

Board Office Use: Legislative File Info.	
File ID Number	15-1483
Introduction Date	8/03/15
Enactment Number	
Enactment Date	



OAKLAND UNIFIED  
SCHOOL DISTRICT

*Community Schools, Thriving Students*

# Memo

**To** Board of Education

**From** Antwan Wilson, Superintendent  
Vernon Hal, Senior Business Officer

**Board Meeting Date** August 12, 2015

## Subject

**Action Requested** **Presentation by Vavrinek, Trine, Day & Co., LLP ("VTD") to the Board of Education of the 2012-13 Annual Financial Audit Report**

**Background/Discussion** The auditors will submit a summary presentation.

**Recommendation** **Presentation by Vavrinek, Trine, Day & Co., LLP ("VTD") to the Board of Education of the 2012-13 Annual Financial Audit Report**

**Fiscal Impact** n/a

**Attachments**

- Audit Report

**OAKLAND UNIFIED SCHOOL  
DISTRICT**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2013**

# OAKLAND UNIFIED SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2013

---

### ***FINANCIAL SECTION***

Independent Auditor's Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds - Balance Sheet	15
Reconciliation of the Governmental Funds Balance Sheet to the	
Statement of Net Position	16
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund	
Balances	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,	
and Changes in Fund Balances to the Statement of Activities	18
Proprietary Fund - Statement of Net Position	19
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund	20
Net Position	
Proprietary Funds - Statement of Cash Flows	21
Fiduciary Funds - Statement of Net Position	22
Notes to Financial Statements	23

### ***REQUIRED SUPPLEMENTARY INFORMATION***

General Fund - Budgetary Comparison Schedule	53
--	----

### ***SUPPLEMENTARY INFORMATION***

Local Education Agency Organization Structure	55
Schedule of Average Daily Attendance	56
Schedule of Instructional Time	57
Schedule of Charter Schools	58
Reconciliation of Annual Financial and Budget Report with Audited Financial	59
Statements	
Schedule of Expenditures of Federal Awards	60
Schedule of Financial Trends and Analysis	62
Combining Statements – Nonmajor Governmental Funds	
Combining Balance Sheet	63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	65
Note to Supplementary Information	67

### ***INDEPENDENT AUDITOR'S REPORTS***

Report on Internal Control Over Financial Reporting and on Compliance and Other	70
Matters Based on an Audit of Financial Statements Performed in Accordance With	
<i>Government Auditing Standards</i>	
Report on Compliance for Each Major Federal Program and Report on Internal Control	72
Over Compliance Required by the OMB Circular A-133	
Report on State Compliance	75

# OAKLAND UNIFIED SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2013

---

### *SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

Summary of Auditor's Results	78
Financial Statement Findings	79
Federal Awards Findings and Questioned Costs	80
State Awards Findings and Questioned Costs	94
Summary Schedule of Prior Audit Findings	103

---

---

***FINANCIAL SECTION***

---

---



## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Oakland Unified School District  
Oakland, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oakland Unified School District (the District), as of and for the year ended June 30, 2013, 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-2013*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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

The accompanying financial statements do not include the fiduciary fund, (the Associated Student Body Fund) as of and for the year ended June 30, 2013. Presentation of such statements is required in order to comply with accounting principles generally accepted in the United States of America.



## Qualified Opinions

In our opinion, except for the omission of the fiduciary financial statements, 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 District, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

### *Supplementary 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 supplementary information, as listed in the table of contents, including the Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, including the Schedule of Expenditures of Federal Awards, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.

*Varinick Trine Day + Co. LLP*

Palo Alto, California  
July 20, 2015

# **OAKLAND UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013**

---

This section of the Oakland Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

#### **The Financial Statements**

The financial statements presented herein include all of the activities of the District as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The Government-wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have been made as prescribed by the statement in regards to interfund activity, payables, and receivables.

The Fund Financial Statements include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

The Governmental Activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The Fiduciary Activities are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences created by the integrated approach.

The primary unit of the government is the Oakland Unified School District.

### **REPORTING THE DISTRICT AS A WHOLE**

#### **The Statement of Net Position and the Statement of Activities**

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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.



# OAKLAND UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

---

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

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### Fund Financial Statements

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

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

**Proprietary Funds** - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. We use an internal service funds (a component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service fund is reported with governmental activities in the government-wide financial statements.

# **OAKLAND UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2013**

---

### **THE DISTRICT AS A TRUSTEE**

#### **Reporting the District's Fiduciary Responsibilities**

The District is the trustee, or fiduciary, for funds held on behalf of others, such as funds resulting from Payroll related activities. The District does not report on Associated Student Body (ASB) funds and they are not included in our reporting of the fiduciary funds. The District's fiduciary activities are reported in a separate Statement of Net Assets and Liabilities. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### **FINANCIAL HIGHLIGHTS**

- Total ending fund balance for the District's general fund (which includes Fund 17, Special Reserve for Other than Capital Outlay) as of June 30, 2013, was \$37 million. The General Fund's fund balance decreased approximately \$7.6 million.
- The District's ending available reserves were \$19.26 million, which exceeds both the state mandated 2% reserve (approximately \$8.4 million) and the governing board's minimum 3% reserve requirement of \$12.3 million.
- Government-wide revenues increased by \$61.66 million to a total of \$588.7 million. Total revenue exceeded expenses by \$64.28 million.
- The District incurred capitalized facilities and construction costs of \$89.4 million.

# OAKLAND UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

### THE DISTRICT AS A WHOLE

#### Net Position

The District's net position was \$115.19 million at fiscal year ended June 30, 2013. \$79.35 million was invested in capital assets net of related debt, \$100.25 million was restricted, leaving an unrestricted deficit of \$(64.41) million. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

**Table 1**

(Amounts in millions)	Governmental Activities	
	2013	2012*
Assets		
Current and other assets	\$ 285.34	\$ 314.19
Capital assets	783.63	716.59
Total Assets	<u>1,068.98</u>	<u>1,030.78</u>
Liabilities		
Current liabilities	106.97	112.20
Current portion of long-term obligations	22.67	19.94
Long-term obligations	824.14	846.40
Total Liabilities	<u>953.79</u>	<u>978.54</u>
Net Position		
Net investment in capital assets	79.35	33.51
Restricted	100.25	80.93
Unrestricted	(64.41)	(62.20)
Total Net Position	<u>\$ 115.19</u>	<u>\$ 52.24</u>

\*2012 column does not include the impact of prior period adjustments.

The \$115.19 million in net position represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, remains in a deficit position, and that deficit increased by \$2.21 million. It should be noted that the unrestricted deficit includes significant liabilities such as the state emergency apportionment loan (\$59.5 million), compensated absences of \$7.8 million, and the IBNR reserve for workers compensation claims of \$37.4 million.



# OAKLAND UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

### 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	
	2013	2012*
Revenues		
Program revenues:		
Charges for services	\$ 1.13	\$ 0.31
Operating grants and contributions	164.35	164.28
Capital grants and contributions	77.53	16.38
General revenues:		
Federal and State aid not restricted	145.89	169.44
Taxes	183.02	164.28
Other general revenues	16.84	12.41
Total Revenues	<u>588.76</u>	<u>527.10</u>
Expenses		
Instruction	254.17	242.47
Instruction-related	80.25	83.22
Student support services	44.90	44.05
Administration	28.48	19.28
Maintenance and operations	67.94	62.28
Interest on long-term obligations	41.50	39.57
Other	7.24	10.61
Total Expenses	<u>524.48</u>	<u>501.48</u>
Change in Net Position	<u>\$ 64.28</u>	<u>\$ 25.62</u>

\*2012 column does not include the impact of prior period adjustments.

### Governmental Activities

As reported in the *Statement of Activities* on page 14, the cost of all of our governmental activities this year was \$524.48 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$183.0 million because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions in the amount of \$241.9 million. We paid for the remaining "public benefit" portion of our governmental activities with \$145.9 million in federal and state funds, and \$18.0 million with other revenues, like interest and general entitlements.

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



# OAKLAND UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

**Table 3**

		Net Cost of Services	
		2013	2012
Instruction		\$ 106.6	\$ 150.8
School administration		52.7	49.0
Pupil services		16.5	16.2
Administration		22.8	14.9
Maintenance and operations		46.0	46.1
Interest on long term debt		41.5	39.6
Other		(4.6)	4.1
Total		<u>\$ 281.5</u>	<u>\$ 320.6</u>

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$184.79 million, which is a decrease of \$20.46 million from last year, after adjusting the beginning fund balance for the impact of prior period adjustments (Table 4), which is primarily the result of spending bond proceeds on capital improvement in the Building Fund.

**Table 4**

(Amounts in millions)

	July 1, 2012	Revenues	Expenditures	June 30, 2013
General*	\$ 44.66	\$ 409.17	\$ 416.73	\$ 37.10
Building	74.24	0.53	36.83	37.94
Bond Interest and Redemption*	44.94	61.42	55.34	51.01
Adult Education	0.87	1.72	2.07	0.52
Cafeteria	2.43	17.35	18.29	1.49
Capital Facilities	7.61	4.89	8.51	3.99
Child Development	0.38	12.33	12.39	0.32
County School Facilities	27.89	77.89	56.79	48.99
Deferred Maintenance	0.99	2.10	0.63	2.46
Special Reserve, Capital	1.24	4.95	5.22	0.96
State School Building	0.00	0.00	0.00	0.00
Tax Override	0.01	(0.01)	-	-
Total	<u>\$ 205.25</u>	<u>\$ 592.33</u>	<u>\$ 612.79</u>	<u>\$ 184.79</u>

\*Beginning balances reflect prior period adjustments.

# OAKLAND UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

---

### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 53.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2013, the District had \$783.63 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase of \$67.04 million or 9%, from last year (Table 5).

**Table 5**

(Amounts in millions)	Governmental Activities	
	2013	2012
Land and construction in progress	\$ 114.36	\$ 213.94
Buildings and improvements	666.74	499.76
Equipment	2.53	2.89
Total	<u>\$ 783.63</u>	<u>\$ 716.59</u>

#### Long-Term Obligations

At the end of this year, the District had \$740.43 million in bonds outstanding versus \$755.52 million last year, a decrease of \$15 million or 2.00%. Total long-term debt consisted of:

**Table 6**

(Amounts in millions)	Governmental Activities	
	2013	2012
General obligation bonds (financed with property taxes)	\$ 740.43	\$ 755.52
Emergency apportionment Loan	59.48	64.32
Other	9.55	9.61
Total	<u>\$ 809.46</u>	<u>\$ 829.45</u>

Other obligations include compensated absences payable and other long-term obligations. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

# OAKLAND UNIFIED SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

---

### ECONOMIC FACTORS

**Agreement with Teachers' Union and Pay Increase for All Employees** - In early June 2013, the District and Teachers' Union reached an agreement without impasse, mediation or arbitration. The essential terms of the OEA agreement are: 1) 2.35% one-time for all members, including substitutes; 2) 1.5% ongoing increase for all members, including substitutes; 3) 0.5% ongoing increase for all members, including substitutes (contingent on \$7 million in additional ongoing unrestricted State funds usable for general salary increase). All employees received the pay increase.

In May of 2015, the District, the Teacher's Union (OEA) and the administrators union (UAOS), agreed to salary increases and other terms of their respective contracts. Parts of the agreements are contingent on additional resources. The District continues to negotiate with the remaining units.

**Local Control Funding Formula** - California's passage of the Local Control Funding Formula ("LCFF") provides more stability and predictability of State funding to the District. LCFF distributes resources to school Districts through a base funding grant per unit of daily attendance ("ADA"), with additional supplemental funding to certain Districts beginning in fiscal year 2013-14. LCFF will be implemented over eight years. Because of the District's high concentration of English language learners, students from low-income families and foster youth, the District anticipates an increase of approximately \$8.2 million in State funding in 2013-14, \$30.6 million in 2014-15, and \$38.2 million in 2015-16 (per LCFF Calculator June 2015).

**Parcel Tax – November 2014 Election** - On November 4, 2014, the voters of Oakland passed a parcel tax known as "Oakland Unified School District College and Career Readiness for All Fund." The proceeds from the parcel tax will be used to provide Oakland high school students with real-world work and learning opportunities; prepare students for admission to the University of California and other four-year colleges; expand mentoring, tutoring, counseling, support services, and transition to job training programs, among other programs. The parcel tax is a \$120 per parcel tax on real estate owned in Oakland, except low-income homeowners and senior homeowners. The parcel tax will provide additional funding of \$12 million.

**1025 Damage** - On January 7, 2013, a substantial water leak occurred on the top floor of the District's (the "District") Paul Robeson Administration Building, located at 1025 2nd Avenue, causing excessive flooding on all four floors and significant damage to the entire structure. As a result of this water damage, the Paul Robeson Administration Building was vacated and staff relocated to leased space at the Trans Pacific Center, 1000 Broadway. The lease payments for 1000 Broadway are covered by the insurance settlement through December 2015.

**General Obligation Bonds** - In August 2013, the District issued \$120 million in general obligation bonds at interest rates ranging from 4.000% to 6.300%. The bonds have maturity dates through August 1, 2038.

# **OAKLAND UNIFIED SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2013**

---

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, please contact:

Vernon Hal  
Senior Business Officer  
Oakland Unified School District  
1000 Broadway, Suite 680  
Oakland, CA 94607

Or visit our website at: [www.ousd.k12.ca.us](http://www.ousd.k12.ca.us)



# OAKLAND UNIFIED SCHOOL DISTRICT

## STATEMENT OF NET POSITION

JUNE 30, 2013

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 215,814,402
Receivables	69,527,929
Capital assets, net of accumulated depreciation	<u>783,633,651</u>
<b>Total Assets</b>	<u>1,068,975,982</u>
<b>LIABILITIES</b>	
Accounts payable	48,912,321
Interest payable	16,825,094
Deferred revenue	1,232,806
Claims liability	37,355,810
Current loans	40,000,000
Current portion of long-term obligations	22,672,847
Noncurrent portion of long-term obligations	<u>786,786,268</u>
<b>Total Liabilities</b>	<u>953,785,146</u>
<b>NET POSITION</b>	
Net investment in capital assets	79,352,791
Restricted	
Debt service	34,186,666
Capital projects	53,941,015
Educational programs	12,124,820
Unrestricted	<u>(64,414,456)</u>
<b>Total Net Position</b>	<u>\$ 115,190,836</u>

