

OAKLAND UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2016

OAKLAND UNIFIED SCHOOL DISTRICT

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JUNE 30, 2016

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FINANCIAL SECTION

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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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 modified audit opinions.

Basis for Qualified Opinion

The accompanying financial statements do not include the associated student body (ASB) fiduciary fund, as of and for the year ended June 30, 2016. Presentation of such statements is required to comply with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the omission of the ASB Fund financial statements described in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Oakland Unified School District, as of June 30, 2016, 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 other information as listed in the table of contents on pages 5-13, 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oakland Unified School District’s basic financial statements. The accompanying supplementary information, as listed in the table of contents on pages 70-85, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The accompanying supplementary information, as listed in the table of contents on pages 70-85, including the schedule of expenditures of federal awards, is the responsibility of management and 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 accompanying supplementary information, as listed in the table of contents on pages 70-85, including the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, on our consideration of the Oakland Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Oakland Unified School District's internal control over financial reporting and compliance.

Varrinck Time Day + Co. LLP

Palo Alto, California
December 14, 2016

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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, 2016. 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, 2016

The relationship between revenues and expenses is the District's operating results. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the Statement of Net Position and the Statement of Activities, we report the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development centers, and the 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 fund (a component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, the only such fund is the District's Self-Insurance Fund. The internal service fund is reported with governmental activities in the government-wide financial statements.

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

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 of the District's general fund as of June 30, 2016, was \$34.90 million, an increase of \$5.7 million or 20% over fiscal year 2015.
- The District's general fund ending available reserves were \$11.0 million, or 2.18% of total general fund expenditures. Reserves increased \$1.9 million or 21.5% from the fiscal year 2015 amount of \$9.1 million.
- The total unrestricted portion of the general fund includes amount that are not in spendable form, and amounts committed or assigned for specific purposes. The ending fund balance of the unrestricted portion of the general fund at June 30, 2016, was \$11.8 million, which is a decrease of \$4.6 million or 27.9%.
- With the submission of this financial report for the fiscal year ending June 30, 2016, the Oakland Unified School District is current on its financial reporting for the first time in over a decade.

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

THE DISTRICT AS A WHOLE

Net Position

On a full accrual basis, net position was negative \$184.56 million at fiscal year ended June 30, 2016. \$104.60 million was invested in capital assets net of related debt, \$103.32 million was restricted, leaving an unrestricted deficit of \$392.49 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 changes in net position (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities	
	2016	2015
Assets		
Current and other assets	\$ 398.00	\$ 255.70
Net capital assets	877.48	850.23
Total Assets	<u>1,275.48</u>	<u>1,105.93</u>
Deferred outflows from pensions	35.94	24.98
Liabilities		
Current liabilities	103.00	103.85
Long-term obligations less the current portion	<u>1,358.73</u>	<u>1,153.02</u>
Total Liabilities	<u>1,461.73</u>	<u>1,256.87</u>
Deferred inflows from pensions	34.26	76.05
Net Position		
Net investment in capital assets	104.60	109.83
Restricted	109.75	83.97
Unrestricted	<u>(398.91)</u>	<u>(395.81)</u>
Total Net Position	<u>\$ (184.56)</u>	<u>\$ (202.01)</u>

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

The negative \$184.56 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. It should be noted that the unrestricted deficit includes long-term liabilities such as the state emergency apportionment loan of \$44.43 million, compensated absences of \$11.53 million, the IBNR reserve for workers' compensation and claims of \$42.07 million, general obligation bonds of \$974.74 million and a net pension liability of \$329.56 million. The general obligation bond liability is not expected to require the use of District General Fund resources because a separate tax collection is levied for this purpose. The remaining long-term liabilities will be paid by the District; however, the cash outflow will occur over a period of many years.

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 15. 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	
	2016	2015
Revenues		
Program revenues:		
Charges for services	\$ 0.33	\$ 0.27
Operating grants and contributions	149.94	148.95
Capital grants and contributions	2.67	-
General revenues:		
Federal and State aid not restricted	251.17	212.83
Taxes	231.77	202.02
Other general revenues	16.72	8.44
Total Revenues	<u>652.62</u>	<u>572.50</u>
Expenses		
Instruction	320.46	270.69
Instruction-related	95.95	81.15
Student support services	44.47	46.70
Administration	35.96	31.78
Maintenance and operations	82.17	72.24
Interest on long-term obligations	53.57	46.03
Other	2.59	9.20
Total Expenses	<u>635.17</u>	<u>557.79</u>
Change in Net Position	<u>\$ 17.45</u>	<u>\$ 14.71</u>

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Governmental Activities

As reported in the statement of activities on page 15, the cost of all our governmental activities this year was \$635.17 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was \$231.77 million because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions in the amount of \$152.62 million. We paid for the remaining "public benefit" portion of our governmental activities with \$251.17 million in federal and state funds, and \$16.7 million with other revenues, like interest and general entitlements.

In Table 3, we have presented the net cost of each of the District's largest functions. As discussed earlier, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

		Net Cost of Services	
		2016	2015
Instruction		\$ 248.04	\$ 207.75
School administration		77.79	60.36
Pupil services		23.66	24.43
Administration		30.01	25.05
Maintenance and operations		69.54	49.81
Interest on long term debt		53.57	46.03
Other		(20.39)	(4.85)
	Total	<u>\$ 482.22</u>	<u>\$ 408.58</u>

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$345.32 million, which is an increase of \$144.37 million from last year (Table 4). The increase is primarily due to the revenues of \$181.39 million in the building fund related to the sale of general obligation bonds that are restricted for capital improvement.

Table 4

(Amounts in millions)

	July 1, 2015	Revenues	Expenditures	June 30, 2016
General	\$ 29.14	\$ 523.91	\$ 518.15	\$ 34.90
Cafeteria	0.14	20.07	20.20	0.01
Building	75.83	181.43	55.39	201.87
Bond interest and redemption	78.67	292.70	279.72	91.65
Adult education	0.57	2.57	2.03	1.11
Capital facilities	3.38	5.71	2.62	6.47
Child development	0.01	11.99	11.99	0.01
County school facilities	9.67	2.70	4.54	7.83
Deferred maintenance	1.88	-	1.88	-
Special reserve, capital	1.66	0.09	0.28	1.47
Total	<u>\$ 200.95</u>	<u>\$ 1,041.17</u>	<u>\$ 896.80</u>	<u>\$ 345.32</u>

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 64.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had \$877.48 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase of \$27.25 million or 3.2%, from last year (Table 5).

Table 5

(Amounts in millions)

	Governmental Activities	
	2016	2015
Land and construction in progress	\$ 119.34	\$ 141.08
Buildings and improvements	756.26	707.11
Equipment	1.88	2.04
Total	<u>\$ 877.48</u>	<u>\$ 850.23</u>

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Long-Term Obligations

At the end of this year, the District had \$974.75 million in bonds outstanding versus \$816.23 million last year, an increase of \$158.52 million or 19.42%. Total long-term debt, including unamortized bond premiums, consisted of the following:

Table 6

(Amounts in millions)

	Governmental Activities	
	2016	2015
Claims liability	\$ 42.05	\$ 42.05
Emergency apportionment loan	44.43	49.54
General obligation bonds (financed with property taxes)	974.75	816.23
Aggregate net pension liability	329.56	278.78
Other	11.53	10.27
Total	<u>\$ 1,402.32</u>	<u>\$ 1,196.87</u>

We present more detailed information regarding our long-term obligations in Note 8 of the financial statements.

ECONOMIC FACTORS

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.

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, with an exemption for low-income homeowners and senior homeowners. The parcel tax will provide additional funding of \$12 million annually.

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.

General Obligation Bonds - In August 2015, the District issued \$180 million in general obligation bonds at interest rates 1% and 5%. The District also issued \$168,705,000 refunding general obligation bonds to refinance prior bond issues. The refunding bonds have a 5% interest rate and resulted in overall debt service savings of \$26 million. In August 2016, the District issued \$65,000,000 in Series 2016A general obligation bonds as well as \$155,780,000 general obligation refunding bonds.

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Standard and Poor's Rating Services and Moody's Investors Service rated the series 2015 bonds maturing on August 1 of the years 2021 through 2030, with credit quality ratings of AA and A2, respectively.

Standard and Poor's Rating Services, Moody's Investors Service and Fitch Ratings rated the series 2016 bonds with credit quality ratings of AA-, Aa3 and AAA, respectively.

Retroactive Pay Increase - On June 8, 2016 the Governing Board approved a 3% salary increase for unrepresented, confidential and employment contract employees effective July 1, 2015.

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.org.

OAKLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2016

	Governmental Activities
ASSETS	
Current assets	
Deposits and investments	\$ 368,319,413
Receivables	29,680,902
Total current assets	398,000,315
Noncurrent assets	
Capital assets, net of accumulated depreciation	877,475,877
Total noncurrent assets	877,475,877
Total Assets	1,275,476,192
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	35,942,095
LIABILITIES	
Current liabilities	
Accounts payable	36,389,993
Interest payable	21,497,302
Unearned revenue	1,517,997
Claims liability	5,907,000
Emergency apportionment loan	5,195,403
General obligation bonds and premiums	32,488,948
Total current liabilities	102,996,643
Noncurrent liabilities	
Claims liability	36,139,657
Emergency apportionment loan	39,238,465
General obligation bonds and premiums	942,254,218
Compensated absences	11,533,784
Aggregate net pension liability	329,559,937
Total noncurrent liabilities	1,358,726,061
Total Liabilities	1,461,722,704
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	34,259,955
NET POSITION	
Net investment in capital assets	104,597,929
Restricted	
Debt service	70,151,740
Capital projects	15,540,639
Educational programs	24,054,476
Unrestricted	(398,909,156)
Total Net Position	\$ (184,564,372)

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

OAKLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

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
Governmental Activities					
Instruction	\$ 320,459,796	\$ 253,496	\$ 69,494,126	\$ 2,674,964	\$ (248,037,210)
Instruction-related activities					
Supervision of instruction	51,192,783	1,074	13,669,617	-	(37,522,092)
Instructional library, media, and technology	389,279	2	16,953	-	(372,324)
School site administration	44,370,264	41,026	4,433,102	-	(39,896,136)
Pupil services					
Home-to-school transportation	10,241,337	-	196	-	(10,241,141)
Food services	20,131,846	2	16,800,554	-	(3,331,290)
All other pupil services	14,095,897	380	4,012,105	-	(10,083,412)
Administration					
Data processing	6,316,448	-	10,935	-	(6,305,513)
All other administration	29,638,650	16,033	5,916,935	-	(23,705,682)
Plant services	69,843,418	6,577	1,297,119	-	(68,539,722)
Ancillary services	12,328,037	4	11,325,229	-	(1,002,804)
Community services	599,811	-	-	-	(599,811)
Enterprise services	742,484	-	-	-	(742,484)
Interest expense	53,566,108	-	-	-	(53,566,108)
Other outgo	1,250,430	9,989	22,964,859	-	21,724,418
Total	\$ 635,166,588	\$ 328,583	\$ 149,941,730	\$ 2,674,964	(482,221,311)
General revenues and subventions:					
Property taxes, levied for general purposes					113,912,370
Property taxes, levied for debt service					80,834,436
Taxes levied for other specific purposes					37,027,671
Federal and State aid not restricted to specific purposes					251,172,326
Interest and investment earnings					194,044
Interagency revenues					1,015,879
Miscellaneous					15,513,486
Subtotal, General Revenues					499,670,212
Change in Net Position					17,448,901
Net Position - Beginning					(202,013,273)
Net Position - Ending					\$ (184,564,372)

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

OAKLAND UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Deposits and investments	\$ 40,264,304	\$ 1,467,317	\$ 209,137,358	\$ 91,534,947	\$ 19,184,045	\$ 361,587,971
Receivables	23,131,784	4,369,704	264,082	114,095	1,446,032	29,325,697
Due from other funds	649,541	1,524,543	10,163	-	2,262,246	4,446,493
Total Assets	\$ 64,045,629	\$ 7,361,564	\$ 209,411,603	\$ 91,649,042	\$ 22,892,323	\$ 395,360,161
LIABILITIES AND FUND BALANCES						
Liabilities						
Payables	\$ 23,963,987	\$ 1,309,899	\$ 7,546,385	\$ -	\$ 2,789,446	\$ 35,609,717
Due to other funds	3,786,789	6,000,000	-	-	3,131,800	12,918,589
Unearned revenue	1,399,293	45,399	-	-	73,305	1,517,997
Total Liabilities	29,150,069	7,355,298	7,546,385	-	5,994,551	50,046,303
Fund Balances						
Nonspendable	150,000	-	-	-	-	150,000
Restricted	23,101,184	6,266	201,865,218	91,649,042	16,487,665	333,109,375
Committed	604,742	-	-	-	410,107	1,014,849
Unassigned	11,039,634	-	-	-	-	11,039,634
Total Fund Balances	34,895,560	6,266	201,865,218	91,649,042	16,897,772	345,313,858
Total Liabilities and Fund Balances	\$ 64,045,629	\$ 7,361,564	\$ 209,411,603	\$ 91,649,042	\$ 22,892,323	\$ 395,360,161

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, 2016

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:

Total Fund Balance - Governmental Funds	\$ 345,313,858
--	-----------------------

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	\$1,229,315,911	
Accumulated depreciation is	<u>(351,840,034)</u>	
Net capital assets		877,475,877

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.

	(21,497,302)
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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.

	(28,190,458)
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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 (including bond premiums of \$42,198,166)	974,743,166	
Emergency apportionment loan	44,433,868	
Compensated absences	11,533,784	
Net pension liability and related deferrals, not already included with the self-insurance fund.	<u>326,955,529</u>	
Total long-term obligations		<u>(1,357,666,347)</u>

Net Position - Governmental Activities	<u><u>\$ (184,564,372)</u></u>
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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, 2016

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Local control funding formula	\$ 339,083,640	\$ -	\$ -	\$ -	\$ -	\$ 339,083,640
Federal sources	43,929,012	16,689,478	-	3,264,190	1,241,409	65,124,089
Other state sources	80,879,959	983,276	3,020	584,912	13,279,713	95,730,880
Other local sources	59,830,477	590,269	1,417,597	80,596,454	7,252,672	149,687,469
Total Revenues	523,723,088	18,263,023	1,420,617	84,445,556	21,773,794	649,626,078
EXPENDITURES						
Current						
Instruction	295,307,623	-	-	-	10,891,519	306,199,142
Instruction-related activities						
Supervision of instruction	48,641,910	-	-	-	270,461	48,912,371
Instructional library, media and technology	371,939	-	-	-	-	371,939
School site administration	40,423,355	-	-	-	1,970,408	42,393,763
Pupil services						
Home-to-school transportation	9,785,130	-	-	-	-	9,785,130
Food services	5,449	19,229,612	-	-	-	19,235,061
All other pupil services	13,454,770	-	-	-	13,216	13,467,986
Administration						
Data processing	6,035,078	-	-	-	-	6,035,078
All other administration	26,526,609	973,832	-	-	815,752	28,316,193
Plant services	53,502,495	-	-	-	1,381,976	54,884,471
Facility acquisition/construction	1,419,712	-	55,386,151	-	7,815,098	64,620,961
Ancillary services	11,778,876	-	-	-	-	11,778,876
Community services	573,091	-	-	-	-	573,091
Other outgo	1,250,430	-	-	-	-	1,250,430
Debt service						
Principal	5,104,642	-	-	39,085,000	-	44,189,642
Interest and other	874,057	-	-	51,849,169	-	52,723,226
Total Expenditures	515,055,166	20,203,444	55,386,151	90,934,169	23,158,430	704,737,360
Excess (Deficiency) of Revenues Over Expenditures	8,667,922	(1,940,421)	(53,965,534)	(6,488,613)	(1,384,636)	(55,111,282)
Other Financing Sources (Uses)						
Transfers in	182,423	1,804,808	-	-	1,292,370	3,279,601
Proceeds from sale of bonds	-	-	180,000,000	39,545,802	-	219,545,802
Refunding bonds	-	-	-	168,705,000	-	168,705,000
Transfers out	(3,097,178)	-	-	-	(182,423)	(3,279,601)
Payments to escrow agent	-	-	-	(188,783,123)	-	(188,783,123)
Net Financing Sources (Uses)	(2,914,755)	1,804,808	180,000,000	19,467,679	1,109,947	199,467,679
CHANGE IN FUND BALANCE	5,753,167	(135,613)	126,034,466	12,979,066	(274,689)	144,356,397
Fund Balance - Beginning	29,142,393	141,879	75,830,752	78,669,976	17,172,461	200,957,461
Fund Balance - Ending	\$ 34,895,560	\$ 6,266	\$ 201,865,218	\$ 91,649,042	\$ 16,897,772	\$ 345,313,858

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, 2016

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		\$144,356,397
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.		
This is the amount by which capital outlays exceed depreciation in the period:		
Capital outlays	\$ 52,554,839	
Depreciation expense	<u>(25,289,350)</u>	27,265,489
In the statement of activities, the loss on the disposal of capital assets is reported, whereas in the governmental funds, the transaction has no impact. Thus, the change in net position differs from the change in fund balance by the capital asset disposal.		
		(18,352)
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.		
		(1,268,039)
Issuance of general obligations bonds is reported as revenue in the governmental funds, but does not effect the statement of activities.		
Series 2015A and Series 2015B general obligation bonds	(180,000,000)	
Face amount of 2015 general obligation refunding bonds	(168,705,000)	
Series 2015A and Series 2015B bond premiums	(16,660,025)	
2015 general obligation refunding bond premiums	<u>(22,885,777)</u>	(388,250,802)
Payment of principal on long-term obligations is an expenditure in the governmental funds, but a reduction of long-term obligations in the statement of net position.		
Emergency apportionment loan	5,104,642	
Principal payments of general obligation bonded debt	39,085,000	
Payments to the escrow agent related to the 2015 refunding bonds	<u>188,783,123</u>	232,972,765

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 (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2016

Charges related to the 2015 general obligation refunding bond are an expense on the statement of activities.

Reacquisition price	(188,783,123)	
Net carrying amount of the refunded bonds	<u>188,080,000</u>	(703,123)

Amortization of bond premiums are an expense in the statement of activities, but does not impact the governmental funds.		2,573,948
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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.		(2,690,729)
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In the governmental funds, pension expenditures are based on employer contributions made to pension plans during the year. However, in the statement of activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		2,181,903
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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.

