use of the Measure G1 Citizens’ Oversight Committee and the Board of Education of the Oakland Unified School District, and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.



Menlo Park, California



Independent Auditor's Report on Compliance
and Supplementary Schedules
June 30, 2022

Oakland Unified School District
Measure G1 Parcel Tax

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Independent Auditor's Report

Board of Education and
Measure G1 Citizens' Oversight Committee
Oakland Unified School District

Report on Compliance

Opinion on Compliance with Measure G1

We have audited the Oakland Unified School District's (District) compliance with the compliance requirements described in Appendix I, Summary of Audit Procedures, applicable to the November 8, 2016 Measure G1 for the year ended June 30, 2022.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the November 8, 2016 Measure G1 for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's government programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, and *Government Auditing Standards* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 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 "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not

identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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. Accordingly, this report 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
December 13, 2022



Appendix I
Summary of Audit Procedures
Oakland Unified School District
Measure G1 Parcel Tax

Objectives of Our Audit

- Ensure proceeds and expenditures of the parcel tax are fully accounted in the books and records of the district.
- Ensure expenditures are in support of allowable uses as per the ballot language, separately with respect to middle school grants, salary for school site educators, and administrative overhead.
- Ensure that middle school grants and charter school grants were allocated as per the ballot language.
- Ensure that the administrative overhead allocation does not exceed 1% cumulatively from inception, exclusive of county collection costs.
- Ensure that middle school grant expenditures agree with the education improvement plans that were approved by the Citizens' Oversight Committee.
- Ensure that expenditures of Measure G1 are only for supplemental activities.

Scope

- District expenditures funded by measure G1 during the fiscal year ending June 30, 2022.

Methodology

The following describes the audit procedures and our related findings.

1. Obtain parcel tax expenditure detail reports prepared by the District and agree amounts to the general ledger.

Finding - No exceptions were identified from applying this procedure. The Measure G1 accounting records are complete and include all activity during the fiscal year. The summary financial schedules provided in Appendix II reconcile with the District's accounting records.

2. Review the nature of the expenditures incurred by the school sites, and review source documents as appropriate, to ensure they were within the specific purposes of the ballot language.

Finding – No instances of noncompliance were identified from applying this procedure. We analytically reviewed the population of expenditure accounting records to search for transactions outside the scope allowable expenditures. Individual transactions were selected for additional audit analysis, which includes reviewing source documents such as invoices, contracts, purchase orders, journal entries, or payroll records, as applicable. Subjected to the additional audit analysis were 62 individual transactions aggregating 10.7 million and employee benefits of \$5.7 million which is 52 percent of the \$21.3 million of total expenditures.

3. Test a sample of expenditures to ensure they were spent following the approved education improvement plans. Applicable to these procedures are the same items described in procedures number two.

Finding - No exceptions were identified from applying this procedure. All sampled expenditure transactions reconcile to the approved site plans.

4. Ascertain if salary increases were used to supply raises to “school site educators,” as the term is used in the ballot text.

Finding – No exceptions were identified from applying this procedure. The administrative regulations define a “school site educator” as an employee who spends at least 75% of their time at school sites, or who is a union-represented employee. The salary increases funded by Measure G1 were provided to these groups for the year ending June 30, 2022 through increases to the District-wide salary schedule.

5. Ensure the same percentage increase in salary was applied to all school site educators.

Finding – No exceptions were identified from applying this procedure. The salary increases funded by Measure G1 were applied to the District-wide salary schedules.

6. Verify if the parcel tax is funding supplemental activities by performing the following procedures. Ascertain if funds were used to provide services which were required to be made available by virtue of being a school. Also, perform procedures to ascertain whether the parcel tax funded services that were previously provided with another funding source.

Finding – No exceptions were identified from applying this procedure.

7. Recalculate the ratio of administrative overhead charges to total proceeds to ensure that no more than 1% of proceeds are spent on administrative overhead, cumulative and exclusive of county collection costs. Also, verify if administrative costs were for Measure G1 administrative activities.

Finding – No exceptions were identified from applying this procedure. The following tables shows the calculation of current year allowable administrative costs:

Current year G1 parcel tax proceeds	\$ 11,714,235
Less county tax collection fees	<u>(196,193)</u>
Basis for calculation of maximum administrative cost	<u>\$ 11,518,042</u>
Unspent administrative cost carryover from prior year	\$ 182,852
Additions from current year tax proceeds	115,180
Less administrative costs funded by G1 in the current year	<u>(169,508)</u>
Unspent administrative cost carryover to the following year	<u>\$ 128,524</u>

8. Recalculate the 65/35 percent allocation between raises for school site educators and middle school grants.

Finding – No exceptions were identified from applying this procedure.

9. Select a sample of district schools and a sample of charter schools. Test the allocation of grant proceeds to the sample of schools.

Finding – No exceptions were identified from applying this procedure. We recalculated the allocation of grant proceeds to District schools and charter schools. The allocation is consistently applied and calculated per the methodology described in Measure G1.

10. Examine supporting documentation to validate the amount of Measure G1 Parcel Tax revenues received.

Finding – No exceptions were identified from applying this procedure. Current year revenues of \$11,714,234 are recorded into the accounting records of Measure G1.



Appendix II
Summary Financial Schedules (Unaudited)
Oakland Unified School District
Measure G1 Parcel Tax

Oakland Unified School District
Schedule of Income Statement Accounts
Year Ended June 30, 2022

Revenues	
Measure G1 parcel tax collections	\$ 11,714,235
Expenditures	
Direct District site expenditures - Middle School Grants	2,636,377
Direct District site expenditures - Teacher Retention Grants	9,971,926
Charter school reimbursements made - Middle School Grants	1,160,794
Charter school reimbursements made - Teacher Retention Grants	2,155,761
County collection fee	196,193
Administrative	<u>169,508</u>
Total expenditures	<u>16,290,559</u>
Change in fund balance	(4,576,324)
Fund balance - beginning of year	<u>13,471,132</u>
Fund balance - end of year	<u><u>\$ 8,894,808</u></u>

Oakland Unified School District
 Schedule of the Calculation of Ending Fund Balance Components
 June 30, 2022

Calculation of the ending fund balance restricted for middle school grants (35%)	
Inception to date revenues as of the beginning of the year	\$ 15,780,254
Current year revenues for middle school grants	<u>3,991,002</u>
Inception to date revenues for middle school grants as of the end of the year	19,771,256
Inception to date expenditures as of the beginning of the year	10,103,564
Current year expenditures for middle school grants	<u>3,797,171</u>
Inception to date expenditures for middle school grants as of the end of the year	13,900,735
Ending fund balance restricted for middle school grants	<u>5,870,521</u>
Calculation of the ending fund balance restricted for raises for school site educators (65%)	
Inception to date revenues as of the beginning of the year	29,306,186
Current year revenues for raises for school site educators	<u>7,411,860</u>
Inception to date revenues for middle school grants as of the end of the year	<u>36,718,046</u>
Inception to date expenditures as of the beginning of the year	21,694,595
Current year expenditures for raises for school site educators	<u>12,127,687</u>
Inception to date expenditures for raises as of the end of the year	33,822,282
Ending fund balance restricted for raises for school site educators	<u>2,895,764</u>
Calculation of the ending fund balance available for administrative costs	
Unspent administrative funds as of the beginning of the year	182,852
Additions from current year proceeds	115,180
Less administrative costs funded by G1 in the current fiscal year	<u>169,508</u>
Ending fund balance available for administrative costs	<u>128,525</u>
June 30, 2021 ending fund balance of Measure G1	<u><u>\$ 8,894,810</u></u>