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

# OAKLAND UNIFIED SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction	\$ 254,169,642	\$ 216,678	\$ 69,840,731	\$ 77,533,374	\$ (106,578,859)
Instruction-related activities:					
Supervision of instruction	46,061,322	-	22,544,009	-	(23,517,313)
Instructional library, media, and technology	1,297,822	-	25,732	-	(1,272,090)
School site administration	32,890,943	85,476	4,848,942	-	(27,956,525)
Pupil services:					
Home-to-school transportation	11,083,914	-	5,529,863	-	(5,554,051)
Food services	18,295,749	480,827	15,448,956	-	(2,365,966)
All other pupil services	15,521,543	323,997	6,652,796	-	(8,544,750)
Administration:					
Data processing	5,653,886	-	-	-	(5,653,886)
All other administration	22,826,796	13,346	5,708,338	-	(17,105,112)
Plant services	56,548,985	7,164	12,072,507	-	(44,469,314)
Ancillary services	11,389,944	-	9,856,789	-	(1,533,155)
Community services	454,009	-	-	-	(454,009)
Enterprise services	2,847,124	-	-	-	(2,847,124)
Interest expense	41,499,509	-	-	-	(41,499,509)
Other outgo	3,938,542	2,146	11,821,449	-	7,885,053
<b>Total</b>	<b>\$ 524,479,730</b>	<b>\$ 1,129,634</b>	<b>\$ 164,350,112</b>	<b>\$ 77,533,374</b>	<b>(281,466,610)</b>
General revenues and subventions:					
Property taxes, levied for general purposes					99,622,562
Property taxes, levied for debt service					57,979,516
Taxes levied for other specific purposes					25,420,552
Federal and State aid not restricted to specific purposes					145,885,747
Interest and investment earnings					311,212
Interagency revenues					617,307
Miscellaneous					15,908,067
Subtotal, General Revenues					345,744,963
<b>Change in Net Position</b>					<b>64,278,353</b>
<b>Net Position - Beginning</b>					<b>52,244,705</b>
<b>Prior Period Adjustments</b>					<b>(1,332,222)</b>
<b>Net Position - Beginning, as Restated</b>					<b>50,912,483</b>
<b>Net Position - Ending</b>					<b>\$ 115,190,836</b>

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

# OAKLAND UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2013

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Deposits and investments	\$ 46,342,900	\$41,383,590	\$ 54,366,023	\$ 50,980,612	\$ 11,571,708	\$ 204,644,833
Receivables	63,501,188	28,361	741	31,148	5,966,350	69,527,788
Due from other funds	7,038,311	-	-	-	1,219,042	8,257,353
<b>Total Assets</b>	<u>\$ 116,882,399</u>	<u>\$41,411,951</u>	<u>\$ 54,366,764</u>	<u>\$ 51,011,760</u>	<u>\$ 18,757,100</u>	<u>\$ 282,429,974</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Payables	\$ 37,348,597	\$ 3,469,531	\$ 5,374,727	\$ -	\$ 1,983,638	\$ 48,176,493
Due to other funds	1,219,042	-	-	-	7,017,620	8,236,662
Other current liabilities	40,000,000	-	-	-	-	40,000,000
Deferred revenue	1,212,465	-	-	-	20,341	1,232,806
<b>Total Liabilities</b>	<u>79,780,104</u>	<u>3,469,531</u>	<u>5,374,727</u>	<u>-</u>	<u>9,021,599</u>	<u>97,645,961</u>
<b>Fund Balances</b>						
Nonspendable	133,657	-	-	-	-	133,657
Restricted	10,315,466	37,942,420	48,992,037	51,011,760	6,758,332	155,020,015
Committed	-	-	-	-	2,983,628	2,983,628
Assigned	7,389,840	-	-	-	-	7,389,840
Unassigned	19,263,332	-	-	-	(6,459)	19,256,873
<b>Total Fund Balances</b>	<u>37,102,295</u>	<u>37,942,420</u>	<u>48,992,037</u>	<u>51,011,760</u>	<u>9,735,501</u>	<u>184,784,013</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 116,882,399</u>	<u>\$41,411,951</u>	<u>\$ 54,366,764</u>	<u>\$ 51,011,760</u>	<u>\$ 18,757,100</u>	<u>\$ 282,429,974</u>

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

# OAKLAND UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2013

---

Amounts reported for governmental activities in the Statement of Net Position are different than amounts reported in the Governmental Funds Balance Sheet because of the following items:

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 184,784,013</b>
--	-----------------------

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	1,061,835,560	
Accumulated depreciation is	<u>(278,201,909)</u>	
Net capital assets		783,633,651

In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. In the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.

(16,825,094)

An internal service fund is used by the District's management to charge the costs of the workers' compensation and dental insurance programs to the individual funds. The assets and liabilities of the internal service fund are included in the Statement of Net Position.

(26,942,619)

Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental financial statements. Long-term obligations at year-end consist of the following:

General obligation bonds (net of bond premiums of \$1,798,280)	742,223,280	
Emergency apportionment loan	59,481,827	
Compensated absences	<u>7,754,008</u>	
Total long-term obligations		<u>(809,459,115)</u>

<b>Net Position - Governmental Activities</b>	<b>\$ <u>115,190,836</u></b>
---	------------------------------

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



# OAKLAND UNIFIED SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Revenue limit sources	\$ 194,494,027	\$ -	\$ -	\$ -	\$ -	\$ 194,494,027
Federal sources	52,471,720	-	-	3,352,727	18,782,166	74,606,613
Other state sources	124,322,562	-	77,533,374	521,074	14,698,040	217,075,050
Other local sources	37,344,909	525,621	360,416	57,544,561	6,740,954	102,516,461
<b>Total Revenues</b>	<b>408,633,218</b>	<b>525,621</b>	<b>77,893,790</b>	<b>61,418,362</b>	<b>40,221,160</b>	<b>588,692,151</b>
<b>EXPENDITURES</b>						
Current						
Instruction	233,424,801	-	-	-	9,339,219	242,764,020
Instruction-related activities:						
Supervision of instruction	42,806,380	-	-	-	1,117,903	43,924,283
Instructional library, media and technology	1,237,451	-	-	-	-	1,237,451
School site administration	28,283,722	-	-	-	3,080,215	31,363,937
Pupil services:						
Home-to-school transportation	10,569,671	-	-	-	-	10,569,671
Food services	120,013	-	-	-	17,322,491	17,442,504
All other pupil services	14,787,509	-	-	-	13,716	14,801,225
Administration:						
Data processing	5,391,572	-	-	-	-	5,391,572
All other administration	21,413,280	-	-	-	354,214	21,767,494
Plant services	36,175,787	-	106,826	-	12,093,489	48,376,102
Facility acquisition/construction	290,905	34,732,126	56,683,830	-	3,517,781	95,224,642
Ancillary services	10,863,189	-	-	-	-	10,863,189
Community services	432,945	-	-	-	-	432,945
Other outgo	3,938,542	-	-	-	-	3,938,542
Enterprise services	15,417	-	-	-	-	15,417
Debt service						
Principal	4,841,764	-	-	15,095,000	-	19,936,764
Interest and other	1,135,239	-	-	40,249,755	-	41,384,994
<b>Total Expenditures</b>	<b>415,728,187</b>	<b>34,732,126</b>	<b>56,790,656</b>	<b>55,344,755</b>	<b>46,839,028</b>	<b>609,434,752</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(7,094,969)</b>	<b>(34,206,505)</b>	<b>21,103,134</b>	<b>6,073,607</b>	<b>(6,617,868)</b>	<b>(20,742,601)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	537,196	-	-	-	3,093,782	3,630,978
Transfers out	(1,000,000)	(2,093,782)	-	-	(264,067)	(3,357,849)
<b>Net Financing Sources (Uses)</b>	<b>(462,804)</b>	<b>(2,093,782)</b>	<b>-</b>	<b>-</b>	<b>2,829,715</b>	<b>273,129</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(7,557,773)</b>	<b>(36,300,287)</b>	<b>21,103,134</b>	<b>6,073,607</b>	<b>(3,788,153)</b>	<b>(20,469,472)</b>
<b>Fund Balance - Beginning</b>	<b>45,219,763</b>	<b>74,242,707</b>	<b>27,888,903</b>	<b>45,710,680</b>	<b>13,523,654</b>	<b>206,585,707</b>
<b>Prior Period Adjustments</b>	<b>(559,695)</b>	<b>-</b>	<b>-</b>	<b>(772,527)</b>	<b>-</b>	<b>(1,332,222)</b>
<b>Fund Balance - Beginning as restated</b>	<b>44,660,068</b>	<b>74,242,707</b>	<b>27,888,903</b>	<b>44,938,153</b>	<b>13,523,654</b>	<b>205,253,485</b>
<b>Fund Balance - Ending</b>	<b>\$ 37,102,295</b>	<b>\$ 37,942,420</b>	<b>\$ 48,992,037</b>	<b>\$ 51,011,760</b>	<b>\$ 9,735,501</b>	<b>\$ 184,784,013</b>

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

# OAKLAND UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2013

---

Amounts reported for governmental activities in the Statement of Activities are different than amounts reported on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances because of the following items:

**Total Net Change in Fund Balances - Governmental Funds** \$ (20,469,472)

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.

Capital outlays	89,423,763	
Depreciation expense	<u>(22,378,098)</u>	
		67,045,665

In the Statement of Activities, certain operating expenses, such as compensated absences, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used - the amounts actually paid.

53,486

Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.

19,936,764

Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(114,515)

An internal service fund is used by the District's management to charge the costs of the self-insurance programs to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

(2,173,575)

**Change in Net Position of Governmental Activities**

\$ 64,278,353

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

# OAKLAND UNIFIED SCHOOL DISTRICT

## PROPRIETARY FUND - SELF INSURANCE STATEMENT OF NET POSITION JUNE 30, 2013

---

	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
Deposits and investments	\$ 11,169,569
Receivables	141
<b>Total Current Assets</b>	<u>11,169,710</u>
<b>LIABILITIES</b>	
Accounts payable, vendor	718,486
Accounts payable, payroll	17,342
Due to General Fund	20,691
Claim liabilities	37,355,810
<b>Total Current Liabilities</b>	<u>38,112,329</u>
<b>NET DEFICIT</b>	<u><u>\$ (26,942,619)</u></u>

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

# OAKLAND UNIFIED SCHOOL DISTRICT

## PROPRIETARY FUND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION FOR THE YEAR ENDED JUNE 30, 2013

	<u>Governmental Activities - Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
In-district premiums	\$ 16,249,750
Other local revenue	40,021
<b>Total Operating Revenues</b>	<u>16,289,771</u>
<b>OPERATING EXPENSES</b>	
Payroll costs	858,443
Change in estimates	470,920
Claims expense	16,886,765
<b>Total Operating Expenses</b>	<u>18,216,128</u>
<b>Operating Loss</b>	(1,926,357)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	25,911
Transfers out	(273,129)
<b>Total Nonoperating Loss</b>	<u>(247,218)</u>
<b>Change in Net Position</b>	(2,173,575)
<b>Net Position - Beginning</b>	(24,769,044)
<b>Net Position - Ending</b>	<u><u>\$ (26,942,619)</u></u>

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



# OAKLAND UNIFIED SCHOOL DISTRICT

## PROPRIETARY FUND STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2013

---

### Governmental Activities - Internal Service Fund

---

#### CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from premiums	\$ 16,249,750
Other operating cash receipts	40,021
Cash payments for insurance claims	(16,556,859)
Cash payments to employees for services	(842,775)
Cash payments for interfund transfers out	(252,438)
Net cash used in operating activities	(1,362,301)

#### CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	40,459
Net Cash Provided by Investing Activities	40,459
Net Decrease in Cash and Cash Equivalents	(1,321,842)
Cash and Cash Equivalents - Beginning	12,491,411
Cash and Cash Equivalents - Ending	\$ 11,169,569

#### RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

Operating loss	\$ (1,926,357)
Interfund transactions	(252,438)
Change in accounts payables	345,574
Change in claims liability	470,920
NET CASH USED IN OPERATING ACTIVITIES	\$ (1,362,301)

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

# OAKLAND UNIFIED SCHOOL DISTRICT

## FIDUCIARY FUND

### STATEMENT OF NET POSITION

JUNE 30, 2013

---

	<b>Payroll Revolving Agency Fund</b>
<b>ASSETS</b>	
Deposits and investments	\$ 17,918,003
Receivables	<u>152,767</u>
<b>Total Assets</b>	<u><u>\$ 18,070,770</u></u>
<b>LIABILITIES</b>	
Due to General Fund	\$ 5,772,618
Due to other agencies	<u>12,298,152</u>
<b>Total Liabilities</b>	<u><u>\$ 18,070,770</u></u>

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

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The Oakland Unified School District (the District) was organized in 1855 under the laws of the State of California and unified in 1952. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K-12 as mandated by the State and Federal agencies. During the 2012-13 school year, the District operated 54 elementary schools, 17 middle schools, 12 high schools, 10 alternative schools, 5 Program for Exceptional Children centers, and 3 Continuation schools.

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. The District has approved various student body organizations to operate at its schools. However, fiduciary fund assets and liabilities for these student body organizations are excluded from these financial statements.

#### Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and nonmajor governmental funds:

#### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions, except those accounted for in another fund, are accounted for in this fund.

Certain funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, is not substantially composed of restricted or committed revenue sources. While the fund is authorized by statute and will remain open for internal reporting purposes, it functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

**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 issued.



# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

---

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

**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.

**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).

**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.

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for the payment of principal and interest on general long-term debt.

**Tax Override Fund** The Tax Override Fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies.

**Debt Service Fund** This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt.

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

---

**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).

**State School Building Lease-Purchase Fund** The State School Building Lease-Purchase Fund is used primarily to account separately for state apportionments for the reconstruction, remodeling, or replacing of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (*Education Code* Section 17000 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 a workers' compensation program and a dental program that are accounted for in an internal service fund.

**Fiduciary Funds** Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, and other payroll related items.

### Basis of Accounting - Measurement Focus

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function.



# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

---

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. The internal service fund is presented in a single column on the face of the proprietary fund statements.

**Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

**Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The Statement of Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

**Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.



# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

---

**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. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts, and so as not to distort normal revenue patterns with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. 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.

**Deferred Revenue** Deferred 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 for deferred revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

**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, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-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.

# **OAKLAND UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

---

### **Investments**

Investments held at June 30, 2013, are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and state investment pools are determined by the program sponsor.

### **Restricted Assets**

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation.

### **Prepaid Expenditures**

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when paid.

### **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 are capitalized at estimated fair market value on the date donated.

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.



# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

---

### Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

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

### Current Loans

Current loans consist of amounts outstanding at June 30, 2013, for tax revenue and anticipation notes. The notes were issued as short-term obligations to provide cash flow needs. This liability is offset with cash deposits in the county treasurer, which have been set aside to repay the notes.

### Fund Balances - Governmental Funds

As of June 30, 2013, fund balances of the governmental funds are classified as follows:

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



# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

---

**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. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

### Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### Minimum Fund Balance Policy

In fiscal year 2010-11, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

### Net Position

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

# **OAKLAND UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

---

### **Self-Insurance Obligation**

The Self-Insurance Fund is used to account for the District's self-insurance obligation related to workers' compensation and dental claims. Funding of the self-insurance obligation is based on estimates of the amounts needed to pay prior and current year claims. The District is self-insured for workers' compensation up to \$250,000 per occurrence. The general fund is charged premiums by the self-insurance fund, which is accounted for as an internal service fund. The District participates in joint power agreements which provide excess liability and excess workers' compensation coverage to the District. The District also participates in a joint powers agreement for its property insurance coverage. In the government-wide financial statements, the internal service fund activity is eliminated to avoid doubling of revenues and expenses.

### **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 premiums to pay for 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 particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the Statement of Activities, except for the net residual amounts transferred between governmental and business-type activities.

### **Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **Budgetary Data**

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.



# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

---

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. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

### Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Alameda bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

### New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the certain defined characteristics. This Statement is effective for fiscal years beginning after June 15, 2014.

## NOTE 2 - DEPOSITS AND INVESTMENTS

### Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 204,644,833
Self-insurance fund	11,169,569
Fiduciary funds	17,918,003
Total Deposits and Investments	<u>\$ 233,732,405</u>



# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

---

Deposits and investments as of June 30, 2013, consist of the following:

Cash on hand and in banks	\$ 641,132
Cash in revolving	133,657
Investments with the County Treasurer	232,957,616
Total Deposits and Investments	<u>\$ 233,732,405</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.