	<u>1,029,444</u>	
Change in Net Position of Governmental Activities	<u><u>\$ 17,448,901</u></u>	

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, 2016

	Governmental Activities - Internal Service Fund
ASSETS	
Current assets	
Deposits and investments	\$ 6,731,442
Receivables	355,205
Due from other funds	8,500,000
Total current assets	<u>15,586,647</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pension activities	320,472
LIABILITIES	
Current liabilities	
Accounts payable, vendor	780,276
Due to General Fund	27,904
Claim liabilities	5,907,000
Total current liabilities	<u>6,715,180</u>
Noncurrent liabilities	
Claim liabilities	36,139,657
Net pension liability	970,482
Total noncurrent liabilities	<u>37,110,139</u>
Total liabilities	<u>43,825,319</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pension activities	<u>272,258</u>
NET POSITION	
Unrestricted deficit	(28,190,458)
Total Net Position	<u><u>\$ (28,190,458)</u></u>

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

OAKLAND UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND - SELF INSURANCE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Governmental Activities - Internal Service Fund</u>
OPERATING REVENUES	
In-district premiums	\$ 23,033,758
Other state revenue	2,255
Other local revenue	<u>1,900,909</u>
Total Operating Revenues	<u>24,936,922</u>
OPERATING EXPENSES	
Payroll costs	1,542,265
Claims expense	<u>22,400,785</u>
Total Operating Expenses	<u>23,943,050</u>
Operating Income	993,872
NONOPERATING REVENUES	
Interest income	<u>35,572</u>
Total Nonoperating Expense	<u>35,572</u>
Change in Net Position	1,029,444
Net Position - Beginning	<u>(29,219,902)</u>
Net Position - Ending	<u><u>\$ (28,190,458)</u></u>

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

OAKLAND UNIFIED SCHOOL DISTRICT

PROPRIETARY FUND - SELF INSURANCE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from premiums	\$ 23,033,758
Other operating cash receipts	3,971,843
Cash payments for insurance claims	(22,404,134)
Cash payments to employees for services	(1,326,554)
Net cash provided by operating activities	<u>3,274,913</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	35,572
Cash payments for interfund transfers out	(8,894,468)
Net cash used for investing activities	<u>(8,858,896)</u>
Net decrease in cash and cash equivalents	<u>(5,583,983)</u>
Cash and Cash Equivalents - Beginning	<u>12,315,425</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 6,731,442</u></u>
RECONCILIATION OF OPERATING GAIN TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Gain on operations	\$ 993,872
Changes in assets and liabilities:	
Change in accounts receivables	2,068,679
Change in accounts payables	(3,349)
Change in pension liability and related deferred inflows and outflows	215,711
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 3,274,913</u></u>

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

OAKLAND UNIFIED SCHOOL DISTRICT

FIDUCIARY FUND

STATEMENT OF NET POSITION

JUNE 30, 2016

	Payroll Revolving Agency Fund
ASSETS	
Deposits and investments	\$ 11,104,251
Receivables	98,106
Total Assets	<u><u>\$ 11,202,357</u></u>
LIABILITIES	
Accrued payroll and related benefits	\$ 11,202,357
Total Liabilities	<u><u>\$ 11,202,357</u></u>

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

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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 2015-16 school year, the District operated 50 K-5 elementary schools, 4 K-8 elementary schools, 13 middle schools, 3 grades 6-12 schools, 6 grades 9-12 high schools, 9 alternative schools, and 29 early childhood education centers.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Oakland Unified School District, this includes general operations, food service, and student related activities of the District. 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.

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).

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

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is a debt service fund used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Nonmajor Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund The Adult Education Fund is used to account separately for federal, state, and local revenues for adult education programs and is to be expended for adult education purposes only.

Child Development Fund The Child Development Fund is used to account separately for federal, state, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Capital Projects Funds The Capital Projects funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

County School Facilities Fund The Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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. 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.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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.

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. 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.

Unearned Revenue Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability is removed from the balance sheet and revenue is recognized.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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, due and payable. 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 entity-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2016, 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.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental column of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

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

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

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources related to pensions.

OAKLAND UNIFIED SCHOOL DISTRICT

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In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources related to pensions.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Fund Balances - Governmental Funds

As of June 30, 2016, fund balances of the governmental funds are classified as follows:

Nonspendable - 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.

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.

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Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and 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.

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 \$500,000 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 expenditures.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are in-district 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 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.

OAKLAND UNIFIED SCHOOL DISTRICT

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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.

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.

Change in Accounting Principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The implementation of the the provisions of this Statement as of June 30, 2016, had no material effect on the District's financial statements.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The provisions in this Statement effective as of June 30, 2016, including the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of the Statement is to address the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated. The Statement is effective for periods beginning after June 15, 2016. The pronouncement is not applicable to the District.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of the Statement is to replace the requirements of GASB Statement No. 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for the OPEB provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for the periods beginning June 15, 2017. The pronouncement is not applicable to the District.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants, (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

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If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Early implementation is encouraged.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local government pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

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JUNE 30, 2016

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 361,587,971
Internal service fund	6,731,442
Fiduciary funds	11,104,251
Total deposits and investments	<u>\$ 379,423,664</u>

Deposits and investments as of June 30, 2016, consist of the following:

Cash on hand and in banks	\$ 444,825
Cash in revolving	150,000
Cash awaiting deposit	15,859
Investments with the Alameda County Treasurer	378,812,980
Total deposits and investments	<u>\$ 379,423,664</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, 2016

General Authorizations

Limitations as they relate to interest rate 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 Alameda County Investment 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, 2016.

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, 2016

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, 2016, the District believes it is not exposed to any significant custodial credit risk.

Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District can access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized – The District's investments in the Alameda County Investment Pool are not measured using the input levels described above because transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 3 - RECEIVABLES

Governmental fund receivables at June 30, 2016, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Building Fund	Bond Interest Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Fund
Federal Government							
Categorical aid	\$ 9,383,424	\$ 3,967,306	\$ -	\$ -	\$ 115,198	\$ 13,465,928	\$ -
State Government							
Categorical aid	2,015,445	392,481	-	-	198,470	2,606,396	-
Lottery	4,078,137	-	-	-	-	4,078,137	-
Interest	66,211	1,067	1,000	114,095	21,446	203,819	355,205
Other Local Sources	7,588,567	8,850	263,082	-	1,110,918	8,971,417	-
Total Receivables	<u>\$ 23,131,784</u>	<u>\$ 4,369,704</u>	<u>\$ 264,082</u>	<u>\$ 114,095</u>	<u>\$ 1,446,032</u>	<u>\$ 29,325,697</u>	<u>\$ 355,205</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 17,701,767	\$ -	\$ -	\$ 17,701,767
Construction in process	123,379,082	46,819,217	68,559,396	101,638,903
Total capital assets not being depreciated	<u>141,080,849</u>	<u>46,819,217</u>	<u>68,559,396</u>	<u>119,340,670</u>
Capital assets being depreciated				
Buildings	954,111,974	73,920,388	-	1,028,032,362
Building improvements	66,652,897	-	-	66,652,897
Equipment	15,106,057	374,630	190,705	15,289,982
Total capital assets being depreciated	<u>1,035,870,928</u>	<u>74,295,018</u>	<u>190,705</u>	<u>1,109,975,241</u>
Less accumulated depreciation				
Buildings	281,720,907	22,055,519	-	303,776,426
Building improvements	31,935,126	2,717,481	-	34,652,607
Equipment	13,067,004	516,350	172,353	13,411,001
Total accumulated depreciation	<u>326,723,037</u>	<u>25,289,350</u>	<u>172,353</u>	<u>351,840,034</u>
Governmental activities, net capital assets	<u>\$ 850,228,740</u>	<u>\$ 95,824,885</u>	<u>\$ 68,577,748</u>	<u>\$ 877,475,877</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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

Governmental Activities	
Instruction	\$ 14,199,853
Supervision of instruction	2,270,691
Instructional library, media and technology	17,267
School administration	1,968,073
Pupil transportation	454,261
Food services	892,962
Other pupil services	625,233
Ancillary services	546,818
Community services	26,605
Other general administration	1,316,818
Data processing services	280,170
Plant maintenance and operations	2,690,599
Total depreciation expense, governmental activities	<u>\$ 25,289,350</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, 2016, between major and nonmajor governmental funds, and internal service funds are as follows:

Due From	Due To					Total
	General Fund	Cafeteria Fund	Building Fund	Nonmajor Governmental Funds	Internal Service Fund	
General Fund	\$ -	\$ 1,524,543	\$ -	\$ 2,262,246	\$ -	\$ 3,786,789
Cafeteria Fund	-	-	-	-	6,000,000	6,000,000
Nonmajor Governmental Funds	621,637	-	10,163	-	2,500,000	3,131,800
Internal Service Fund	27,904	-	-	-	-	27,904
Total	<u>\$ 649,541</u>	<u>\$ 1,524,543</u>	<u>\$ 10,163</u>	<u>\$ 2,262,246</u>	<u>\$ 8,500,000</u>	<u>\$ 12,946,493</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, 2016

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, 2016, consisted of the following:

Transfer Out	Transfer In			Total
	General Fund	Cafeteria Fund	Nonmajor Governmental funds	
General Fund	\$ -	\$ 1,804,808	\$ 1,292,370	\$ 3,097,178
Nonmajor Governmental Funds	182,423	-	-	182,423
Total Interfund Transfers	<u>\$ 182,423</u>	<u>\$ 1,804,808</u>	<u>\$ 1,292,370</u>	<u>\$ 3,279,601</u>

The General Fund transferred to the Child Development Fund to support operations.	\$ 1,292,370
The General Fund transferred to the Cafeteria Fund to support operations.	1,804,808
The Special Reserve for Capital Outlay Fund transferred to the General Fund for reimbursement of local grants.	182,423
	<u>\$ 3,279,601</u>

NOTE 6 - ACCOUNTS PAYABLE

Governmental fund accounts payable at June 30, 2016, consisted of the following:

	General Fund	Cafeteria Fund	Building Fund	Nonmajor Governmental Funds	Total Governmental Funds	Proprietary Fund
Vendor payables	\$ 18,230,360	\$ 1,139,336	\$ 7,524,672	\$ 2,676,661	\$ 29,571,029	\$ 780,276
State apportionment	1,297,866	-	-	-	1,297,866	-
Salaries and benefits	4,435,761	170,563	21,713	112,785	4,740,822	-
Total						
accounts payable	<u>\$ 23,963,987</u>	<u>\$ 1,309,899</u>	<u>\$ 7,546,385</u>	<u>\$ 2,789,446</u>	<u>\$ 35,609,717</u>	<u>\$ 780,276</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 7 - UNEARNED REVENUE

Unearned revenue at June 30, 2016, consists of the following:

	General Fund	Cafeteria Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal financial assistance	\$ 102,743	\$ 45,399	\$ -	\$ 148,142
State categorical aid	1,155,713	-	73,305	1,229,018
Other local	140,837	-	-	140,837
Total unearned revenue	<u>\$ 1,399,293</u>	<u>\$ 45,399</u>	<u>\$ 73,305</u>	<u>\$ 1,517,997</u>

NOTE 8 - LONG-TERM OBLIGATIONS

Summary

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

	July 1, 2015	Additions	Deductions	June 30, 2016	Current Portion
General obligation bonds	\$ 811,005,000	\$ 348,705,000	\$ 227,165,000	\$ 932,545,000	\$ 29,915,000
General obligation bond premiums	5,226,312	39,545,802	2,573,948	42,198,166	2,573,948
Emergency apportionment loan	49,538,510	-	5,104,642	44,433,868	5,195,403
Compensated absence, net	10,265,745	1,268,039	-	11,533,784	-
Claims liability	42,046,657	-	-	42,046,657	5,907,000
Aggregate net pension liability	278,778,496	50,781,441	-	329,559,937	-
Total long-term obligations	<u>\$ 1,196,860,720</u>	<u>\$ 440,300,282</u>	<u>\$ 234,843,590</u>	<u>\$ 1,402,317,412</u>	<u>\$ 43,591,351</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. The claims liability will be paid by the self-insurance fund. The net pension liability will be paid by the fund for which the employee worked.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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
Election of 2012 - Series 2013	Sep-13	Aug-38	4.0-5.0%	120,000,000
Election of 2012 - Series 2015A	Aug-15	Aug-40	5.00%	173,500,000
Election of 2012 - Series 2015B	Aug-15	Aug-16	1.00%	6,500,000
2015 Refunding	Aug-15	Aug-30	5.00%	168,705,000
				<u>\$ 1,278,945,000</u>

Bond Issuance	June 30, 2015	Issued	Redeemed/ Defeased	June 30, 2016
Election of 2000 - Series 2002	\$ 86,620,000	\$ -	\$ 86,620,000	\$ -
Election of 2005 - Series 2005	111,460,000	-	111,460,000	-
Election of 2006 - Series 2006	109,720,000	-	1,470,000	108,250,000
2007 Refunding	156,715,000	-	9,700,000	147,015,000
Election of 2006 - Series 2009 A	87,400,000	-	1,080,000	86,320,000
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	29,815,000	-	640,000	29,175,000
Election of 2006 - Series 2012 B	23,960,000	-	-	23,960,000
Election of 2012 - Series 2013	108,200,000	-	9,695,000	98,505,000
Election of 2012 - Series 2015A	-	173,500,000	-	173,500,000
Election of 2012 - Series 2015B	-	6,500,000	6,500,000	-
2015 Refunding	-	168,705,000	-	168,705,000
	<u>\$ 811,005,000</u>	<u>\$ 348,705,000</u>	<u>\$ 227,165,000</u>	<u>\$ 932,545,000</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Debt Service Requirements to Maturity

The general obligation bonds mature through 2041 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ 29,915,000	\$ 50,955,382	\$ 80,870,382
2018	28,380,000	49,386,707	77,766,707
2019	29,270,000	47,993,864	77,263,864
2020	32,555,000	46,496,409	79,051,409
2021	37,655,000	44,727,153	82,382,153
2022-2026	278,965,000	187,340,981	466,305,981
2027-2031	232,830,000	118,389,115	351,219,115
2032-2036	178,155,000	51,070,293	229,225,293
2037-2041	84,820,000	10,301,863	95,121,863
Total	<u>\$ 932,545,000</u>	<u>\$ 606,661,767</u>	<u>\$ 1,539,206,767</u>

Debt Refunding

During August 2015, the District issued \$168.7 million in general obligation bonds with an interest rate of 5.0 percent to advance refund \$84 million of outstanding 2002 series bonds with interest rates 5.25 percent, and \$104 million of outstanding 2005 series bonds with interest rates between 4.0 percent and 5.0 percent. The net proceeds of \$188.8 million (including premiums of \$22.9 million and costs of issuance and other fees of \$2.8 million) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2002 and 2005 series bonds. As a result, the 2002 and 2005 series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$700 thousand. The District completed the advance refunding to reduce its total debt service payments over the next 15 years by \$21.5 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$13.3 million.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ 5,195,403	\$ 790,034	\$ 5,985,437
2018	5,287,777	697,660	5,985,437
2019	5,381,794	603,643	5,985,437
2020	5,477,482	507,955	5,985,437
2021	5,574,871	410,565	5,985,436
2022-2026	17,516,541	739,039	18,255,580
Total	<u>\$ 44,433,868</u>	<u>\$ 3,748,896</u>	<u>\$ 48,182,764</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 9 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Revolving cash	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ 150,000
Total Nonspendable	150,000	-	-	-	-	150,000
Restricted						
Educational programs	23,101,184	-	-	-	-	23,101,184
Child development	-	-	-	-	11,122	11,122
Child nutrition	-	6,266	-	-	-	6,266
Capital projects	-	-	201,865,218	-	15,540,639	217,405,857
Adult education	-	-	-	-	935,904	935,904
Debt services	-	-	-	91,649,042	-	91,649,042
Total Restricted	23,101,184	6,266	201,865,218	91,649,042	16,487,665	333,109,375
Committed						
Early retirement	604,742	-	-	-	-	604,742
Deferred maintenance	-	-	-	-	4,690	4,690
Capital projects	-	-	-	-	225,624	225,624
Adult education	-	-	-	-	179,793	179,793
Total Committed	604,742	-	-	-	410,107	1,014,849
Unassigned						
Reserve for economic uncertainties	11,039,634	-	-	-	-	11,039,634
Total Unassigned	11,039,634	-	-	-	-	11,039,634
Total Fund Balance	\$ 34,895,560	\$ 6,266	\$ 201,865,218	\$ 91,649,042	\$ 16,897,772	\$ 345,313,858

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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	\$ 11,039,634
Add	
Nonspendable fund balance	150,000
Committed balance of the General Fund	604,742
Committed balance of the Adult Education Fund	179,793
Committed balance of the Deferred Maintenance Fund	4,690
Committed balance of the Special Reserve for Capital Outlay Fund	225,624
Deduct	
Compensated absences	(11,533,784)
Emergency apportionment loan	(44,433,868)
Deficit self-insurance reserve	(28,190,458)
Net pension liability included in the deficit self-insurance reserve	922,268
Aggregate net pension liability	(329,559,937)
Net deferred inflows and outflows of resources related to pensions	1,682,140
Unrestricted deficit per the statement of net position	<u><u>\$ (398,909,156)</u></u>

NOTE 10 - LEASE REVENUES

Lease agreements have been entered with various lessees for terms that exceed one year. None of the agreements contain purchase options. All 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
2017	\$ 1,230,010
2018	574,746
2019	349,174
2020	363,766
2021	120,000
Thereafter	1,590,000
Total	<u><u>\$ 4,227,696</u></u>

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

The Chabot Space and Science Center Joint Powers Authority (Chabot) 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.

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 been paid off in full by the District though the loan has not. To reduce the burden on the Chabot JPA, the District agreed to restructure the loan payment and on November 9, 2010, the District entered a new 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 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.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

In November 2013, the Chabot JPA advised the District it was unable to make its scheduled payments. Thus, the District entered 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 is to 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. These payments from Chabot have not been made as of June 20, 2016.