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

### General Authorizations

Stipulated by the California Government Code, limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing substantially all of its cash and investments in the county pool.

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the county pool are not rated as of June 30, 2013.

### Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California government code.

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, 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 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2013, the District believes it is not exposed to any significant custodial credit risk.

### NOTE 3 - RECEIVABLES

Governmental fund receivables at June 30, 2013, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government						
Categorical aid	\$ 13,090,830	\$ -	\$ -	\$ -	\$ 4,365,661	\$ 17,456,491
State Government						
Apportionment	18,039,114	-	-	-	-	18,039,114
Categorical aid	14,227,056	-	-	-	706,733	14,933,789
Lottery	3,388,326	-	-	-	-	3,388,326
Interest	36,602	-	741	31,148	7,403	75,894
Other local sources	8,946,642	28,361	-	-	886,553	9,861,556
Payroll revolving	5,772,618	-	-	-	-	5,772,618
Total Receivables	<u>\$ 63,501,188</u>	<u>\$ 28,361</u>	<u>\$ 741</u>	<u>\$ 31,148</u>	<u>\$ 5,966,350</u>	<u>\$ 69,527,788</u>



# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 17,701,767	\$ -	\$ -	\$ 17,701,767
Construction in process	196,236,374	79,285,105	178,862,675	96,658,804
Total capital assets not being depreciated	213,938,141	79,285,105	178,862,675	114,360,571
Capital assets being depreciated				
Buildings	697,088,336	170,135,075	-	867,223,411
Land improvements	47,416,977	18,355,273	-	65,772,250
Equipment	13,968,343	510,985	-	14,479,328
Total capital assets being depreciated	758,473,656	189,001,333	-	947,474,989
Less accumulated depreciation				
Buildings	220,136,923	19,569,768	-	239,706,691
Building improvements	24,608,271	1,940,234	-	26,548,505
Equipment	11,078,617	868,096	-	11,946,713
Total accumulated depreciation	255,823,811	22,378,098	-	278,201,909
Governmental Activities - capital assets, net	\$ 716,587,986	\$ 245,908,340	\$ 178,862,675	\$ 783,633,651

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

### Governmental Activities

Instruction	\$ 11,434,049
Supervision of instruction	2,142,365
Instructional library media and technology	60,521
School administration	1,530,812
Pupil transportation	515,525
Food services	855,372
Other pupil services	722,113
Ancillary services	528,068
Community services	21,116
Enterprise	865,331
Other general administration	1,061,942
Data processing services	262,968
Plant maintenance and operations	2,377,916
Total depreciation expense, governmental activities	<u>\$ 22,378,098</u>

### NOTE 5 - INTERFUND TRANSACTIONS

#### Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2013, between major and nonmajor governmental funds, and internal service funds are as follows:

Due From	Due To		
	General Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 1,219,042	\$ 1,219,042
Nonmajor Governmental Funds	7,017,620	-	7,017,620
Proprietary Funds	20,691	-	20,691
Total interfund receivable and payables	<u>\$ 7,038,311</u>	<u>\$ 1,219,042</u>	<u>\$ 8,257,353</u>

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

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

### Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Transfer To	Transfer From				Total
	General Fund	Building Fund	Nonmajor Governmental Funds	Internal Service Funds	
General Fund	\$ -	\$ -	\$ 264,067	\$ 273,129	\$ 537,196
Nonmajor Governmental Funds	1,000,000	2,093,782	-	-	3,093,782
Total interfund transfers	<u>\$ 1,000,000</u>	<u>\$ 2,093,782</u>	<u>\$ 264,067</u>	<u>\$ 273,129</u>	<u>\$ 3,630,978</u>

The General Fund transferred to the Adult Education Fund to support adult education programs.	\$ 1,000,000
The Child Development Fund transferred State loan payments to the General Fund pursuant to the multi-year fiscal recovery plan.	57,224
The Cafeteria Fund transferred State loan payments to the General Fund pursuant to the multi-year fiscal recovery plan.	206,843
The Deferred Maintenance match is funded by the Building Fund.	2,093,782
The Self-Insurance Fund returned premiums to the General Fund.	273,129
	<u>\$ 3,630,978</u>



# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

### NOTE 6 - ACCOUNTS PAYABLE

Governmental fund accounts payable at June 30, 2013, consisted of the following:

	General Fund	Building Fund	County School Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Vendor payables	\$ 23,753,532	\$ 3,447,840	\$ 5,374,727	\$ 1,865,501	\$ 34,441,600
State apportionment	3,987,234	-	-	-	3,987,234
Salaries and benefits	7,515,928	21,691	-	118,137	7,655,756
Other significant payables	2,091,903	-	-	-	2,091,903
Total accounts payable	<u>\$ 37,348,597</u>	<u>\$ 3,469,531</u>	<u>\$ 5,374,727</u>	<u>\$ 1,983,638</u>	<u>\$ 48,176,493</u>

### NOTE 7 - DEFERRED REVENUE

Deferred revenue at June 30, 2013, consists of the following:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal financial assistance	\$ 183,664	\$ -	\$ 183,664
State categorical aid	477,393	20,341	497,734
Other local	551,408	-	551,408
Total deferred revenue	<u>\$ 1,212,465</u>	<u>\$ 20,341</u>	<u>\$ 1,232,806</u>

### NOTE 8 - REVENUE ANTICIPATION LOANS

As of July 1, 2012, the District had outstanding revenue anticipation notes in the amount of \$45,000,000, which matured on August 31, 2012. On April 30, 2013, the District issued \$40,000,000 of revenue anticipation notes bearing interest at 0.16 percent and maturing October 1, 2013. The notes were issued to supplement cash flows. Changes in the outstanding liabilities for the revenue anticipation notes are as follows:

Issue Date	Rate	Maturity Date	Outstanding July 1, 2012	Additions	Payments	Outstanding June 30, 2013
May 29, 2012	0.32%	August 31, 2012	\$ 45,000,000	\$ -	\$ 45,000,000	\$ -
April 30, 2013	0.16%	October 1, 2013	-	40,000,000	-	40,000,000
			<u>\$ 45,000,000</u>	<u>\$ 40,000,000</u>	<u>\$ 45,000,000</u>	<u>\$ 40,000,000</u>

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

---

### NOTE 9 - LONG-TERM OBLIGATIONS

#### Summary

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

	July 1, 2012	Deductions	June 30, 2013	Current Portion
General obligation bonds	\$ 755,520,000	\$ 15,095,000	\$ 740,425,000	\$ 17,745,000
General obligation bond premiums	1,798,280	-	1,798,280	-
Emergency apportionment loan	64,323,591	4,841,764	59,481,827	4,927,847
Compensated absence, net	7,807,494	53,486	7,754,008	-
Total long-term obligations	<u>\$ 829,449,365</u>	<u>\$ 19,990,250</u>	<u>\$ 809,459,115</u>	<u>\$ 22,672,847</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with property tax revenues which are used solely to repay the principal and interest due on these obligations. Payments on the Emergency Apportionment Loan will be made by the General Fund. The accrued vacation will be paid by the fund for which the employee worked.

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Bond Issuance	Issue Date	Maturity Date	Interest Rate	Original Issuance
Election of 2000 - Series 2002	Mar-02	Aug-26	2.4-5.25%	\$ 100,000,000
Election of 2005 - Series 2005	Aug-05	Aug-30	3.0-5.0%	141,000,000
Election of 2006 - Series 2006	Nov-06	Aug-31	4.25-5.0%	130,000,000
2007 Refunding	Jul-07	Aug-25	3.75-5.0%	199,240,000
Election of 2006 - Series 2009 A	Jul-09	Aug-29	4.0-6.5%	87,885,000
Election of 2006 - Series 2009 B	Jul-09	Aug-34	9.50%	70,795,000
Election of 2006 - Series 2009 C	Jul-09	Aug-24	2.82%	26,320,000
Election of 2006 - Series 2012 A	Mar-12	Aug-32	3.00-5.55%	31,040,000
Election of 2006 - Series 2012 B	Mar-12	Aug-33	6.88%	23,960,000
				<u>\$ 810,240,000</u>

Bond Issuance	July 1, 2012	Issued	Redeemed	June 30, 2013
Election of 2000 - Series 2002	\$ 92,145,000	\$ -	\$ 1,480,000	\$ 90,665,000
Election of 2005 - Series 2005	128,695,000	-	4,925,000	123,770,000
Election of 2006 - Series 2006	113,800,000	-	1,305,000	112,495,000
2007 Refunding	180,880,000	-	7,385,000	173,495,000
Election of 2006 - Series 2009 A	87,885,000	-	-	87,885,000
Election of 2006 - Series 2009 B	70,795,000	-	-	70,795,000
Election of 2006 - Series 2009 C	26,320,000	-	-	26,320,000
Election of 2006 - Series 2012 A	31,040,000	-	-	31,040,000
Election of 2006 - Series 2012 B	23,960,000	-	-	23,960,000
	<u>\$ 755,520,000</u>	<u>\$ -</u>	<u>\$ 15,095,000</u>	<u>\$ 740,425,000</u>



# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

### Debt Service Requirements to Maturity

The general obligation bonds mature through 2035 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ 17,745,000	\$ 39,958,388	\$ 57,703,388
2015	19,875,000	39,061,607	58,936,607
2016	22,890,000	38,066,644	60,956,644
2017	22,445,000	36,983,082	59,428,082
2018	24,830,000	35,790,144	60,620,144
2019-2023	172,100,000	156,665,634	328,765,634
2024-2028	252,365,000	99,562,229	351,927,229
2029-2033	153,395,000	46,538,137	199,933,137
2034-2035	54,780,000	3,794,515	58,574,515
Total	<u>\$ 740,425,000</u>	<u>\$ 496,420,380</u>	<u>\$ 1,236,845,380</u>

### State of California Emergency Apportionment Loan

On January 3, 2003, Senate Bill 39, Chapter 14, Statutes of 2003, was enacted. This legislation provided an emergency apportionment loan to the District of \$100,000,000.

The California Department of Education authorized the State Administrator to use these funds to offset the cost of audit findings, technology enhancements and the associated loan payment of the drawdown. The legislation requires the District repay the loan, including interest at a rate of 1.778%, which is the rate earned by the State's Pooled Money Investment Account on the effective date of Senate Bill 39. The bill provides that the loan be repaid over a 20-year period.

Repayment of the loan commenced in 2003-04 and matures through 2026 as follows:

#### Emergency Apportionment Loan

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ 4,927,847	\$ 1,057,587	\$ 5,985,434
2015	5,015,467	969,970	5,985,437
2016	5,104,642	880,795	5,985,437
2017	5,195,403	790,034	5,985,437
2018	5,287,777	697,660	5,985,437
2019-2023	27,883,016	2,044,168	29,927,184
2024-2026	6,067,675	217,034	6,284,709
Total	<u>\$ 59,481,827</u>	<u>\$ 6,657,248</u>	<u>\$ 66,139,075</u>

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

### NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Revolving cash	\$ 133,657	\$ -	\$ -	\$ -	\$ -	\$ 133,657
Total Nonspendable	133,657	-	-	-	-	133,657
Restricted						
Legally restricted						
programs	10,315,466	-	-	-	-	10,315,466
Child development	-	-	-	-	317,040	317,040
Child nutrition	-	-	-	-	1,492,314	1,492,314
Capital projects	-	37,942,420	48,992,037	-	4,948,978	91,883,435
Debt services	-	-	-	51,011,760	-	51,011,760
Total Restricted	10,315,466	37,942,420	48,992,037	51,011,760	6,758,332	155,020,015
Committed						
Capital projects	-	-	-	-	2,463,699	2,463,699
Adult Education	-	-	-	-	519,929	519,929
Total Committed	-	-	-	-	2,983,628	2,983,628
Assigned						
Audit Findings and one time items	4,064,568	-	-	-	-	4,064,568
Deferred apportionment reserve	2,594,905	-	-	-	-	2,594,905
Early retirement	730,367	-	-	-	-	730,367
Total Assigned	7,389,840	-	-	-	-	7,389,840
Unassigned						
Reserve for economic uncertainties	12,299,577	-	-	-	-	12,299,577
Remaining unassigned	6,963,755	-	-	-	(6,459)	6,957,296
Total Unassigned	19,263,332	-	-	-	(6,459)	19,256,873
Total Fund Balance	\$ 37,102,295	\$ 37,942,420	\$ 48,992,037	\$ 51,011,760	\$ 9,735,501	\$ 184,784,013

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

### Reconciliation to the Statement of Net Position

The following is a reconciliation of the unassigned fund balance on the governmental funds balance sheet with the unrestricted deficit in the statement of net position:

Unassigned fund balance per the Governmental Funds Balance Sheet	\$ 19,256,873
Add	
Nonspendable fund balance	133,657
Assigned General Fund balances	7,389,840
Deferred Maintenance Fund balance	2,463,699
Adult Education Fund balance	519,929
Deduct	
Compensated absences	(7,754,008)
Emergency apportionment loan	(59,481,827)
Negative self-insurance reserve	(26,942,619)
Unrestricted Deficit per the Statement of Net Position	<u>\$ (64,414,456)</u>

### NOTE 11 - LEASE REVENUES

Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2014	\$ 670,234
2015	665,612
2016	415,430
2017	140,237
2018	110,000
Thereafter	1,950,000
Total	<u>\$ 3,951,513</u>

### Lease agreement between the District and Chabot Space & Science Center Joint Powers Authority

The Chabot Space & Science Center Joint Powers Authority (Chabot JPA) is a joint powers authority, organized in 1989 pursuant to a Joint Powers Agreement between the City of Oakland, the Oakland Unified School District, and the East Bay Regional Park District. The Chabot JPA was formed pursuant to the Government Code of the State of California, commencing with Section 6500. The 23 member Chabot JPA Board of Directors provides oversight to the general operations and governance of the Chabot Space & Science Center, giving its approval to all major expenditures, appointments, and strategic decisions.



## OAKLAND UNIFIED SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2013**

---

On July 1, 1999, the District issued Certificates of Participation to provide a loan of \$10,265,000 to Chabot, of which in the fall of 2010 \$8,327,681 was still outstanding. The certificates have subsequently been paid off in full. To reduce the burden on the Chabot JPA, the District agreed to restructure the loan payment and on November 9, 2010, the District entered into a lease agreement with the Chabot JPA. The restructured loan agreement was a lease lease-back of the Chabot Space and Science Center Facility, under the following terms:

- The District agreed to lease the Facility from Chabot for \$1 and, the District leased it back to Chabot for \$450,000 annually in quarterly payments of One Hundred Twelve Thousand, Five Hundred Dollars (\$112,500).
- The lease term is forty (40) years, commencing retroactively on October 1, 2009 (Commencement Date) and expiring on September 30, 2049.
- The lease payments made by Chabot are used by the District to repay the remaining principal due on the original loan (plus an additional amount to cover up front costs); interest; and an administrative fee to the District.
- The leased property is located at 10000 Skyline Blvd., Oakland, California 94610, and under this agreement, District students have priority use.