Chabot made one \$50,000 payment to the District under the forbearance agreement. No payments have been made by the City of Oakland on behalf of Chabot under the forbearance agreement. The forbearance agreement expired on June 30, 2016. The District, the City of Oakland and Chabot are currently engaged in active negotiations to decide on how to proceed. The District is reviewing all its rights under the Joint Powers Agreement.

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the year, the District contracted with Northern California ReLiEF for property and liability insurance coverage. Northern California ReLiEF liability and property insurance coverage maintains a self-insurance retention of \$250,000 per occurrence, with \$10,000,000 and \$250,250,000 limits of excess coverage, respectively purchases from various insurance carriers. The District pays an annual contribution of \$1,955,407 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 \$500,000 per occurrence self-insurance retention. Above that level, the District purchases excess insurance to the statutory maximums for an annual combined premium of \$571,106. 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.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

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, 2014, to June 30, 2016 (in thousands):

	<u>Self-Insurance</u>
Liability Balance, July 1, 2014	\$ 36,518
Claims and changes in estimates	30,605
Claims payments	<u>(25,077)</u>
Liability Balance, June 30, 2015	42,046
Claims and changes in estimates	22,402
Claims payments	<u>(22,401)</u>
Liability Balance, June 30, 2016	<u>\$ 42,047</u>
Assets available to pay claims at June 30, 2016	<u><u>\$ 14,778</u></u>

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2016, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 233,433,103	\$ 19,986,974	\$ 23,080,482	\$ 19,193,953
CalPERS	96,126,834	15,955,121	11,179,473	10,315,857
Total	<u>\$ 329,559,937</u>	<u>\$ 35,942,095</u>	<u>\$ 34,259,955</u>	<u>\$ 29,509,810</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program; thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.13000%	7.13000%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the District's total contributions were \$19,986,974.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	\$ 233,433,103
State's proportionate share of the net pension liability associated with the District	123,460,378
Total net pension liability, including State share	<u>\$ 356,893,481</u>

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively, was 0.34673 percent and 0.34697 percent, resulting in a net decrease in the proportionate share of 0.00024 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$19,193,953. In addition, the District recognized pension expense and revenue of \$12,680,325 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 19,986,974	\$ -
Net change in proportionate share of net pension liability	-	151,169
Differences between projected and actual earnings on plan investments	-	19,028,591
Differences between expected and actual experience in the measurement of the total pension liability	-	3,900,722
Total	<u>\$ 19,986,974</u>	<u>\$ 23,080,482</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Fiscal Year	Deferred Outflows/(Inflows) of Resources
2017	\$ (7,875,559)
2018	(7,875,559)
2019	(7,875,559)
2020	4,598,086
Total	<u>\$ (19,028,591)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-15 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2017	\$ (675,315)
2018	(675,315)
2019	(675,315)
2020	(675,315)
2021	(675,315)
Thereafter	(675,316)
Total	<u>\$ (4,051,891)</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns.

The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System (board) policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%
	<u>100%</u>	

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and if contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 352,465,817
Current discount rate (7.60%)	\$ 233,433,103
1% increase (8.60%)	\$ 134,507,313

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014 Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the total District contributions were \$10,461,331.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$96,126,834. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2015, and June 30, 2014, respectively was 0.65215 percent and 0.66962 percent, resulting in a net decrease in the proportionate share of 0.01747 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$10,315,857. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 10,461,331	\$ -
Net change in proportionate share of net pension liability	-	1,981,708
Differences between projected and actual earnings on plan investments	-	3,291,465
Differences between expected and actual experience in the measurement of the total pension liability	5,493,790	-
Changes of assumptions	-	5,906,300
Total	<u>\$ 15,955,121</u>	<u>\$ 11,179,473</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Fiscal Year	Deferred Outflows/(Inflows) of Resources
2017	\$ (2,412,806)
2018	(2,412,806)
2019	(2,412,806)
2020	3,946,953
Total	<u>\$ (3,291,465)</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the 2014-15 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	\$ (825,593)
2018	(825,593)
2019	(743,032)
Total	<u>\$ (2,394,218)</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 133,352,664
Current discount rate (7.65%)	\$ 96,126,834
1% increase (8.65%)	\$ 28,108,835

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Social Security

As established by Federal law, all public sector employees who are not members of either CalSTRS or CalPERS must be covered by social security or an alternative plan. The District has elected to use PARS as its alternative plan. Contributions made by the District and employee vest immediately. For employees who are members of CalPERS, the District and the employee each contribute 6.2 percent of the employee's gross earnings towards social security.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. The state contributions for fiscal years ending June 30, 2016, 2015, and 2014, were \$12,680,325, \$8,535,695, and \$8,357,715, respectively. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures in the 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 13 - 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, 2016.

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, 2016.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 14 - PARTICIPATION IN JOINT POWERS AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

Chabot Space and Science Center Joint Powers Authority

The District participates in the Chabot Space and Science Center Joint Powers Authority (Chabot JPA), a joint powers authority established to provide quality science education to members of the Oakland community. The Chabot JPA board consists of representatives of the City of Oakland, the Oakland Unified School District, and the East Bay Regional Park District. The District appoints 3 members to the 23 member governing board. During the year ended June 30, 2016, the District made no payments of 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, 2016, the District allowed Youth Ventures to use buildings and classroom space for operation of after school programs in lieu of cash payments.

Northern California Regional Liability Excess Fund

The District is a member of the Northern California Regional Liability Excess Fund (NCR). NCR is a non-profit member-owned and operated Joint Powers Authority (JPA) providing risk management services to California public schools. The District appointed one member to the 42 member governing board. During the year ended June 30, 2016, the District made payments of \$1,968,587 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 15 - SUBSEQUENT EVENTS

In August 2016, the District issued \$65,000,000 of Series 2016A general obligation bonds with interest rate 4.00% to 5.00%, which are restricted for facilities construction and modernization. In August 2016, the District also issued \$155,780,000 of general obligation refunding bonds with interest rates 2.00% to 5.00%.

REQUIRED SUPPLEMENTARY INFORMATION

OAKLAND UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local control funding formula	\$ 336,252,509	\$ 338,625,751	\$ 339,083,640	\$ 457,889
Federal sources	42,368,431	49,730,542	43,929,012	(5,801,530)
Other state sources	62,871,803	70,949,445	80,879,959	9,930,514
Other local sources	52,326,286	56,194,800	59,830,477	3,635,677
Total Revenues	493,819,029	515,500,538	523,723,088	8,222,550
EXPENDITURES				
Current				
Certificated salaries	165,246,305	193,019,280	186,977,491	6,041,789
Classified salaries	65,060,297	85,651,391	89,091,972	(3,440,581)
Employee benefits	104,935,057	108,470,860	122,566,571	(14,095,711)
Books and supplies	34,790,113	34,460,950	20,967,378	13,493,572
Services and operating expenditures	64,121,406	89,591,787	88,844,867	746,920
Other outgo	1,769,411	2,870,484	1,250,430	1,620,054
Capital outlay	160,000	2,086,503	997,926	1,088,577
Debt service - principal	5,104,642	5,104,642	5,104,642	-
Debt service - interest	874,057	874,057	874,057	-
Total Expenditures	442,061,288	522,129,954	516,675,334	5,454,620
Excess (Deficiency) of Revenues Over Expenditures	51,757,741	(6,629,416)	7,047,754	13,677,170
Other Financing Sources (Uses)				
Transfers in	564,067	2,297,370	1,802,591	(494,779)
Transfers out	(725,000)	(1,018,037)	(3,097,178)	(2,079,141)
Net Financing Sources (Uses)	(160,933)	1,279,333	(1,294,587)	(2,573,920)
NET CHANGE IN FUND BALANCES	51,596,808	(5,350,083)	5,753,167	11,103,250
Fund Balance - Beginning	29,142,393	29,142,393	29,142,393	-
Fund Balance - Ending	\$ 80,739,201	\$ 23,792,310	\$ 34,895,560	\$ 11,103,250

See accompanying note to required supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

CAFETERIA FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variances -
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Federal sources	\$ 16,269,025	\$ 16,925,738	\$ 16,689,478	\$ (236,260)
Other state sources	1,016,189	958,416	983,276	24,860
Other local sources	604,763	842,951	590,269	(252,682)
Total Revenues	17,889,977	18,727,105	18,263,023	(464,082)
EXPENDITURES				
Current				
Classified salaries	5,003,782	5,730,265	6,461,872	(731,607)
Employee benefits	3,604,557	2,948,134	2,936,237	11,897
Books and supplies	8,665,894	9,531,442	9,767,239	(235,797)
Services and operating expenditures	218,974	177,383	20,509	156,874
Other outgo	914,927	940,115	973,831	(33,716)
Capital outlay	-	82,965	43,756	39,209
Total Expenditures	18,408,134	19,410,304	20,203,444	(793,140)
Excess (Deficiency) of Revenues Over Expenditures	(518,157)	(683,199)	(1,940,421)	(1,257,222)
Other Financing Sources (Uses)				
Transfers in	725,000	886,207	1,804,808	918,601
Transfers out	(206,843)	(206,843)	-	206,843
Net Financing Sources	518,157	679,364	1,804,808	1,125,444
NET CHANGE IN FUND BALANCES	-	(3,835)	(135,613)	(131,778)
Fund Balance - Beginning	141,879	141,879	141,879	-
Fund Balance - Ending	\$ 141,879	\$ 138,044	\$ 6,266	\$ (131,778)

See accompanying note to required supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
District's proportion of the net pension liability	0.34673%	0.34697%
District's proportionate share of the net pension liability	\$ 233,433,103	\$ 202,760,645
State's proportionate share of the net pension liability associated with the District	123,460,378	122,435,631
Total	\$ 356,893,481	\$ 325,196,276
District's covered employee payroll at the measurement date	\$ 143,578,581	\$ 154,542,764
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	162.58%	131.20%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
CalPERS		
District's proportion of the net pension liability	0.65215%	0.66962%
District's proportionate share of the net pension liability	\$ 96,126,834	\$ 76,017,851
District's covered employee payroll at the measurement date	\$ 108,315,164	\$ 70,293,104
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	88.75%	108.14%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

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

See accompanying note to required supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
Contractually required contribution	\$ 19,986,974	\$ 14,342,738
Contributions in relation to the contractually required contribution	(19,986,974)	(14,342,738)
Contribution deficiency (excess)	\$ -	\$ -
District's covered - employee payroll	\$ 186,271,892	\$ 143,578,581
Contributions as a percentage of covered - employee payroll	10.73%	8.88%
CalPERS		
Contractually required contribution	\$ 10,461,331	\$ 10,641,777
Contributions in relation to the contractually required contribution	(10,461,331)	(10,641,777)
Contribution deficiency (excess)	\$ -	\$ -
District's covered - employee payroll	\$ 88,303,630	\$ 108,315,164
Contributions as a percentage of covered - employee payroll	11.85%	11.77%

See accompanying note to required supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Schedule of District Pension Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS and CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

OAKLAND UNIFIED SCHOOL DISTRICT

LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE JUNE 30, 2016

The Oakland Unified School District was established in 1855 and consists of an area comprising approximately 55 square miles. During the 2015-16 school year, the District operated 50 elementary schools, 4 K-8 schools, 13 middle schools, 3 grades 6-12 schools, 6 grades 9-12 schools, 9 alternative schools and 30 early childhood education centers.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
James Harris	President	January 2017
Nina Senn	Vice president	January 2019
Aime Eng	Director	January 2019
Shanthi Gonzales	Director	January 2019
Jumoke Hinton Hodge	Director	January 2017
Jody London	Director	January 2017
Roseann Torres	Director	January 2017

STATE TRUSTEE

Carlene Naylor

ADMINISTRATION

NAME	TITLE
Antwan Wilson	Superintendent
Jacqueline Minor	General Counsel
Vernon Hal	Senior Business Officer
Yana Smith	Chief of Staff

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2016

	Final Report	
	Amended Second Period Report	Amended Annual Report
Regular ADA		
Transitional kindergarten through third	13,407.09	13,400.37
Fourth through sixth	8,443.74	8,437.93
Seventh and eighth	4,537.06	4,541.62
Ninth through twelfth	8,839.73	8,801.80
Total Regular ADA	35,227.62	35,181.72
Extended Year Special Education		
Transitional kindergarten through third	21.71	21.71
Fourth through sixth	11.82	11.82
Seventh and eighth	10.07	10.07
Ninth through twelfth	18.38	18.38
Total Extended Year Special Education	61.98	61.98
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	9.85	10.80
Fourth through sixth	28.99	29.83
Seventh and eighth	23.59	23.93
Ninth through twelfth	94.49	91.77
Total Special Education, Nonpublic, Nonsectarian Schools	156.92	156.33
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.82	0.82
Fourth through sixth	2.76	2.76
Seventh and eighth	2.25	2.25
Ninth through twelfth	13.43	13.43
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	19.26	19.26
Community Day School		
Seventh and eighth	4.40	4.91
Ninth through twelfth	13.34	14.17
Total Community Day School	17.74	19.08
Total ADA	35,483.52	35,438.37

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2016

Grade Level	1986-87 Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	48,580	180	In Compliance
Grades 1 - 3				
Grade 1	50,400	50,620	180	In Compliance
Grade 2	50,400	50,700	180	In Compliance
Grade 3	50,400	50,700	180	In Compliance
Grades 4 - 6				
Grade 4	54,000	54,000	180	In Compliance
Grade 5	54,000	54,000	180	In Compliance
Grade 6	54,000	54,652	180	In Compliance
Grades 7 - 8				
Grade 7	54,000	54,652	180	In Compliance
Grade 8	54,000	54,652	180	In Compliance
Grades 9 - 12				
Grade 9	64,800	64,840	180	In Compliance
Grade 10	64,800	64,840	180	In Compliance
Grade 11	64,800	64,840	180	In Compliance
Grade 12	64,800	64,840	180	In Compliance

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2016

Name of Charter School	Included in District Financial Statements or Separate Report
Achieve Academy	Separate Report
American Indian Charter School II	Separate Report
American Indian Public Charter High	Separate Report
American Indian Public Charter School	Separate Report
ARISE High School	Separate Report
ASCEND Academy	Separate Report
Aspire Berkley Maynard Academy	Separate Report
Aspire College Academy	Separate Report
Aspire ERES Academy	Separate Report
Aspire Golden State College Preparatory Academy	Separate Report
Aspire Monarch Academy	Separate Report
Aspire Triumph Technology Academy	Separate Report
Aspire Lionel Wilson College Preparatory Charter	Separate Report
Bay Area Technology School	Separate Report
Civicorps Corpsmember Academy	Separate Report
Conservatory of Vocal & Instrumental Arts	Separate Report
Downtown Charter Academy	Separate Report
East Bay Innovation Academy	Separate Report
East Oakland Leadership Academy	Separate Report
EPIC Charter 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
North Oakland Community Charter School	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
Vincent 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, 2016

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Adult Education Fund
Unaudited actuals	\$ 34,502,695	\$ 3,835	201,155,778	\$ 91,662,737	\$ 1,114,029
Changes from					
Cash and investments	128,457	2,431	346,989	(13,695)	1,668
Accounts receivable	(205,580)	-	-	-	-
Accounts payable	469,988	-	362,451	-	-
Fund balance per audited financial statements	<u>\$ 34,895,560</u>	<u>\$ 6,266</u>	<u>\$ 201,865,218</u>	<u>\$ 91,649,042</u>	<u>\$ 1,115,697</u>

	Child Development Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Self Insurance Fund
Unaudited actuals	\$ 10,362	\$ 6,457,832	\$ 7,811,791	\$ 1,470,748	\$ 14,774,877
Changes from					
Cash and investments	545	8,181	15,159	2,552	3,209
Accounts receivable	-	-	-	-	29
Accounts payable	215	-	-	-	352
Claims liability *	-	-	-	-	(42,046,657)
Net pension liability *	-	-	-	-	(922,268)
Fund balance per audited financial statements	<u>\$ 11,122</u>	<u>\$ 6,466,013</u>	<u>\$ 7,826,950</u>	<u>\$ 1,473,300</u>	<u>\$ (28,190,458)</u>

* The Self-Insurance Fund claims liability and net pension liability are actuarial determined estimates of the long-term obligations associated with the District's self-insured workers' compensation program, and participation in employee pension programs. The District does not report these liabilities on the SACS Unaudited Actual financial reports because they do not require the usage of current financial resources.

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

Program Title	CFDA Number	Pass-through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education			
School Improvement Grants	84.377	15127	\$ 161,071
Title I, Basic, Concentration, Targeted and Education Finance Incentive Grants			
Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	18,300,189
Title I, Part D, Local Delinquent programs	84.010	14357	11,847
Subtotal			18,312,036
Title II, Part A, Improving Teacher Quality State Grants program	84.367	14341	3,967,127
Title II, Part B, Mathematics and Science Partnerships	84.366	14512	418,391
Title III, English Language Acquisition State Grants			
Title III, Limited English Proficient Student Program	84.365	14346	1,194,008
Title III, Immigrant Education program	84.365	15146	74,704
Subtotal			1,268,712
Title IV, Part B, 21st Century Community Learning Centers	84.287	14349	6,273,567
Career and Technical Education	84.048	14894	499,683
Rehabilitation Services, Vocational Rehabilitation	84.126	10006	391,639
Adult Education	84.002	13978	222,309
IDEA Early Intervention Programs, Part C	84.181	23761	205,411
Advanced Placement Test Fee Reimbursement	84.000	N/A	58,179
Special Education - Individuals with Disabilities Education Act			
Part B, Sec 611, Basic Local Assistance Entitlement	84.027	13379	7,570,305
Part B, Sec 611, Preschool Local Entitlement	84.027A	13682	874,307
Part B, Sec 619, Preschool Grants	84.173	13430	223,918
Part B, Sec 619, Preschool Staff Development	84.173A	13431	11,158
Total IDEA Cluster			8,679,688
Total passed through California Department of Education			40,457,813