Chabot entered into the above agreement in exchange for the cancellation of the original loan agreement. The District has no assets to report, either before or after the Lease Agreement. The District has the legal right to lease the property from Chabot and to lease it back to Chabot, but the assets remain on the books of Chabot. Because the District leases the facility from Chabot, it is not recorded as an asset on the District's balance sheet. To determine an appropriate annual lease amount, the District and Chabot acknowledged that the lease payments would be applied to (1) repayment of the outstanding balance of the original loan, (2) interest accrued on the unpaid principal during the term of the new lease, and (3) certain transaction costs. This arrangement was designed to ensure that the District would be fully repaid and would receive interest on the amount of the loan that had not yet been repaid. This calculation is what links the original loan and principal to the new lease. But the legal instrument is now a lease, with fixed quarterly lease payments due from Chabot. To encourage the use of the facility for educational purposes, the agreement also allows for the District to receive certain discounts for the use of the facility. These discounts and other "in kind" contributions are valued, per the lease agreement, and can be used to reduce the total amount due on the lease. If the original "Principal" is fully repaid, along with current interest and administrative fees, the lease will terminate.

In November 2013, the Chabot JPA advised the District it was unable to make its scheduled payments. As a result, the District entered into a two-year Forbearance Agreement. Under the terms of the Forbearance Agreement, OUSD will temporarily forbear from exercising its rights under the Lease-Leaseback Agreements and 1) Chabot will make payments to the District as follows: during the 2014-15 fiscal year, a payment of \$150,000 toward the 2013-14 indebtedness; and a payment of \$200,000 during the 2015-16 fiscal year toward the 2013-14 indebtedness; 2) subject to approval by the Oakland City Council, the 2013-14 partial payment, payable in the 2014-15 and 2015-16 fiscal years will be made by the City of Oakland, for the benefit of Chabot. As of July 2015, no payments have been received.

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

---

### NOTE 12 - 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 property insurance coverage maintains a self-insurance retention of \$250,000 per occurrence and \$250,000,000 limits of coverage. The District pays an annual contribution of \$1,406,416 to Northern California ReLiEF for its excess property and liability coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### Workers' Compensation

The District is permissibly self-insured for workers' compensation, and maintains a \$250,000 per occurrence self-insurance retention. Above that level, the District purchases excess insurance to the statutory maximums for an annual combined premium of \$667,230. 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 represent the changes in approximate aggregate liabilities for the District from July 1, 2011 to June 30, 2013 (in thousands):

	Self-Insurance
Liability Balance, July 1, 2011	\$ 29,765
Claims and changes in estimates	8,128
Claims payments	(15,247)
Liability Balance, June 30, 2012	36,885
Claims and changes in estimates	17,829
Claims payments	(17,358)
Liability Balance, June 30, 2013	\$ 37,356
Assets available to pay claims at June 30, 2013	\$ 10,434



# **OAKLAND UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

---

### **NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS**

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

#### **CalSTRS**

##### **Plan Description**

The District contributes to the CalSTRS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

##### **Funding Policy**

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$12,402,057, \$12,444,347, and \$12,775,520 respectively, and equal 100 percent of the required contributions for each year.

#### **CalPERS**

##### **Plan Description**

The District contributes to the School Employer Pool under the CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95811.



# **OAKLAND UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

---

### **Funding Policy**

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-13 was 11.417 percent of covered payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012, and 2011 were \$7,412,661, \$6,826,845 and \$6,458,943, respectively, and equal 100 percent of the required contributions for each year.

### **On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of state General Fund contributions to CalSTRS in the amount of \$8,227,929 (5.176 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

## **NOTE 14 - 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, 2013.

### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2013.

# **OAKLAND UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

---

### **NOTE 15 - PARTICIPATION IN JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS**

#### **East Bay Regional Occupation Agency**

The District is a member of the East Bay Regional Occupation Agency which was formed to operate the Regional Occupational Program (ROP). The ROP is governed by an appointed board of directors and is an entity separate and distinct from each of the participant Districts. The purpose of the ROP is to provide entry-level occupational training to youths and adults residing in the participant Districts.

The ROP is funded by state apportionment moneys based on average daily attendance reported to the state by each participant District. Apportionment moneys are received from the state by the participant districts and transferred to the ROP. ROP classes are held at sites owned by the participant districts and are instructed by personnel who are employees of the participant districts. Accordingly, the ROP itself has no capital assets and no employees. The participant districts allocate certificated and classified salaries, employee benefits, and indirect costs to the ROP.

The District has appointed board members to the governing board of East Bay Regional Occupation Agency. During the year ended June 30, 2013, the District made no payments to the East Bay Regional Occupation Agency because it is inactive.

#### **East Bay Asian Youth Center**

The East Bay Asian Youth Center (EBAYC) is an Oakland nonprofit working in neighborhood communities to inspire young people. One member of the Oakland Unified School District Board of Education also serves as an Executive Director of the EBAYC. The board member does not participate in financial decisions regarding approval of contracts between the District and the EBAYC. During the year ended June 30, 2013, the District made payments of \$1,945,474 to the EBAYC for student related services at various schools.

#### **Chabot Space & Science Center Joint Powers Authority**

The District participates in the Chabot Space & 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, 2013, the District made payments of \$650 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, 2013, the District allowed Youth Ventures to use buildings and classroom space for operation of after school programs in lieu of cash payments.



# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

---

### Northern California Regional Liability Excess Fund

The District is a member of the Northern California Regional Liability Excess Fund (NCR). NCR is a non-profit member-owned and operated Joint Powers Authority (JPA) providing risk management services to California public schools. The District appointed one member to the 42 member governing board. During the year ended June 30, 2013, the District made payments of \$1,521,657 to the NCR for insurance premiums.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements. Financial statements are available from the Oakland Unified School District at 1000 Broadway, Oakland California.

### NOTE 16 - PRIOR PERIOD ADJUSTMENTS

The July 1, 2012, beginning fund balance of the General Fund and the Bond Interest and Redemption Fund are restated to reflect the following corrections noted in the current year audit that relate to prior years:

#### General Fund

Fund Balance - Beginning	\$ 45,219,763
Correction of previous year revenue	408,065
Correction of previous year expense	(808,192)
Miscellaneous	(159,568)
Fund Balance - Beginning as Restated	<u>\$ 44,660,068</u>

#### Bond Interest and Redemption Fund

Fund Balance - Beginning	\$ 45,710,680
Correction of previous year cash reconciliation error	(772,527)
Fund Balance - Beginning as Restated	<u>\$ 44,938,153</u>

### NOTE 17 – SUBSEQUENT EVENTS

#### Local Control Funding Formula

The Local Control Funding Formula ("LCFF") replaces the existing revenue limit funding system and most categorical funding and distributes resources to school Districts through a base funding grant per unit of daily attendance ("ADA"), with additional supplemental funding to Districts, such as Oakland, with large populations of English language learners, students from low-income families and foster youth beginning in fiscal year 2013-14. LCFF will be implemented over eight years. Because of the District's high concentration of English language learners, students from low-income families and foster youth, the District anticipates an increase of approximately \$8.2 million in State funding in 2013-14, \$30.6 million in 2014-15, and \$38.2 million in 2015-16.



# **OAKLAND UNIFIED SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

---

### **1025 Damage**

On January 7, 2013, a substantial water leak occurred on the top floor of the District's Paul Robeson Administration Building, located at 1025 2nd Avenue, causing excessive flooding on all four floors and significant damage to the entire structure. As a result of this water damage, the Paul Robeson Administration Building was vacated and staff relocated to leased space at the Trans Pacific Center, 1000 Broadway. The lease payments for 1000 Broadway are covered by the insurance settlement through December 2015.

### **General Obligation Bonds**

In August 2013, the District issued \$120 million in general obligation bonds at interest rates ranging from 4.000% to 6.300%. The bonds have maturity dates through August 1, 2038.

### **Chabot JPA**

As described in Note 11, Lease Revenues, the District and Chabot Space and Science Center Joint Powers Authority entered into a lease agreement in November 2010. In November 2013, Chabot advised the District it was unable to make the scheduled payment. As of June 30, 2014, Chabot is behind four quarters and owes the District \$450,000. The outstanding loan principal owed by Chabot to the District is \$6.8 million dollars. Chabot requested another loan modification pending the completion of a current capital campaign and realignment of its business model. As a result, the District entered into a two year Forbearance Agreement. Details of the Forbearance Agreement are described in Note 11, Lease Revenues.

### **New Parcel Tax – November 2014 Measure N**

On November 4, 2014, Measure N, a \$120 parcel tax known as “Oakland Unified School District College and Career Readiness for All Fund” was approved by voters. The proceeds from the parcel tax will be used to provide Oakland high school students with real-world work and learning opportunities; prepare students for admission to the University of California and other four-year colleges; expand mentoring, tutoring, counseling, support services, and transition to job training programs.

The parcel tax will also pay for the implementation of a comprehensive approach to high school education in Oakland that integrates challenging academics with career-based learning and real-world work experiences, including, small learning communities of career-oriented pathways, and, individualized support to create the conditions for all students to graduate high school prepared to succeed in college and career. Measure N is anticipated to generate approximately \$12 million of additional funding for the District.

---

---

*REQUIRED SUPPLEMENTARY INFORMATION*

---

---

# OAKLAND UNIFIED SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
Revenue limit sources	\$ 190,608,165	\$ 186,907,019	\$ 194,494,027	\$ 7,587,008
Federal sources	55,184,749	61,473,567	52,471,720	(9,001,847)
Other state sources	114,769,314	116,812,787	116,094,633	(718,154)
Other local sources	37,641,103	40,643,835	37,344,909	(3,298,926)
<b>Total Revenues <sup>1</sup></b>	<b>398,203,331</b>	<b>405,837,208</b>	<b>400,405,289</b>	<b>(5,431,919)</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	150,593,920	152,464,076	155,185,719	2,721,643
Classified salaries	55,904,603	55,889,458	59,760,371	3,870,913
Employee benefits	90,282,999	89,241,681	88,248,420	(993,261)
Books and supplies	27,986,923	27,901,078	17,978,066	(9,923,012)
Services and operating expenditures	60,772,342	82,580,094	77,383,970	(5,196,124)
Other outgo	9,294,293	7,794,630	2,619,529	(5,175,101)
Capital outlay	149,050	530,603	347,180	(183,423)
Debt service - principal	-	-	4,841,764	4,841,764
Debt service - interest	-	-	1,135,239	1,135,239
<b>Total Expenditures <sup>1</sup></b>	<b>394,984,130</b>	<b>416,401,620</b>	<b>407,500,258</b>	<b>(8,901,362)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>3,219,201</b>	<b>(10,564,412)</b>	<b>(7,094,969)</b>	<b>3,469,443</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	3,417,042	3,417,042	537,196	(2,879,846)
Transfers out	(3,093,782)	(3,093,782)	(1,000,000)	2,093,782
<b>Net Financing Sources (Uses)</b>	<b>323,260</b>	<b>323,260</b>	<b>(462,804)</b>	<b>(786,064)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,542,461</b>	<b>(10,241,152)</b>	<b>(7,557,773)</b>	<b>2,683,379</b>
<b>Fund Balance - Beginning - Restated</b>	<b>44,660,068</b>	<b>44,660,068</b>	<b>44,660,068</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 48,202,529</b>	<b>\$ 34,418,916</b>	<b>\$ 37,102,295</b>	<b>\$ 2,683,379</b>

<sup>1</sup> On behalf payments of \$8,227,929 are not included in the actual revenues and expenditures.



---

---

*SUPPLEMENTARY INFORMATION*

---

---

## OAKLAND UNIFIED SCHOOL DISTRICT

### LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE JUNE 30, 2013

---

The Oakland Unified School District was established in 1855 and consists of an area comprising approximately 55 square miles. During the 2013-13 school year, the District operated 54 elementary schools, 17 middle schools, 12 high schools, 10 alternative schools, 5 Program for Exceptional Children centers, and 3 Continuation schools.

#### GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
David Kakishiba	President	January 2015
Jumoke Hinton Hodge	Vice President	January 2013
Jody London	Director	January 2013
Gary Yee	Director	January 2015
Roseann Torres	Director	January 2013
Christopher Dobbins	Director	January 2015
James Harris	Director	January 2013

#### STATE TRUSTEE

Carlene Naylor

#### ADMINISTRATION

NAME	TITLE
Tony Smith	Superintendent
Jacqueline Minor	General Counsel
Vernon Hal	Deputy Superintendent Business & Operations
Maria Santos	Deputy Superintendent Instructions, Leadership, & Equity-in-Action

See accompanying note to supplementary information.

# OAKLAND UNIFIED SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2013

	Final Report		As Adjusted per Audit	
	Second Period Report	Annual Report	Second Period Report	Annual Report
<b>ELEMENTARY</b>				
Kindergarten	3,376	3,381	3,376	3,381
First through third	9,449	9,442	9,446	9,439
Fourth through sixth	7,909	7,907	7,909	7,907
Seventh and eighth	4,294	4,297	4,292	4,295
Home and hospital	26	27	26	27
Special education	1,097	1,103	1,097	1,103
Total Elementary	26,151	26,157	26,146	26,152
<b>SECONDARY</b>				
Regular classes	7,413	7,336	7,400	7,323
Continuation education	386	353	386	353
Home and hospital	17	17	17	17
Special education	656	650	656	650
Total Secondary	8,472	8,356	8,459	8,343
Total K-12	34,623	34,513	34,605	34,495

See accompanying note to supplementary information.



# OAKLAND UNIFIED SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2013

Grade Level	1982-83 Actual Minutes	Reduced 1982-83 Actual Minutes	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2012-13 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	31,800	30,917	36,000	35,000	45,420	180	In Compliance
Grades 1 - 3							
Grade 1	40,610	39,482	50,400	49,000	50,880	180	In Compliance
Grade 2	40,610	39,482	50,400	49,000	50,980	180	In Compliance
Grade 3	40,610	39,482	50,400	49,000	50,920	180	In Compliance
Grades 4 - 6							
Grade 4	42,360	41,183	54,000	52,500	54,000	180	In Compliance
Grade 5	42,360	41,183	54,000	52,500	54,000	180	In Compliance
Grade 6	42,360	41,183	54,000	52,500	54,090	180	In Compliance
Grades 7 - 8							
Grade 7	42,360	41,183	54,000	52,500	54,090	180	In Compliance
Grade 8	42,360	41,183	54,000	52,500	54,090	180	In Compliance
Grades 9 - 12							
Grade 9	42,000	40,833	64,800	63,000	64,815	180	In Compliance
Grade 10	42,000	40,833	64,800	63,000	64,815	180	In Compliance
Grade 11	42,000	40,833	64,800	63,000	64,815	180	In Compliance
Grade 12	42,000	40,833	64,800	63,000	64,815	180	In Compliance

See accompanying note to supplementary information.

# OAKLAND UNIFIED SCHOOL DISTRICT

## SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2013

---

Name of Charter School	Financial statements or Separate Report
100 Black Men of the Bay Area	Separate Report
Achieve Academy	Separate Report
American Indian Public Charter High	Separate Report
American Indian Public Charter School	Separate Report
American Indian Public Charter School II	Separate Report
ARISE High School	Separate Report
ASCEND	Separate Report
Aspire Berkley Maynard Academy	Separate Report
Aspire ERES Academy	Separate Report
Aspire Golden State College Preparatory Academy	Separate Report
Aspire Lionel Wilson College Preparatory	Separate Report
Aspire Millsmont Academy	Separate Report
Aspire Monarch Academy	Separate Report
Bay Area Technology School	Separate Report
Civicorps Corpsmember Academy	Separate Report
Conservatory of Vocal & Instrumental Arts	Separate Report
East Oakland Leadership Academy	Separate Report
East Oakland Leadership High School	Separate Report
KIPP Bridge Charter School	Separate Report
Learning Without Limits	Separate Report
Lighthouse Community Charter High School	Separate Report
Lighthouse Community Charter School	Separate Report
LPS Oakland R&D	Separate Report
LPS-College Park	Separate Report
North Oakland Community Charter	Separate Report
Oakland Charter Academy	Separate Report
Oakland Charter High School	Separate Report
Oakland Military Institute	Separate Report
Oakland School for the Arts	Separate Report
Oakland Unity High School	Separate Report
Reems (Ernestine) Academy of Technology & Arts	Separate Report
Vincent Academy	Separate Report
World Academy	Separate Report

See accompanying note to supplementary information.

# OAKLAND UNIFIED SCHOOL DISTRICT

## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

	<b>General Fund</b>	<b>Building Fund</b>	<b>County School Facilities Fund</b>	<b>Adult Education Fund</b>	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>
Unaudited actuals	\$ 30,138,704	\$ 31,969,257	\$ 47,930,252	\$ 497,294	\$ 314,930	\$ 1,502,866
Changes from:						
Deposits and investments	654,798	171,106	18,841	287	1,759	901
Accounts receivable	6,768,070	(32,667)	(19,323)	-	-	-
Accounts payable	40,723	5,834,724	1,062,267	22,348	351	(11,453)
Deferred revenue	(500,000)	-	-	-	-	-
Fund balance per audited financial statements	<u>\$ 37,102,295</u>	<u>\$ 37,942,420</u>	<u>\$ 48,992,037</u>	<u>\$ 519,929</u>	<u>\$ 317,040</u>	<u>\$ 1,492,314</u>
	<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>	<b>State School Building Fund</b>	<b>Special Reserve Capital Outlay Fund</b>	<b>Debt Service Fund</b>	<b>Self Insurance Fund</b>
Unaudited actuals	\$ 2,462,047	\$ 3,880,092	\$ 482	\$ 963,544	\$ -	\$ 10,646,654
Changes from:						
Deposits and investments	1,652	(1,943)	(337)	(5,272)	(6,459)	(322,794)
Accounts receivable	-	-	-	-	-	(6,982)
Accounts payable	-	112,412	-	-	-	96,313
Claims liability	-	-	-	-	-	(36,884,890)
Changes in claims liability	-	-	-	-	-	(470,920)
Fund balance per audited financial statements	<u>\$ 2,463,699</u>	<u>\$ 3,990,561</u>	<u>\$ 145</u>	<u>\$ 958,272</u>	<u>\$ (6,459)</u>	<u>\$ (26,942,619)</u>

See accompanying note to supplementary information.



# OAKLAND UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2013

Program Title	CFDA Number	Pass-through Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education			
School Improvement Grants	84.377	15127	\$ 3,218,594
ARRA - School Improvement Grants	84.388	15004	2,849,619
Title I, Part A of the ESEA -			
Grants to Local Educational Agencies	84.010	14329	20,512,794
Title I, Part C of the ESEA	84.011	14326	76,794
Title II, Part A of the ESEA -			
Improving Teacher Quality State Grants program	84.367	14341	3,097,979
Title III of the ESEA - Limited English			
Proficient Student Program	84.365	15146	2,396,979
Title IV, Part B of the ESEA, 21st Century			
Community Learning Centers	84.287	14349	3,519,996
Education for Homeless Children and Youth	84.196	14332	12,575
Career and Technical Education	84.048	14894	489,253
Rehabilitation Services, Vocational Rehabilitation	84.126	10006	374,525
Safe and Drug-Free Schools and Communities	84.184	15164	322,766
Indian Education	84.06	10011	79,151
Innovative Education Strategies	84.298A	14354	1,343
Enhancing Education through Technology	84.318	14334	9,780
Enhancing Education through Technology	84.318	14368	27,939
Adult Education	84.002	13978	368,724
IDEA Early Intervention Programs, Part C	84.181	23761	205,411
Special Education - Individuals with Disabilities Education Act			
Part B, Sec 611, Basic Local Assistance Entitlement	84.027	13379	8,587,168
Part B, Sec 611, Mental Health Allocation Plan	84.027A	14468	1,675,442
Part B, Sec 611, Preschool Local Entitlement	84.027A	13682	458,172
Part B, Sec 619, Preschool Grants	84.173	13430	211,340
Part B, Sec 619, Preschool Staff Development	84.173A	13431	3,238
Total passed through California Department of Education			48,499,582
Direct grants			
Arts Development & Dissemination	84.351D	N/A	242,135
TTO Project Stem	84.350A	N/A	352,728
Small Learning Communities	84.215L	N/A	886,395
Teaching American History	84.215X	N/A	1,215
I-3 Grant	84.411C	N/A	923,878
Transition to teaching	84.350A	N/A	456,073
Early Reading First	84.359B	N/A	153,636
Total U.S Department of Education			51,515,642

# OAKLAND UNIFIED SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

Program Title	CFDA Number	Pass-through Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through California Department of Education			
Summer Food Service Program for Children	10.559	13005	396,355
Fresh Fruit and Vegetable Program	10.582	14968	492,893
National School Lunch Program	10.555	13391/13396	13,347,642
Child Care Food Program - Centers and Family Day Homes	10.558	13393	1,190,002
Total U.S. Department of Agriculture			<u>15,426,892</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Direct Grant			
Refugee and Entrant Assistance	93.576	24791	117,007
	93.596,		
Federal Child Care, Center-based	93.575	13609	2,817,292
Passed through California Department of Health Care Services			
Medical Assistance Program	93.778	10013	1,262,982
Total U.S. Department of Health and Human Services			<u>4,197,281</u>
<b>CORPORATION FOR NATIONAL &amp; COMMUNITY SCIENCE</b>			
Direct Grant			
AmeriCorps Vista	94.013	N/A	8,000
Health Resources and Administration	93.501	N/A	106,071
Total Corporation for National & Community Science			<u>114,071</u>
Total Expenditures of Federal Awards			<u>\$ 71,253,886</u>

See accompanying note to supplementary information.

# OAKLAND UNIFIED SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS JUNE 30, 2013

	(Budget) 2014 <sup>1</sup>	2013	2012	2011
GENERAL FUND				
Revenues <sup>3</sup>	\$ 403,968,461	\$ 400,405,289	\$ 406,728,246	\$ 414,571,841
Other sources	-	537,196	2,231,425	6,909,002
Total Revenues and Other Sources	403,968,461	400,942,485	408,959,671	421,480,843
Expenditures <sup>3</sup>	393,767,186	407,500,258	406,846,972	405,334,372
Other uses and transfers out	3,093,782	1,000,000	-	4,836,025
Total Expenditures and Other Uses	396,860,968	408,500,258	406,846,972	410,170,397
CHANGE IN FUND BALANCE	\$ 7,107,493	\$ (7,557,773)	\$ 2,112,699	\$ 11,310,446
ENDING FUND BALANCE	\$ 44,209,788	\$ 37,102,295	\$ 44,660,068	\$ 42,547,369
AVAILABLE RESERVES <sup>2</sup>	\$ 13,143,714	\$ 19,263,332	\$ 12,758,527	\$ 15,251,481
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.31%	4.72%	3.14%	3.72%
LONG-TERM OBLIGATIONS	\$ 944,142,078	\$ 846,814,925	\$ 866,334,255	\$ 828,337,572
K-12 AVERAGE DAILY ATTENDANCE AT P-2 <sup>4</sup>	35,658	34,605	35,992	36,539

The General Fund balance has decreased by \$5,445,074 over the past two years. The fiscal year 2014 budget projects an increase of \$7,107,493. For a district this size, the State recommends available reserves of at least 2 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

Average daily attendance has decreased by 1,934 over the past two years. An increase of 1,053 ADA is anticipated during fiscal year 2013-14.

<sup>1</sup> Budget 2014 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

<sup>3</sup> On behalf payments of \$8,227,929 have been excluded from the revenues and expenditures for comparability.

<sup>4</sup> Excludes adult education and ROP ADA.

See accompanying note to supplementary information.



# OAKLAND UNIFIED SCHOOL DISTRICT

## NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2013

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund
<b>ASSETS</b>					
Deposits and investments	\$ 497,871	\$ 2,755,540	\$ 1,525,022	\$ 2,476,391	\$ 2,567,869
Receivables	98,594	1,006,565	4,395,752	1,651	462,027
Due from other funds	-	-	-	-	1,219,042
<b>Total Assets</b>	<b>\$ 596,465</b>	<b>\$ 3,762,105</b>	<b>\$ 5,920,774</b>	<b>\$ 2,478,042</b>	<b>\$ 4,248,938</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Payables	\$ 32,297	\$ 398,891	\$ 1,137,006	\$ 14,343	\$ 258,377
Due to other funds	44,239	3,025,833	3,291,454	-	-
Deferred revenue	-	20,341	-	-	-
<b>Total Liabilities</b>	<b>76,536</b>	<b>3,445,065</b>	<b>4,428,460</b>	<b>14,343</b>	<b>258,377</b>
<b>Fund Balances</b>					
Restricted	-	317,040	1,492,314	-	3,990,561
Committed	519,929	-	-	2,463,699	-
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b>519,929</b>	<b>317,040</b>	<b>1,492,314</b>	<b>2,463,699</b>	<b>3,990,561</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 596,465</b>	<b>\$ 3,762,105</b>	<b>\$ 5,920,774</b>	<b>\$ 2,478,042</b>	<b>\$ 4,248,938</b>

See accompanying note to supplementary information.

State School Building Fund	Special Reserve Capital Outlay Fund	Tax Override Fund	Debt Service Fund	Nonmajor Governmental Funds
\$ 145	\$ 1,748,870	\$ -	\$ -	\$ 11,571,708
-	1,761	-	-	5,966,350
-	-	-	-	1,219,042
<u>\$ 145</u>	<u>\$ 1,750,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,757,100</u>
\$ -	\$ 142,724	\$ -	\$ -	\$ 1,983,638
-	649,635	-	6,459	7,017,620
-	-	-	-	20,341
<u>-</u>	<u>792,359</u>	<u>-</u>	<u>6,459</u>	<u>9,021,599</u>
145	958,272	-	-	6,758,332
-	-	-	-	2,983,628
-	-	-	(6,459)	(6,459)
<u>145</u>	<u>958,272</u>	<u>-</u>	<u>(6,459)</u>	<u>9,735,501</u>
<u>\$ 145</u>	<u>\$ 1,750,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,757,100</u>

# OAKLAND UNIFIED SCHOOL DISTRICT

## NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2013

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
<b>REVENUES</b>				
Federal sources	\$ 384,347	\$ 2,970,927	\$ 15,426,892	\$ -
Other state sources	71,417	8,887,629	1,025,726	-
Other local sources	265,353	467,503	896,926	5,089
<b>Total Revenues</b>	<b>721,117</b>	<b>12,326,059</b>	<b>17,349,544</b>	<b>5,089</b>
<b>EXPENDITURES</b>				
Current				
Instruction	929,738	8,409,481	-	-
Instruction-related activities:				
Supervision of instruction	981,674	136,229	-	-
School site administration	101,828	2,978,387	-	-
Pupil services:				
Food services	-	-	17,322,491	-
All other pupil services	32	13,684	-	-
Administration:				
All other administration	60,610	502,099	756,303	-
Plant services	-	288,430	-	-
Facility acquisition and construction	-	-	-	626,242
<b>Total Expenditures</b>	<b>2,073,882</b>	<b>12,328,310</b>	<b>18,078,794</b>	<b>626,242</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,352,765)</b>	<b>(2,251)</b>	<b>(729,250)</b>	<b>(621,153)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,000,000	-	-	2,093,782
Transfers out	-	(57,224)	(206,843)	-
<b>Net Financing Sources (Uses)</b>	<b>1,000,000</b>	<b>(57,224)</b>	<b>(206,843)</b>	<b>2,093,782</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(352,765)</b>	<b>(59,475)</b>	<b>(936,093)</b>	<b>1,472,629</b>
<b>Fund Balance - Beginning</b>	<b>872,694</b>	<b>376,515</b>	<b>2,428,407</b>	<b>991,070</b>
<b>Fund Balance - Ending</b>	<b>\$ 519,929</b>	<b>\$ 317,040</b>	<b>\$ 1,492,314</b>	<b>\$ 2,463,699</b>

See accompanying note to supplementary information.



Capital Facilities Fund	State School Building Fund	Special Reserve Capital Fund	Tax Override Fund	Debt Service Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,782,166
-	-	4,713,268	-	-	14,698,040
4,892,320	145	232,580	(12,502)	(6,460)	6,740,954
4,892,320	145	4,945,848	(12,502)	(6,460)	40,221,160
-	-	-	-	-	9,339,219
-	-	-	-	-	1,117,903
-	-	-	-	-	3,080,215
-	-	-	-	-	17,322,491
-	-	-	-	-	13,716
(964,798)	-	-	-	-	354,214
7,818,880	228	3,985,951	-	-	12,093,489
1,654,557	-	1,236,982	-	-	3,517,781
8,508,639	228	5,222,933	-	-	46,839,028
(3,616,319)	(83)	(277,085)	(12,502)	(6,460)	(6,617,868)
-	-	-	-	-	3,093,782
-	-	-	-	-	(264,067)
-	-	-	-	-	2,829,715
(3,616,319)	(83)	(277,085)	(12,502)	(6,460)	(3,788,153)
7,606,880	228	1,235,357	12,502	1	13,523,654
\$ 3,990,561	\$ 145	\$ 958,272	\$ -	\$ (6,459)	\$ 9,735,501

# **OAKLAND UNIFIED SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013**

---

### **Local Educational Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

### **Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code* Section 46201.

### **Schedule of Charter Schools**

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

### **Reconciliation of Annual Financial and Budget Report With Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

# OAKLAND UNIFIED SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

---

### Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

	<u>Amount</u>
Total Federal Revenues From the Statement of Revenues, Expenditures and Changes in Fund Balances:	\$ 74,606,613
Federal interest subsidy on Qualified Construction Bonds and Build America Bonds	<u>(3,352,727)</u>
Total Schedule of Expenditures of Federal Awards	<u><u>\$ 71,253,886</u></u>

### Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

### 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.



---

---

***INDEPENDENT AUDITOR'S REPORTS***

---

---



**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***

Oakland Unified School District  
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oakland Unified School District (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 20, 2015. Our report on the financial statements includes a qualified opinion on the fiduciary fund because the District did not present the financial statements for the Associated Student Body Funds. Accounting principles generally accepted in the United States of America require the presentation of these fiduciary fund financial statements as part of the financial statements.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency 2013-1 described in the accompanying schedule of findings and questioned costs to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The District's Response to Findings**

The District's response to the findings 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 the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

Varrinck Trine Day + Co. LLP

Palo Alto, California  
July 20, 2015





**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the 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 (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Each Major Federal Program**

As described in findings 2013-02 through 2013-10, in the accompanying schedule of findings and questioned costs, the District, did not comply with requirements regarding the following:

<b>Finding</b>	<b>Program Name (CFDA Number)</b>	<b>Compliance Requirement</b>
2013-2	Title I (84.010), Title II (84.367), Title III (84.365), 21 Century (84.287), Special Education (84.027), Child Nutrition (10.553), Child Care (93.575), School Improvement Grant (84.377, 84.388)	Equipment and Real Property Management
2013-3	Title I (84.010), Title III (84.365), 21 Century (84.287), Special Education (84.027), Child Nutrition (10.553), Child Care (93.575), School Improvement Grant (84.377, 84.388)	Procurement and Suspension and Debarment
2013-4	National School Lunch Program (10.555)	Special Tests and Provisions
2013-5	National School Lunch Program (10.555)	Special Tests and Provisions
2013-6	Special Education (84.027)	Reporting
2013-7	School Improvement Grant and School Improvement Grants, Recovery Act (84.377, 84.388)	Activities Allowed or Unallowed
2013-8	Title I (84.010), Title II (84.367), Title III (84.365), 21 Century (84.287), Special Education (84.027), Child Nutrition (10.553), Child Care (93.575), School Improvement Grant (84.377, 84.388)	Allowable Costs/Cost Principles
2013-9	Child Care and Development (93.575)	Allowable Costs/Cost Principles
2013-10	Child Care and Development (93.575)	Eligibility

Compliance with such requirements is necessary, in our opinion, for the District, to comply with the requirements applicable to that program.