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2016

Program Title	CFDA Number	Pass-through Identifying Number	Federal Expenditures
Direct grants			
Federal Project Prevention	84.184	N/A	576,018
Full Services Community School	84.215	N/A	390,747
I-3 Grant	84.411C	N/A	428,958
Impact Aid Programs	84.000	N/A	5,522
Indian Education	84.060	N/A	34,425
Promoting Readiness of Minors	84.418P	N/A	334,311
School Climate Transformation	84.184G	N/A	246,914
Teaching American History	84.215X	N/A	3,165
Transition to teaching	84.350A	N/A	5,263
TTO Project Stem	84.350A	N/A	427,377
Total U.S Department of Education			42,910,513
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education			
Child Nutrition Cluster			
Summer Food Service Program for Children	10.559	13005	413,135
National School Lunch Program	10.555	13391/13396	13,513,447
Total Child Nutrition Cluster			13,926,582
Fresh Fruit and Vegetable Program	10.582	14968	503,709
Child Care Food Program - Centers and Family Day Homes	10.558	13393	2,094,459
Farm to School Grant Program	10.575	N/A	5,049
Specialty Crop Block Grant Program	10.170	N/A	19,648
HealthierUS School Challenge: Smarter Lunchrooms	10.000	N/A	140,044
Total U.S. Department of Agriculture			16,689,491

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2016

Program Title	CFDA Number	Pass-through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Education			
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	U87PS004136	365,152
Refugee and Entrant Assistance	93.576	24791	188,382
Federal Child Care, Center-based	93.596, 93.575	13609	1,019,100
Total California Department of Education			1,572,634
Passed through California Department of Health Care Services			
Medical Assistance Program	93.778	10013	601,382
Total U.S. Department of Health and Human Services			2,174,016
U.S. DEPARTMENT OF DEFENSE			
Passed through California Department of Education			
Junior Reserve Officers Training Corps	12.000	N/A	69,255
Total U.S. Department of Defense			69,255
CORPORATION FOR NATIONAL AND COMMUNITY SCIENCE			
Direct Grant			
AmeriCorps Vista	94.013	N/A	16,624
Total Corporation for National and Community Science			16,624
Total expenditures of federal awards			\$61,859,899

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS JUNE 30, 2016

	(Budget) 2017 ¹	2016	2015	2014
GENERAL FUND				
Revenues ³	\$ 519,935,332	\$ 511,042,763	\$ 435,466,942	\$ 409,619,644
Other sources	-	182,423	542,275	2,574,570
Total Revenues and Other Sources	519,935,332	511,225,186	436,009,217	412,194,214
Expenditures ³	518,643,022	502,374,841	433,424,469	419,443,148
Other uses and transfers out	1,055,423	3,097,178	806,946	2,488,770
Total Expenditures and Other Uses	519,698,445	505,472,019	434,231,415	421,931,918
CHANGE IN FUND BALANCE	\$ 236,887	\$ 5,753,167	\$ 1,777,802	\$ (9,737,704)
ENDING FUND BALANCE	\$ 35,132,447	\$ 34,895,560	\$ 29,142,393	\$ 27,364,591
AVAILABLE RESERVES ²	\$ 11,276,521	\$ 11,039,634	\$ 9,084,159	\$ 10,698,751
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	2.17%	2.18%	2.09%	2.54%
LONG TERM COMMITMENTS				
CLAIMS LIABILITY	\$ 1,017,632,340	\$ 1,030,710,818	\$ 876,035,567	\$ 911,874,330
NET PENSION LIABILITY ⁴	42,046,657	42,046,657	42,046,657	36,518,205
TOTAL LONG-TERM OBLIGATIONS	11,533,784	329,559,937	278,778,496	-
	\$ 1,071,212,781	\$ 1,402,317,412	\$ 1,196,860,720	\$ 948,392,535
K-12 AVERAGE DAILY ATTENDANCE AT P-2				
	35,484	35,484	35,375	35,115

The General Fund balance has increased by \$7.5 million over the past two years. The fiscal year 2017 budget projects an increase of \$236 thousand. 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 increased by 369 over the past two years. ADA is anticipated to remain the same during fiscal year 2016-17.

¹ Budget 2017 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained within the General Fund.

³ Beginning with fiscal year 2016, the District recognized the on-behalf payments in the unaudited actual financial report. On-behalf payments are excluded from the revenues and expenditures of all columns presented, for comparability.

⁴ GASB 68 required recognition of the net pension liability as of July 1, 2014. Amounts were not calculated for the periods ending June 30, 2014.

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2016

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund
ASSETS				
Deposits and investments	\$ 1,056,816	\$ 369,646	\$ 246,189	\$ 7,035,493
Receivables	189,025	288,125	374	955,989
Due from other funds	-	2,262,246	-	-
Total Assets	<u>\$ 1,245,841</u>	<u>\$ 2,920,017</u>	<u>\$ 246,563</u>	<u>\$ 7,991,482</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Payables	\$ 69,178	\$ 408,895	\$ 241,873	\$ 964,798
Due to other funds	60,966	2,500,000	-	560,671
Unearned revenue	-	-	-	-
Total Liabilities	<u>130,144</u>	<u>2,908,895</u>	<u>241,873</u>	<u>1,525,469</u>
Fund Balances				
Restricted	935,904	11,122	-	6,466,013
Committed	179,793	-	4,690	-
Total Fund Balances	<u>1,115,697</u>	<u>11,122</u>	<u>4,690</u>	<u>6,466,013</u>
Total Liabilities and Fund Balances	<u>\$ 1,245,841</u>	<u>\$ 2,920,017</u>	<u>\$ 246,563</u>	<u>\$ 7,991,482</u>

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Capital Outlay Fund	Nonmajor Governmental Funds
\$ 8,853,959	\$ 1,621,942	\$ 19,184,045
11,201	1,318	1,446,032
-	-	2,262,246
<u>\$ 8,865,160</u>	<u>\$ 1,623,260</u>	<u>\$ 22,892,323</u>
\$ 1,028,047	\$ 76,655	\$ 2,789,446
10,163	-	3,131,800
-	73,305	73,305
<u>1,038,210</u>	<u>149,960</u>	<u>5,994,551</u>
7,826,950	1,247,676	16,487,665
-	225,624	410,107
<u>7,826,950</u>	<u>1,473,300</u>	<u>16,897,772</u>
<u>\$ 8,865,160</u>	<u>\$ 1,623,260</u>	<u>\$ 22,892,323</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2016

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund
REVENUES				
Federal sources	\$ 222,309	\$ 1,019,100	\$ -	\$ -
Other state sources	1,685,548	8,965,915	-	-
Other local sources	663,490	718,335	4,069	5,705,952
Total Revenues	<u>2,571,347</u>	<u>10,703,350</u>	<u>4,069</u>	<u>5,705,952</u>
EXPENDITURES				
Current				
Instruction	1,406,003	9,485,516	-	-
Instruction-related activities:				
Supervision of instruction	71,022	199,439	-	-
School site administration	489,752	1,480,656	-	-
Pupil services:				
All other pupil services	-	13,216	-	-
Administration:				
All other administration	63,411	582,710	-	169,631
Plant services	-	233,422	-	1,148,554
Facility acquisition and construction	-	-	1,882,771	1,302,919
Total Expenditures	<u>2,030,188</u>	<u>11,994,959</u>	<u>1,882,771</u>	<u>2,621,104</u>
Excess (Deficiency) of				
Revenues Over Expenditures	<u>541,159</u>	<u>(1,291,609)</u>	<u>(1,878,702)</u>	<u>3,084,848</u>
Other Financing Sources (Uses)				
Transfers in	-	1,292,370	-	-
Transfers out	-	-	-	-
Net Financing Sources (Uses)	<u>-</u>	<u>1,292,370</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>541,159</u>	<u>761</u>	<u>(1,878,702)</u>	<u>3,084,848</u>
Fund Balance - Beginning	<u>574,538</u>	<u>10,361</u>	<u>1,883,392</u>	<u>3,381,165</u>
Fund Balance - Ending	<u>\$ 1,115,697</u>	<u>\$ 11,122</u>	<u>\$ 4,690</u>	<u>\$ 6,466,013</u>

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Capital Outlay Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ 1,241,409
2,628,250	-	13,279,713
74,410	86,416	7,252,672
<u>2,702,660</u>	<u>86,416</u>	<u>21,773,794</u>
-	-	10,891,519
-	-	270,461
-	-	1,970,408
-	-	13,216
-	-	815,752
-	-	1,381,976
<u>4,538,223</u>	<u>91,185</u>	<u>7,815,098</u>
<u>4,538,223</u>	<u>91,185</u>	<u>23,158,430</u>
<u>(1,835,563)</u>	<u>(4,769)</u>	<u>(1,384,636)</u>
-	-	1,292,370
-	(182,423)	(182,423)
-	(182,423)	1,109,947
(1,835,563)	(187,192)	(274,689)
9,662,513	1,660,492	17,172,461
<u>\$ 7,826,950</u>	<u>\$ 1,473,300</u>	<u>\$ 16,897,772</u>