### **Qualified Opinion on Each Major Federal Program**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the 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, 2013.

### **Other Matters**

The District's response to the noncompliance findings 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.

### **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.



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

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-4 through 2013-10 to be significant deficiencies.

The District's response to the internal control over compliance findings 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vawrinck Trine Day + Co. LLP

Palo Alto, California  
July 20, 2015





## 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 as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2012-2013* that could have a direct and material effect on each of District's State government programs as noted below for the year ended June 30, 2013.

### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-2013*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

### Basis for Qualified Opinion

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding After School Education and Safety (2013-11), Attendance Reporting (2013-12), and School Accountability Report Card (2013-13). Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

### Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2013.

## Unmodified Opinion on Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2013, except as described in the Basis for Qualified Opinion paragraph.

## Other Matters

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

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes <sup>1</sup>
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes <sup>1</sup>
Juvenile Court Schools	8	Not Applicable
Class Size Reduction Program (including in charter schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
Districts or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes <sup>1</sup>
Before School	6	Not Applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable

<sup>1</sup>Limitations regarding procedures performed are described in the Schedule of State Awards Findings and Questioned Costs section for items 2013-11 through 2013-13.

*Varrine Trine Day + Co. LLP*

Palo Alto, California  
July 20, 2015

---

---

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

---

---



# OAKLAND UNIFIED SCHOOL DISTRICT

## SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2013

### FINANCIAL STATEMENTS

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

### FEDERAL AWARDS

Internal control over major programs:	
Material weakness identified?	No
Significant deficiency identified?	Yes
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	Yes

#### Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A of the ESEA - Grants to LEAs
84.367	Title II, Part A of the ESEA - Improving Teacher Quality
84.365	Title III of the ESEA - Limited English Proficient Student Program
84.287	Title IV, Part B of the ESEA, 21 Century Community
84.027, 84.027A, 84.173, 84.173A	Special Education - Individuals with Disabilities Education Act
10.555	National School Lunch Program
93.575, 93.596	Federal Child Care, Center-based
84.377, 84.388	School Improvement Grants, ARRA - School Improvement Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 2,137,617
Auditee qualified as low-risk auditee?	No

### STATE AWARDS

Type of auditor's report issued on compliance for state programs:  
Unmodified for all programs except for the following programs which are qualified:  
Attendance Reporting  
After School Education and Safety Program  
School Accountability Report Card

# OAKLAND UNIFIED SCHOOL DISTRICT

## FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

---

The following findings represent instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings are coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
30000	Internal Control
60000	Miscellaneous

### 2013-1 Financial Statement Presentation of Fiduciary Funds Code 30000, 60000

#### **Criteria or Specific Requirements**

GASB 34, paragraph 63 requires governments to report fiduciary funds to the extent that they have activities that meet the criteria for using the funds. Furthermore, as a school district and custodian of associated student body funds, the District has a fiduciary responsibility to ensure appropriate safeguarding of student body funds.

#### **Condition**

The District has not prepared a summary of the Associated Student Body (ASB) funds in an auditable format. Therefore, the required schedule of these fiduciary funds is not presented in the financial statements.

#### **Questioned costs**

Not applicable.

#### **Context**

The amount of cash held on behalf of students varies depending on the size of the student body at each of the respective schools. The District operates approximately 61 elementary schools, 16 middle schools, and 12 high schools. This is a repeat finding from prior year.

#### **Effect**

The District is unable to present the fiduciary activity in the financial statements. Furthermore, the District is unable to exercise its fiduciary responsibility over custody of these funds on behalf of the student body.

#### **Cause**

The District did not have procedures in place to accumulate the data necessary to present the associated student body fund financial information.

#### **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.

#### **Corrective Action Plan**

During 2014-15, the District surveyed the school sites to determine which schools operated associated student body funds. Future corrective action plans include training of staff and implementation of appropriate accounting procedures for the student body funds during 2015-16 with full implementation by the 2016-17 fiscal year.



# OAKLAND UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

---

The following findings represent significant deficiencies, material weaknesses, and/or material instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
50000	Federal Compliance

**2013-2    Equipment Records Management  
Code**  
Federal Compliance (50000)

**Federal Program Affected**

Title I (84.010), Title II (84.367), Title III (84.365), 21 Century (84.287), Special Education (84.027, 84.027A, 84.173, 84.173A), Child Nutrition (10.553), Child Care (93.575, 93.596), School Improvement Grant (84.377, 84.388)

**Criteria or Specific Requirements**

OMB A-133, Subpart C, Section 300 requires the District to maintain internal control over Federal programs that provides reasonable assurance that the District is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

The District is required to follow state laws and procedures for equipment acquired under a subgrant from the California Department of Education. California Education Code §35168 requires the District to establish and maintain an inventory listing. The listing must contain identification information and original cost of all items of equipment whose current market value exceeds \$500 per item, the date of acquisition, the location of use, and the time and mode of disposal.

**Condition**

Although the District maintains a record of all assets purchased with a cost of \$5,000 or more, it does not fully comply with state laws and procedures for equipment management with respect to assets with a cost of at least \$500 but less than \$5,000. The District completed an inventory of approximately 50% of such assets and posted the data to the asset-management software program.

**Questioned Costs**

The nature of this finding does not result in questioned costs.

**Context**

The District identified approximately 2,000 asset items purchased during 2012-13, 2013-14, and 2014-15 with a total cost of \$2.7 million. The District has inventoried approximately 900 asset items with a total cost of \$1.3 million as of June 30, 2013.

**Effect**

While the District is implementing revised procedures as of the 2012-13 fiscal year, the District is unable to track inventory in the manner required by Education Code §35168.

**Cause**

The District has a multi-year plan to implement the prior year equipment finding. Currently the District is mid-way through implementation of that plan.



## **OAKLAND UNIFIED SCHOOL DISTRICT**

### **FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013**

---

#### **Recommendation**

The District should continue implementation of its equipment management system.

#### **Corrective Action Plan/District Response**

With respect to items of at least \$500 but less than \$5,000, the District plans, during 2015-16 fiscal year, to complete its inventory of the remaining 2012-13, 2013-14, and 2014-15 asset items and include those assets as well as the 2015-16 purchases in the inventory module of its equipment management system.

# OAKLAND UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

---

### 2013-3 Procurement and Suspension and Debarment

#### Code

Federal Compliance (50000)

#### Federal Program Affected

Title I (84.010), Title II (84.367), Title III (84.365), 21 Century (84.287), Special Education (84.027, 84.027A, 84.173, 84.173A), Child Nutrition (10.553), Child Care (93.575, 93.596), School Improvement Grant (84.377, 84.388)

#### Criteria or Specific Requirements

OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, debarment and suspension; Federal agency regulations in 2 CFR adopting the OMB guidance; the A-102 Common Rule (§\_\_\_\_.36); OMB Circular A-110 (2 CFR section 215.13).

#### Condition

Control and compliance - The District had not implemented effective internal controls over federal compliance because policies for federal procurements did not include procedures to ensure vendors are not debarred or suspended, or otherwise excluded from or ineligible for participation in federal grants.

#### Questioned Costs

We did not identify vendors that were debarred or suspended, or otherwise excluded from or ineligible for participation in federal grants and accordingly there are no questioned costs.

#### Context

This finding applies to all federal procurements of vendor related costs.

#### Effect

The District may employ the services of a vendor that is suspended, or otherwise excluded from or ineligible for participation in federal grants.

#### Cause

Adequate procedures are not fully implemented. The District began implementation of procedures to address this prior year finding during 2012-13 with a goal of full implementation by June 2015.

#### Recommendation

The District should ensure compliance by performing a verification check of vendors against the excluded parties listing system, collecting a certification form from the vendor, or adding a clause or condition to the transaction within the vendor contract.

#### Corrective Action Plan/District Response

The District established procedures in January 2012 to verify vendors against the EPLS. At contract initiation, new vendors are vetted against the EPLS. At the beginning of each fiscal year, existing vendors are checked against the EPLS.gov database. The District began implementation of the policies and procedures during 2012-13 and continues that process with the goal of full implementation by June 2015.

## OAKLAND UNIFIED SCHOOL DISTRICT

### FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

---

#### 2013-4 School Lunch Application Verification

##### Code

Federal Compliance (50000)

##### Federal Program Affected

National School Lunch Program (10.555)

##### Criteria or Specific Requirements

As described in 7 CFR section 245.6a, by November 15 of each school year, the local education agency (LEA) must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals.

##### Condition

Control and compliance - The District is not adequately responding to the results of the verification of eligibility.

##### Questioned Costs

The results of our test work did not identify questioned costs associated with this instance of noncompliance.

##### Context

The District performed a verification of free and reduced price eligibility. Of the students selected by the District for verification, we selected a sample of 25 and noted that for one item in our sample, the District incorrectly updated the eligibility to "paid" instead of "reduced."

##### Effect

There may be additional students incorrectly classified as free, reduced, or paid.

##### Cause

Internal controls over federal compliance were not operating effectively.

##### Recommendation

Designate an individual with sufficient knowledge and experience to oversee the process of verifying the eligibility status of students.

##### Corrective Action Plan/District Response

The District implemented written policies and procedures during 2013-14 to ensure more accurate determination of applicants' eligibility. The District's verification process includes confirming eligibility for a sample number of applications received/approved in the current school year for free and reduced price meal benefits under the NSLP and SBP, in accordance with USDA requirements. The District will continue to follow the guidelines and update classifications as needed when performing the verifications.



## OAKLAND UNIFIED SCHOOL DISTRICT

### FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

---

#### 2013-5 School Lunch Paid Price Equity

##### Code

Federal Compliance (50000)

##### Federal Program Affected

National School Lunch Program (10.555)

##### Criteria or Specific Requirements

The District is required to ensure that sufficient funds are provided to its nonprofit school food service accounts from lunches served to students not eligible for free or reduced price meals. The District must calculate the weighted average price charged for its paid meals and compare this amount to the difference between the federal reimbursements for free and paid lunches. This difference is known as "equity." There are two ways to meet this requirement: (a) by raising the prices charged for paid lunches; or (b) through contributions from other non-Federal sources. School food authorities with an average weighted price at or above equity (currently \$2.51) have already met the requirement (42 USC 1760(p); 7 CFR sections 210.14(a) and 210.14(e)).

##### Condition

Control and compliance - The District did not perform the calculations to assess compliance.

##### Questioned Costs

The nature of this control and compliance finding does not result in questioned costs.

##### Context

We estimate that had the District calculated the weighted average meal price of paid lunches, they would have increased meal prices or General Fund contributions to the food services fund. The calculated weighted average meal price was \$2.48, which is \$.03 below the equity meal price. The District served 536,844 paid meals during the year.

##### Effect

This requirement is intended to ensure that school food authorities provide sufficient funds to their food service account for paid lunches. The District may not meet this requirement.

##### Cause

Department personnel were unaware that the requirement applied to the 2012-13 school year.

##### Recommendation

The California Department of Education, as pass-through granting agency, provides literature to ensure new compliance requirements are communicated to school food authorities. Oakland Unified should utilize this information.

##### Corrective Action Plan/District Response

The District is now aware of the requirement to perform a calculation of its weighted average meal price and adjust the price if less than the reimbursement rate for the free lunches. Starting with the 2013-14 school year the District utilized the USDA provided Paid Lunch Equity tool to determine required paid meal price increases. The tool has been used in each subsequent school year. When completing the tool during the 2013-14 school year an increase was required. This increase was approved by the Board in the spring of 2014 and implemented on August 25, 2014 for the 2014-15 school year.

## OAKLAND UNIFIED SCHOOL DISTRICT

### FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

---

**2013-6 Special Education Records Maintaining Eligibility  
Code**  
Federal Compliance (50000)

**Federal Program Affected**  
Special Education (84.027)

**Criteria or Specific Requirements**

34 CFR, Subtitle B, Chapter III, Part 300, Subpart D, Section 300.323 state that the beginning of each school year, each public agency must have in effect, for each child with a disability within its jurisdiction, an individual educational plan (IEP), as defined in § 300.320. The IEP team must review the child's IEP at least once a year, as required by § 300.324.

**Condition**

Control and compliance - The District did not have documentation showing that for each child with a disability, an annually reviewed IEP is in effect. We noted an instance where documentation was not available, and we noted instances where documentation was not updated annually.

**Questioned Costs**

The nature of this finding does not result in questioned costs.

**Context**

The District has over five-thousand students designated as eligible for special education services. We selected a random sample of 60 IEPs and noted four exceptions: One IEP was unable to be located and three IEPs were not revised annually.

**Effect**

The District was unable to support the assertion that all students designated as eligible for special education services in fact meet the eligibility criteria.

**Cause**

Policies and procedures over IEP maintenance are inadequate.

**Recommendation**

Designate an individual within the District to select audit samples throughout the year to ensure that all IEPs are complete, accurate, and maintained.

## OAKLAND UNIFIED SCHOOL DISTRICT

### FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

---

#### **Corrective Action Plan/District Response**

OUSD has taken the following corrective actions for completing IEPs on an annual basis and maintaining IEP records:

- Case carriers are required to prepare a calendar of IEPs at the beginning of the school year.
- During 2013-14 and continuing in 2014-15, new teacher academies were created to specifically address issues identified in the findings. The trainings are conducted before the beginning of the year and at three evening institutes to support IEP development.
- Beginning in 2014-15, the Management Information Systems (MIS) clerks email IEP writing tips, to all service providers, on how to write more compliant and thorough IEPs.
- Beginning in 2014-15, the Compliance Coordinator writes quarterly articles on issues of systemic non-compliance and ways of avoiding these issues. These are published on the department's website.
- During 2013-14 MIS clerks began running overdue IEP reports on a monthly basis.
- Program Specialists assist case carriers identified as overdue with IEP completion.
- For case carriers unable or unwilling to correct overdue IEPs the Program Coordinator in conjunction with the site principal engages in progressive discipline, which includes the following steps: verbal warning, letter of concern, letter of reprimand, notice of unprofessional conduct, and termination.
- During 2013-14, and continuing in 2014-15, the District changed from the WEB IEP system to the Special Education Information System (SEIS). The SEIS program allows for the maintenance of virtual record and eliminates the need for paper documents, thus avoiding IEPs from being misplaced or mishandled.
- Beginning in 2014-15, the Executive Officer for Legal and Compliance conducts twice weekly meetings with the MIS clerks and other involved individuals to improve the collection of student data, the maintenance of compliant records and the reporting of accurate information to CDE.



## OAKLAND UNIFIED SCHOOL DISTRICT

### FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

---

#### 2013-7 Transformation Model Implementation

##### Code

Federal Compliance (50000)

##### Federal Program Affected

School Improvement Grant and School Improvement Grants, Recovery Act (84.377, 84.388)

##### Criteria or Specific Requirements

Sites implementing the transformation model are required to undergo a number of school wide reforms. Among all requirements, the following apply to this finding:

- 1) Use rigorous, transparent, and equitable evaluation systems for teachers and principals that take into account data on student growth as a significant factor as well as other factors, such as multiple observation-based assessments of performance and ongoing collections of professional practice reflective of student achievement.
- 2) Identify and reward school leaders, teachers, and other staff who, in implementing the transformation model, have increased student achievement.
- 3) Implement such strategies as financial incentives, increased opportunities for promotion and career growth, and more flexible work conditions that are designed to recruit, place, and retain staff with the skills necessary to meet the needs of the students in a transformation model.

The program is authorized by Section 1003(g) of the ESEA (20 USC 6303(g)). It is governed by final requirements for School Improvement Grants authorized under Section 1003(g) of Title I of the ESEA, issued October 28, 2010 (75 FR 66363)(SIG final requirements).

##### Condition

Compliance - The three compliance requirements of the transformation model noted in the criteria or specific requirements section of this finding have not been implemented.

##### Questioned Costs

Questioned costs cannot be determined because the nature of this finding cannot be quantified.

##### Context

The District has four schools eligible to receive funds under the school improvement grant. All four schools implemented the transformation model.

The three compliance requirements of the transformation model noted in the criteria or specific requirements section of this finding are not the only requirements of the transformation model. Accordingly, these three compliance requirements should not be the sole basis for assessing if the District is appropriately expending funds under the school improvement grant.

## OAKLAND UNIFIED SCHOOL DISTRICT

### FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

---

#### **Cause**

The District was unable to implement the reform strategies of the transformation model within the time period of receiving the grant through the 2012-13 fiscal year.

#### **Recommendation**

The school improvement grant does not continue in perpetuity. Due to the timing of this finding, the District may be unable to implement corrective action. If possible, we suggest the District contract the California Department of Education to request a waiver of the compliance requirements or seek guidance if compliance cannot be achieved.

#### **Corrective Action Plan/District Response**

The 2012-13 School Improvement Grant audit findings were resolved by the district based on the following programs that were initiated beginning in either the 2013-14 or 2014-15 school year as indicated.

- Teacher Growth and Development System (TGDS) (2014-15)
- Change Maker Awards (reward teachers) (2014-15)
- Oakland Effective Teaching Taskforce (OETF) (2013-14)
- Certificated Employee Performance Appraisal System (CEPAS) (2013-14)
- School Quality Review (SQR) data for student and teacher appraisal (2013-14)

These programs and tools are designed to identify, support, and reward teachers who are making a substantial impact on their students' academic achievement. In conjunction with the ability to provide training, coaching, and professional development for identified teachers in the SIG schools, the school leadership has been provided additional support through district-led professional development around the use of innovative technology and curriculum.



# OAKLAND UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

---

### 2013-8 Employee Time and Effort Documentation

#### Code

Federal Compliance (50000)

#### Federal Program Affected

Title I (84.010), Title II (84.367), Title III (84.365), 21 Century (84.287), Special Education (84.027, 84.027A, 84.173, 84.173A), Child Nutrition (10.553), Child Care (93.575, 93.596), School Improvement Grant (84.377, 84.388)

#### Criteria or Specific Requirements

Attachment B, Section 8(h) of OMB Circular A-87 specifies the standards for documenting salaries and wages charged to federal programs.

Pursuant to Attachment B, § 8(h)(3), employees who work solely on a single federal award or cost objective need only complete a periodic certification meeting certain requirements, including that the certifications will be prepared at least semi annually.

Pursuant to Attachment B, § 8[h][4], [5], and [7], employees who work on multiple activities or cost objectives of which at least one is federal must complete a personnel activity report or equivalent documentation meeting certain requirements. Among others, the requirements include that activity reports must reflect an after the fact distribution of the actual activity of each employee. Activity reports must account for the total activity for which each employee is compensated. Furthermore, activity reports must be prepared at least monthly and must coincide with one or more pay periods.

#### Condition

Control and compliance - During our examination of employee time and effort documentation, it was noted that not all employees submitted time and effort documentation meeting the aforementioned requirements.

#### Questioned Costs

We reviewed additional documentation that indicates services performed appear to support program objectives. We did not find specific evidence that suggested inappropriate costs were charged to the program, only that specific required documentation in support of certain payroll charges, as required by OMB A-87, was lacking. Therefore, this finding does not result in any calculable questioned costs.

#### Context

This finding has repeated for multiple years. However, based on our observations, the District appears to have improved over the prior year as they located all of the required documentation.

Total costs in support of employee salaries (not including benefits) across all eight major programs was \$28.6M. Our sample consisted of 35 employees who charged time to the eight major programs. We noted the following:

- Five time documents represent a control exception because they were not completed in a timely manner to enable reaction and adjustment of payrolls.
- One time document represents a control and compliance exception because it was not prepared after-the-fact.
- One time document represents a control and compliance exception because it was incorrect.



## **OAKLAND UNIFIED SCHOOL DISTRICT**

### **FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013**

---

#### **Effect**

Insufficient time and effort documentation could result in disallowance of expenditures allocated to Federal programs, because the District is unable to assert that an employee is engaged in an activity allowable for the program.

#### **Cause**

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

#### **Recommendation**

The District has a system that facilitates preparation and collection of time and effort documentation. Human interaction is required to complement the system in achieving its purpose. Personnel should monitor and timely follow up with employees who are delinquent in the return of time and effort documentation.

#### **Corrective Action Plan/District Response**

During 2014-15, the District enhanced its time accounting monitoring procedures to ensure documentation is completed and submitted to the State and Federal Compliance Group. Monitoring Procedures for late documentation submission include:

- Follow up emails with the employee and principal/supervisor 11 to 14 days after month end,
- Communication submitted to network/deputy superintendent(s) if not received within 2 days of employee email,
- Communication submitted to chief of schools if not received within 2 days of network/deputy superintendent(s) email,
- 4) If documentation remains outstanding by month end, communication submitted to superintendent.

# OAKLAND UNIFIED SCHOOL DISTRICT

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

---

### 2013-9 Expenditure Allocation

#### Code

Federal Compliance (50000)

#### Federal Program Affected

Child Care and Development (93.575, 93.596)

#### Criteria or Specific Requirements

Attachment A, Section C (3) of OMB Circular A-87 specifies basic guidelines of costs charged to federal programs. In general, costs should be allocated in accordance with the relative benefits received.

#### Condition

Control and compliance - Interfund transfers for custodial costs were not allocated to the federal child care program based on the relative benefits received. Additionally the District has not implemented effective internal controls to ensure correct allocation of these costs.

#### Questioned Costs

Questioned costs were \$307,437, which represents the excess of the allocated costs over the relative benefits received.

#### Context

This type of transaction occurs once per year. The Child Care Department incurred approximately \$615K of custodial expense during the year 2012-13 fiscal year. Of this amount, \$461K was charged to the federal grant.

#### Effect

Charges for custodial services were over-allocated to the federal grant and result in identified noncompliance that is subject to repayment or internal correction within the District's books.

#### Cause

The District allocated the \$615K of custodial costs between the various funding sources that receive these services. The allocation is incorrect because the Federal grant represents approximately 25% of the program, yet the District allocated 75% of the costs.

#### Recommendation

The District should appoint a responsible official to review and approve cost transfers going forward. Additionally, the District should remediate the identified noncompliance by returning the excess expense to the correct funding source.

#### Corrective Action Plan/District Response

Effective 2014-15, the District implemented a process of allocating custodial charges on a prorated basis based on actual enrollment between federal and state programs within the District Child Care and Development Fund. As part of the 2014-15 year-end closing process, the District will recalculate and post adjustments to prior year federal program allocations as refunds for the excess costs.

## OAKLAND UNIFIED SCHOOL DISTRICT

### FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

---

#### 2013-10 Child Care Eligibility

##### Code

Federal Compliance (50000)

##### Federal Program Affected

Child Care and Development (93.575, 93.596)

##### Criteria or Specific Requirements

The District must have in place procedures for documenting and verifying eligibility of children who participate in the child care program.

Children must be under age 13 (or up to age 19, if incapable of self care or under court supervision), who reside with a family whose income does not exceed 85 percent of State/territorial/tribal median income for a family of the same size, and reside with a parent (or parents) who is working or attending a job-training or education program; or are in need of, or are receiving, protective services.

The District shall establish a sliding fee scale, based on family size, income, and other appropriate factors, that provides for cost sharing by families that receive CCDF child care services (45 CFR section 98.42).

##### Condition

Control and compliance - The District has not implemented effective internal controls over eligibility. Additionally, we were unable to complete our audit procedures regarding compliance because the forms documenting compliance were unavailable.

##### Questioned Costs

We cannot determine questioned costs because we were unable to complete the audit procedures.

##### Context

This is a repeat finding from the prior year. We selected a sample of 20 students reported to the State as receiving child care services. The District was unable to locate documentation to support 9 of those samples, or 45%. Total federal expenditures for this program for the 2012-13 fiscal year was \$2,817,292.

##### Effect

The District is unable to support the assertion that all pupils receiving child care services were eligible or that they were assessed the correct sliding scale fee.

##### Cause

Eligibility documents for some students were not accessible as they were located at school sites rather than at the Early Childhood Education (ECE) program offices.



## OAKLAND UNIFIED SCHOOL DISTRICT

### FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

---

#### **Recommendation**

The District should perform internal audits of the child care program by randomly selecting students included in the attendance report and locating the eligibility documents to ensure they exist, are complete, and accurate.

#### **Corrective Action Plan/District Response**

The District implemented the following action plans during the 2014-15 fiscal year:

- Beginning during 2012-13, ECE started filing eligibility documents at the ECE program offices.
- To insure that all families enrolled in the ECE program met the State eligibility requirements, staff received ongoing training to understand, update and implement Title 22 and Title V guidelines for program eligibility. The ECE Director and the Enrollment Coordinator in conjunction with the CDE State Consultant, planned and conducted the training.
- To insure that eligibility requirements were met and family files were properly maintained throughout the year, the ECE Director and the Enrollment Coordinator coordinated the review of files twice yearly (fall and spring). The focus of the review was to make sure a family file was present for each family enrolled based on EESIS (student data system) and state data reports, and that the files contain up-to-date eligibility documentation and an accurate fee for service calculation. All staff responsible for enrollment was required to attend all trainings assigned to fully understand and implement the Family File Protocols.

## OAKLAND UNIFIED SCHOOL DISTRICT

### STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

---

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings are coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
30000	Internal Control
40000	State Compliance
72000	School Accountability Report Card

#### **2013-11 After School Education and Safety Code**

State Compliance (40000)

##### **Criteria or Specific Requirements**

The purpose of the After School Education and Safety (ASES) program is to support student success in school by providing academic support and enrichment opportunities. An ASES after school program was never intended to be a drop-in or child care program. The legislature determined that regular attendance would serve as the measure for demonstrating compliance with the legislation's purpose (EDC §8483[a][1]), intent (EDC §8483[a][2]), and criteria for ongoing program funding (EDC §8483.7[a][1][A]).

Elementary school pupils must participate in the full day of the after school program on every day during which pupils participated (EDC §8483[a][2]). Middle school pupils must attend the after school program a minimum of nine hours a week and three days a week, except as consistent with the established early release policy (EDC §8483[a][2]).

Every elementary and middle school operating an after school program must begin each day of the after school program immediately upon the conclusion of the regular school day. ASES programs must operate a minimum of 15 hours per week and remain open until 6 p.m. on every regular school day (EDC §8483[a][1]).

##### **Condition**

Written records documenting student's participation in the program do not support the reported number of students served. In some cases, attendance documents lacked sign in/out times and signatures. We noted instances where students leave the program early, but there was no connection to the established early release policy. In other instances, we were unable to complete the audit procedures because attendance documentation is not available.

##### **Effect**

In some instances, the District was unable to support the ASES attendance reported to the State because documentation was either unavailable or incomplete. Furthermore, the District was unable to assert that elementary school pupils participate in the full day of the after school program on every day during which pupils participated, or that middle school pupils attended the after school program a minimum of nine hours a week and three days a week.



## OAKLAND UNIFIED SCHOOL DISTRICT

### STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

---

#### Cause

There was a lack of standardization and effective oversight in the ASES attendance gathering and reporting process. In addition, there appears to be a need for further education on the part of the site coordinators to understand the program compliance rules and regulations.

#### Context

The District operates an ASES after school program at 64 schools. Of the eight schools in our sample, three schools identified no exceptions (Greenleaf Elementary, La Escuelita Elementary, and Laurel Elementary). Our audit procedures noted the following items of noncompliance:

- Allendale Elementary School - We examined ASES attendance for the month October 2012 and March 2013.

We noted a 53% error rate on October 31, because 42 of the reported 78 attendance records were not available. We noted a 3% error rate overall for the month of October. The nature of these errors was that the sign in/out sheet counts did not reconcile with the reported number of students served. For the month of March, we noted no material exceptions.

- Edna Brewer Middle School - We examined ASES attendance for the months of October, 2012, and March, 2013. We were unable to complete the audit procedures because the attendance documentation was incomplete for a substantial portion of the items in our sample.
- Fred Korematsu Discovery Academy Elementary School - We examined ASES attendance for the months of October, 2012 and March, 2013.

We noted the sign in/out sheets adequately support the reported number of students served. However, there was no documentation to link the established early release policy with instances where a student leaves early from the program.

- Roosevelt Middle School - We examined ASES attendance for the months of October, 2012 and March, 2013.

We noted that for October 31, 2012 the reported number of students served was overstated by 7%. For March 1, 2013, the reported number of students served was overstated by 8%. For March 6, 2013, the reported number of students served was overstated by 17%. For March 15, 2013, the reported number of students served was overstated by 18%. The nature of these errors was that the sign in/out sheet counts did not reconcile with the reported number of students served. We did not examine additional days of attendance. Had we done so, we likely would have identified more instances of over/under stated attendance.

- Urban Promise Academy Middle School - We examined ASES attendance for the months of October, 2012 and March, 2013. The attendance documentation was not organized in auditable form and accordingly we were unable to complete the audit procedures.

This is a prior year finding and the District has a responsibility to ensure compliance with grant requirements. It is worth noting that due to the timing of the prior year findings, corrective action in the 2012-13 fiscal year was not possible.



## **OAKLAND UNIFIED SCHOOL DISTRICT**

### **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013**

---

#### **Questioned Costs**

Funding for ASES is not reimbursed for attendance; instead, ASES is direct funded as three-year renewable grants by site. Grant awards for the fiscal year do not change once amounts are determined. Grant awards are based in part on the amount of students served (attendance reported to the state). A discrepancy in the number of students served in the current year will not affect current year funding, but it could influence funding for future periods. The funding amounts for future years are based on a number of factors of which number of students served is one. As such it is not possible to project what the fiscal impact of the errors noted above will have on future grant awards.

#### **Recommendation**

We recommend the District standardize the policies and procedures of ASES attendance reporting and enforce policies through frequent internal audits of the sites. All District sites need to be reminded to retain documented records of when a student signs out of the program, showing signature, time out and reconciliation to the established early release policy, as applicable. It is also recommended that the District provide additional training to site coordinators as regards the rules and regulations regarding attendance gathering. Because of the inevitable turnover of personnel that occurs, this type of training should be given on an as needed basis, but at least annually and when there is turnover at the site coordinator position.

After school staff should count the number of students daily. The daily attendance totals should be reconciled with the monthly attendance totals. Attendance records should be retained and stored securely

## OAKLAND UNIFIED SCHOOL DISTRICT

### STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

---

#### **Corrective Action Plan/District Response**

The Audit Findings from the 2011-12 audit of OUSD ASES after school programs were not published until 2014. Consequently, the OUSD After School Programs Office (ASPO) was not able to enact any corrective actions in response to these audit findings until the 2014-15 program year. The OUSD After School Programs Office implemented several new procedures beginning in the 2014-15 school year to ensure that after school programs are compliant with attendance reporting requirements and early release policies. These new procedures include the following:

- ASPO has established the following new after school attendance requirements for all ASES and 21st Century Community Learning Center program sites: By the 10th of every month, all OUSD ASES and 21st CCLC program sites are required to scan and send electronically to ASPO a copy of all their daily sign in/out sheets from the previous month. Programs are also required to conduct an internal audit of their attendance records to ensure that the number of attendances recorded in Cityspan for any given program date is properly supported by sign-in sheet documentation. Program sites are required to submit internal audit documentation to the ASPO by the 10th of each month, along with electronic copies of the previous month's attendance records. ASPO staff will review submitted attendance data to monitor program sites for accurate completion of daily sign in/out forms and to cross-check that hard copy records match Cityspan data.
- All program sites received documentation of these new attendance requirements during the 2014 After School August Institute training, and electronically through email correspondence. After School site coordinators received training on these new requirements during three Cityspan trainings at the beginning of the 2014-15 school year, as well as during the New Site Coordinators orientation that took place in August, 2014. ASPO staff reviewed compliance requirements and provided examples of properly completed sign in/out sheets during these trainings.
- ASPO changed its process for semi-annual attendance reporting to CDE beginning with the 1st semi-annual attendance report for the 2014-15 school year. ASPO completed this first semi-annual attendance report using data on actual attendance signatures (pulled from the monthly internal audit logs submitted by all sites), rather than using Cityspan data. This change provides assurance that OUSD would only report attendance numbers that could be verified by signatures at each program site. ASPO will continue to use this process of reporting on hand-counted signatures as opposed to Cityspan data until we are certain that the Cityspan data accurately matches the number of signatures for each day of program operation at all program sites. ASPO will continue to monitor monthly attendance records and internal audit logs from each site to determine whether Cityspan numbers and signatures are matching up, and will provide technical assistance to sites that are having difficulty with accurate reporting using the Cityspan online database.
- ASPO created a standard district form for programs to use to document daily early release of students leaving program earlier than 6pm. This daily early release form is distinct from the recurring daily early release form that is part of the standard after school enrollment packet. ASPO trained all sites on the early release policy and proper documentation of early release occurrences during our 2014 August Institute training, and during the three Cityspan trainings we provided at the beginning of the 2014-15 school year.

## **OAKLAND UNIFIED SCHOOL DISTRICT**

### **STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013**

---

- The OUSD After School Programs Office has created a new Compliance and Operations Program Manager position whose primary responsibility will be to monitor programs for compliance, and provide training and technical assistance to ensure that all program sites are operating fully in compliance and maintaining accurate attendance records. This new position has been approved by the Board of Education and will be posted on EdJoin in late June or early July.

The above strategies were implemented beginning in the 2014-15 school year. As a result, we expect a significant improvement in accuracy and completeness of after school attendance records beginning this 2014-15 school year.



# OAKLAND UNIFIED SCHOOL DISTRICT

## STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

---

### 2013-12 Attendance Records Maintenance

#### Code

Attendance (10000)

State Compliance (40000)

#### Criteria or Specific Requirements

EDC §41601 requires the District to report average daily attendance of the district for all full school months during (1) the period between July 1 and December 31, inclusive, and (2) the period between July 1 and April 15, inclusive. Each attendance report shall be prepared in accordance with instructions on forms prescribed and furnished by the Superintendent of Public Instruction.

#### Condition

The recording of attendance and document retention practices did not allow the District to ensure state attendance reports were accurate or complete.

#### Questioned Costs

The results of our audit procedures observed questioned ADA of 18.26, resulting in questioned costs of \$95,652. The base revenue limit used to calculate the questioned costs is \$5,238.35.

Questioned ADA of 18.26 resulted from the following observations:

- Allendale Elementary School - Observed questioned ADA, 3.02.
- Castlemont High School - Observed questioned ADA, .45.
- Edna Brewer Middle School - Observed questioned ADA, 0.27.
- Montera Middle School - Observed questioned ADA, 1.43.
- Oakland High School - Observed questioned ADA, 0.07.
- Oakland Tech High School - Observed questioned ADA, 12.08
- Skyline High School - Observed questioned ADA, 0.71.
- Urban Promise Academy - Observed questioned ADA, 0.23.

The observed questioned ADA above is the result of taking the known exceptions as noted in the table below and dividing that number by the P-2 apportionment days factor of 129.

#### Context

A summary of our testing and the exceptions noted is as follows.

Documentation not maintained, unable to complete audit procedures:

Site	(Apportionment)		Error Rate	Total Reported ADA at P-2
	Audit Sample	Exceptions Noted		
Allendale Elementary School	3104	390	13%	376
Castlemont High School	840	58	7%	599
Edna Brewer Middle School	258	35	14%	715
Montera Middle School	738	185	25%	868
Oakland High School	1836	9	0.5%	1434
Oakland Tech High School	2806	1550	55%	1758
Skyline High School	2665	92	3%	1498
Urban Promise Academy	840	30	4%	310

## OAKLAND UNIFIED SCHOOL DISTRICT

### STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

---

Overstated attendance per absence logs:

Site	(Absense Log Entries)			Total Reported		Absences "Reported"
	Audit Sample	Exceptions Noted	Error Rate	ADA at P- 2	Enrollment	
Castlemont High School	40	3	8%	599	641	42
Oakland Tech High School	50	9	18%	1758	1987	229

#### Effect

Attendance reports may not be prepared in accordance with instructions prescribed and furnished by the Superintendent of Public Instruction. Furthermore, the District may not be able to defend itself against allegations of inappropriate attendance reporting because documentation is not always retained. Accordingly, an unknown amount of ADA could be questioned.

#### Cause

The District does not have adequate internal controls in place to ensure that all attendance documentation is retained.

#### Recommendation

We recommend the District standardize their methodology of attendance reporting and enforce this methodology through frequent internal audits of the sites.

All District sites should be reminded of the need to have documented records of student attendance. The District should provide additional training to site level staff regarding attendance taking policies and procedures, including document retention policies. Training should be held at least annually. Site level staff who disregard policies should be held accountable.

As a long-term solution, the District should consider implementation of an attendance recording system that supports electronic signatures. Electronic documentation concentrates the retention responsibilities to a central location more easily controlled by the District office.

#### Corrective Action Plan/District Response

The District will amend its second period and annual reports of attendance based on the audited results. Corrective actions taken in response to the attendance findings noted during the 2010-11 fiscal year include:

- Establishment of a Quality Attendance Team during 2013-14. The team meets regularly to discuss and resolve site attendance issues that arise throughout the year.
- Visited all schools during 2013-14 and 2014-15 to determine the status of compliance.
- If determined necessary, one-on-one training was and continues to be provided to school site staff.
- Reported results of the site visits to the audit committee members, various levels of management, and relevant individual school site staff (e.g. attendance staff and principal).
- Throughout the 2014-15 school, conducted mandatory attendance training for attendance clerks and principals.



## OAKLAND UNIFIED SCHOOL DISTRICT

### STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

---

#### 2013-13 School Accountability Report Card

##### Code

State Compliance (40000)

School Accountability Report Card (72000)

##### Criteria or Specific Requirements

Schools are required to have annual facility inspections. Specifically, state law requires that the annual facility inspection be reflected on the School Accountability Report Card (SARC) in accordance with EDC §33126 and EDC §33126.1. The Office of Public School Construction (OPSC) Facility Inspection Tool (FIT), or a locally developed instrument that meets the same legal requirements, must be utilized during these inspections to determine if a school facility is in "good repair" and to rate the facility accordingly.

The District should ensure that information concerning school facility conditions and the "good repair status" of facilities should use the most recent available data collected by the LEA. The year and month in which the data were collected should also be identified.

EDC §35186 requires the district to report summarized data on the nature and resolution of all complaints regarding instructional materials, teacher vacancy or misassignment, or facilities conditions on a quarterly basis to the county superintendent of schools and the governing board of the school district. The quarterly report shall include the number of complaints by general subject area with the number of resolved and unresolved complaints.

This information is also disseminated to the public in the annual SARC for each school site.

##### Condition

Information in the SARC was inconsistent with the information in the FIT because the tools do not contain the necessary elements to identify the good repair status of facilities.

Information in the SARC on the nature and resolution of complaints regarding teacher vacancy or misassignment is inconsistent with the information in the quarterly complaint summaries. All four summaries were presented to the governing board during January 2014. They were not available for preparation of the SARC.

##### Questioned Costs

There is no questioned cost associated with this condition because there is no funding related to School Accountability Report Card.

##### Context

Except as noted in the next paragraph, the conditions identified apply to all schools.

Schools ranked in deciles 1-3 are subject to monitoring under the Williams settlement legislation. Accordingly, an outside party performs the annual facilities inspection. The inspection tool used by the outside party contains all the elements in the OPSC FIT necessary to establish the good repair condition of the facilities. The outside party inspects approximately half of the school buildings.



## OAKLAND UNIFIED SCHOOL DISTRICT

### STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

---

#### **Effect**

Information contained in the SARC may not be current.

#### **Cause**

The District did not have adequate internal controls to ensure that all information reported on the SARC accurately reflected the condition of the school facilities or that the Williams summaries are prepared timely.

#### **Recommendation**

The District should appoint a single person to obtain information from various departments involved in SARC compilation.

The District should use the OPSC FIT template for the annual facilities inspection, instead of developing a proprietary form.

Furthermore, to ensure information on the nature and resolution of complaints regarding teacher vacancy or misassignment is reflected in the SARC, the District should ensure the summary of Williams complaints is compiled quarterly. A designated person should have this responsibility.

#### **Corrective Action Plan/District Response**

During 2014-15, the District enhanced its SARC process and procedures to ensure compliance and good record keeping by:

- Working closely with the Facilities department to ensure the use of the OPSC FIT report during 2015-16 for all school sites not monitored under the Williams settlement legislation;
- Assigning one point of contact (Compliance Coordinator) in the State and Federal Compliance group to work with several departments to obtain various components for the SARC;
- Developed a communication strategy to reach several departments in a uniformed/timely manner to enhance quality review time prior to completion of SARC.

Also in 2014-2015, State and Federal Compliance worked closely with the Office of the Ombudsperson to develop a process to ensure that all Williams complaints are completed, compiled, and presented to the Board in a timely manner. These procedures include:

- Partnering with the Office of the Ombudsperson to receive copies of the reports submitted on a quarterly basis to the county superintendent and District governing board;
- Ensuring that the Office of the Ombudsperson presents the summarization data to the governing board on a quarterly basis at a regularly scheduled board meeting;
- Working with the Office of the Ombudsperson to not only maintain a binder of Williams Complaints to ensure that Williams Complaint forms are made available for public requests and review, but to scan electronic versions of the forms and files as a secondary method for transparency and availability for public request.

# OAKLAND UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

---

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

### *Financial Statement Findings*

**2012-1**     **Code**  
30000, 60000

**Finding**  
Associated Student Body Fund not presented and not audited.

**Current Status**  
Not Implemented - See 2013-1.

### *Federal Awards Findings*

**2012-2**     **Code**  
30000, 60000

**Finding**  
Inadequate support for salaries and wages charged to various Federal programs.

**Current Status**  
Not Implemented - See 2013-8.

**2012-3**     **Code**  
30000, 60000

**Finding**  
Non-compliance with procurement, suspension and debarment requirements.

**Current Status**  
Not Implemented - See 2013-3.

**2012-4**     **Code**  
30000, 50000

**Finding**  
Non-compliance with policies and procedures for equipment management.

**Current Status**  
Not Implemented - See 2013-2.

# OAKLAND UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

---

**2012-5**     **Code**  
30000, 50000

**Finding**

Cash Management—Interest earned on federal funds not properly calculated or remitted.

**Current Status**

Implemented.

**2012-6**     **Code**  
30000, 50000

**Finding**

Title I, NCLB, Part A, Basic Grant Program; Title II, Improving Teacher Quality—Private school funding and services requirements not met.

**Current Status**

Implemented.

**2012-7**     **Code**  
30000, 50000

**Finding**

Title I, NCLB, Part A, Basic Grant Program – Comparability requirements not met.

**Current Status**

Implemented.

**2012-8**     **Code**  
30000, 50000

**Finding**

Child Care and Development Program – eligibility record deficiencies.

**Current Status**

Not Implemented - See 2013-10.

**2012-9**     **Code**  
30000, 50000

**Finding**

National School Lunch Program – Noncompliance with eligibility requirements.

**Current Status**

Implemented.



# OAKLAND UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

---

**2012-10 Code**  
30000, 50000

**Finding**

National School Lunch Program – Procurement – Noncompliance with policies and procedures – minimum number of bids.

**Current Status**

Implemented.

**2012-11 Code**  
30000, 50000

**Finding**

National School Lunch Program – Procurement – Geographical preference.

**Current Status**

Implemented.

**2012-12 Code**  
30000, 50000

**Finding**

National School Lunch Program – Procurement – Independence of contract recipients.

**Current Status**

Implemented.

**2012-13 Code**  
30000, 50000

**Finding**

Special Education Program – Individualized Education Plan (IEP) records not maintained.

**Current Status**

Not Implemented - See 2013-6.

***State Awards Findings***

**2012-14 Code**  
10000, 30000

**Finding**

Attendance records not retained.

**Current Status**

Not Implemented - See 2013-12.

# OAKLAND UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

---

**2012-15 Code**  
10000, 30000, 40000

**Finding**  
Attendance report variances.

**Current Status**  
Implemented.

**2012-16 Code**  
10000, 30000

**Finding**  
Attendance improperly reported by District.

**Current Status**  
Implemented.

**2012-17 Code**  
10000, 30000, 40000

**Finding**  
Independent study program requirements compliance deficiencies.

**Current Status**  
Implemented.

**2012-18 Code**  
30000, 40000

**Finding**  
Instructional time program deficiencies.

**Current Status**  
Implemented.

**2012-19 Code**  
30000, 40000, 71000, 72000

**Finding**  
School Accountability Report Card (SARC) reporting inaccuracies.

**Current Status**  
Not Implemented - See 2013-13.

# OAKLAND UNIFIED SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

---

**2012-20 Code**  
30000, 40000

**Finding**  
Pertussis immunization records discrepancy.

**Current Status**  
N/A for 2012-13.

**2012-21 Code**  
30000, 40000

**Finding**  
Class Size Reduction – reporting errors.

**Current Status**  
Implemented.

**2012-22 Code**  
30000, 40000

**Finding**  
Class Size Reduction – over reporting of eligible pupils.

**Current Status**  
Implemented.

**2012-23 Code**  
30000, 40000

**Finding**  
After School Education and Safety Program Deficiencies – scope limitation in testing.

**Current Status**  
Not Implemented - See 2013-11.

**2012-24 Code**  
30000, 40000, 72000

**Finding**  
After School Education and Safety program and regular education program schedule discrepancies.

**Current Status**  
Not Implemented - See 2013-11.