OAKLAND UNIFIED SCHOOL DISTRICT

GENERAL FUND SCHEDULE OF UNRESTRICTED AND RESTRICTED BALANCE SHEET JUNE 30, 2016

	Unrestricted	Restricted	Total General Fund
ASSETS			
Deposits and investments	\$ 19,128,242	\$ 21,136,062	\$ 40,264,304
Receivables	8,560,375	14,571,409	23,131,784
Due from other funds	649,541	-	649,541
Total Assets	\$ 28,338,158	\$ 35,707,471	\$ 64,045,629
LIABILITIES AND FUND BALANCES			
Liabilities			
Payables	\$ 13,622,340	\$ 10,341,647	\$ 23,963,987
Due to other funds	2,921,442	865,347	3,786,789
Unearned revenue	-	1,399,293	1,399,293
Total Liabilities	16,543,782	12,606,287	29,150,069
Fund Balances			
Nonspendable	150,000	-	150,000
Restricted	-	23,101,184	23,101,184
Committed	604,742	-	604,742
Unassigned	11,039,634	-	11,039,634
Total Fund Balances	11,794,376	23,101,184	34,895,560
Total Liabilities and Fund Balances	\$ 28,338,158	\$ 35,707,471	\$ 64,045,629

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

GENERAL FUND SCHEDULE OF UNRESTRICTED AND RESTRICTED REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Restricted	Total General Fund
REVENUES			
Local control funding formula	\$ 336,671,530	\$ 2,412,110	\$ 339,083,640
Federal sources	63,701	43,865,311	43,929,012
Other state sources	26,653,311	54,226,648	80,879,959
Other local sources	35,014,818	24,815,659	59,830,477
Total Revenues	398,403,360	125,319,728	523,723,088
EXPENDITURES			
Current			
Instruction	187,038,775	108,268,848	295,307,623
Instruction related activities	58,864,297	30,572,907	89,437,204
Pupil Services	13,807,797	9,437,552	23,245,349
General administration	27,210,817	5,350,870	32,561,687
Plant services	38,509,292	14,993,203	53,502,495
Facility acquisition and construction	1,361,620	58,092	1,419,712
Ancillary services	291,304	11,487,572	11,778,876
Community services	573,091	-	573,091
Other outgo	68,230	1,182,200	1,250,430
Debt service			
Principal	5,104,642	-	5,104,642
Interest	874,057	-	874,057
Total Expenditures	333,703,922	181,351,244	515,055,166
Excess (Deficiency) of revenues over expenditures	64,699,438	(56,031,516)	8,667,922
OTHER FINANCING SOURCES (USES):			
Transfers in	182,423	-	182,423
Transfers out	(3,097,178)	-	(3,097,178)
Other sources (uses)	(66,357,597)	66,357,597	-
Net Financing Uses	(69,272,352)	66,357,597	(2,914,755)
NET CHANGE IN FUND BALANCES	(4,572,914)	10,326,081	5,753,167
Fund Balance - Beginning	16,367,290	12,775,103	29,142,393
Fund Balance - Ending	\$ 11,794,376	\$ 23,101,184	\$ 34,895,560

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

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. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

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

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
FOR THE YEAR ENDED JUNE 30, 2016**

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

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:	\$ 65,124,089
Federal interest subsidy on qualified construction bonds and build america bonds	<u>(3,264,190)</u>
Total federal expenditures on the schedule of expenditures of federal awards	<u><u>\$ 61,859,899</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.

Schedules of the unrestricted and restricted General Fund

The schedules of unrestricted and restricted portions of the General Fund are included to provide additional information regarding the different categories of general fund operations.

INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Oakland Unified School District
Oakland, California

We have audited, in accordance with 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 Oakland Unified School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2016.

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 District'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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider findings 2016-001 and 2016-002, described in the accompanying schedule of findings and questioned costs, to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2016-004 through 2016-009.

The District's Response to Findings

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Varrinck Trime Day + Co. LLP

Palo Alto, California
December 14, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education
Oakland Unified School District
Oakland, California

Report on Compliance for Each Major Federal Program

We have audited Oakland Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Oakland Unified School District's major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Oakland Unified School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Oakland Unified School 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 the accompanying schedule of findings and questioned costs, Oakland Unified School District did not comply with requirements regarding the following federal programs:

Finding	Program Name (CFDA)	Compliance Requirement
2016-004	Title I (84.010), Title II (84.367), 21 Century (84.287), Special Education (84.027, 84.027A, 84.173, 84.173A), National School Lunch Program (10.555, 10.553), Child and Adult Care Food Program (10.558), Child Care (93.575).	Procurement and Suspension and Debarment
2016-005	Title I (84.010)	Special Tests and Provisions

Compliance with such requirements is necessary, in our opinion, for Oakland Unified School District to comply with the requirements applicable to each 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 major federal program for the year ended June 30, 2016.

Other Matters

The District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Oakland Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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 material weaknesses and 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 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 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 2016-004 and 2016-005 to be significant deficiencies.

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

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

Varrinck Trine Day + Co. LLP

Palo Alto, California
December 14, 2016

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Education
Oakland Unified School District
Oakland, California

Report on State Compliance

We have audited Oakland Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Oakland Unified School District's State government programs as noted below for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its state awards applicable to its state 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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. 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 opinions. 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, Oakland Unified School District did not comply with requirements regarding After School Education and Safety (2016-006), School Accountability Report Card (2016-007), Unduplicated Local Control Funding Formula Pupil Count (2016-008) and Educator Effectiveness (2016-009). Compliance with such requirements is necessary, in our opinion, for Oakland Unified School 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, Oakland Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Programs

In our opinion, Oakland Unified School 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, 2016.

Other Matters

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

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes ¹
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes ¹
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes ¹
Before School	No, see below

	Procedures Performed
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes ¹
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes

CHARTER SCHOOLS

Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

¹Limitations regarding procedures performed are described in the Schedule of Findings and Questioned Costs section for items 2016-006 through 2016-009.

The District did not offer an early retirement incentive program during the current year; therefore, we did not perform procedures related to the early retirement incentive program.

The District does not have any juvenile court schools; therefore, we did not perform any procedures related to juvenile court schools.

The District does not have any middle or early college high schools; therefore, we did not perform any procedures related to middle or early college high schools.

The District does not offer a before school education and safety program; therefore, we did not perform any procedures related to the before school education and safety program.

The District does not offer coursed based independent study program; therefore, we did not perform any procedures related to the independent study – course based.

The District does not have any dependent charter schools; therefore, we did not perform any procedures for charter school programs.

Varrine Time Day + Co. LLP

Palo Alto, California
December 14, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OAKLAND UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2016

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 federal programs:	
Material weakness identified?	No
Significant deficiency identified?	Yes
Type of auditor's report issued on compliance for major Federal programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	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 State Grants program
84.287	Title IV, Part B of the ESEA, 21 Century Community Learning Centers
84.027, 84.027A, 84.173, 84.173A	Special Education - Individuals with Disabilities Education Act
10.555, 10.559	Child Nutrition Cluster
93.575	Federal Child Care, Center-Based
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 1,855,797
Auditee qualified as low-risk auditee?	No

STATE AWARDS

Type of auditor's report issued on compliance for state programs:	Qualified
Unmodified for all programs except for the following programs which are qualified:	
Name of Program	
After School Education and Safety (2016-006)	
School Accountability Report Card (2016-007)	
Unduplicated Local Control Funding Formula Pupil Count (2016-008)	
Educator Effectiveness (2016-009)	

OAKLAND UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

The following findings represent significant deficiencies, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

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

2016-001 Financial Statement Presentation of Fiduciary Funds, ASB 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. During the year, the District operated 50 K-5 elementary schools, 4 K-8 elementary schools, 13 middle schools, 3 grade 6-12 schools, 6 grade 9-12 high schools, and 9 alternative schools. Not all of these schools would have ASB funds. 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.

OAKLAND UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

Corrective Action Plan

During fiscal year 2014-15, Oakland Unified School District (the District) began to survey school sites to determine which schools operated Associated Student Body (ASB) funds and in 2015-16 the District visited some of the high schools to determine the level of student activities. The District projects implementation of a process to collect financial data for the student funds starting in Fiscal Year 2016-17.

2016-002 Financial Statement Presentation of Fiduciary Funds, Fund 76 Reconciliation Code 30000, 60000

Criteria or Specific Requirements

In response to a prior year finding rendered by the Fiscal Crisis & Management Assistance Team, (FCMAT), the District's payroll transactions flow through a separate payroll revolving account. This account is set up in the District's general ledger account structure as Fund 76. The purpose of the account is to monitor recurring payroll transactions to ensure that they are properly recorded in the District's financial records. The Fund must be reconciled on a regular basis to enable management to identify any excess or deficiency on a timely basis. It is our view that the reconciliation of the Fund on a monthly basis is a critical internal control procedure that needs to be followed. Furthermore, the monthly reconciliation must be performed by an individual who possesses the requisite skills.

Condition

At the conclusion of fieldwork, we were informed by District management that the monthly reconciliation process for the fiscal year ended June 30, 2016 was not being satisfactorily completed. As a result, we received a final reconciliation of the Fund prepared by the District's contract internal auditor during November of 2016.

Questioned Costs

Not applicable

Context

All payroll related transactions that relate to payroll benefits and deferred pay run through Fund 76. The amounts are considered to be material to the District's financial statements. Therefore, proper reconciliation of the Fund is needed, to properly reflect these payroll related expenses in the financial statements of the District.

Effect

By not reconciling the Fund on a current basis, current period required adjustments do not get made on a timely basis. In addition, the lack of a current monthly reconciliation allows possible procedural errors to be made that go unnoticed until the fund is reconciled at year end. An example of this is the fact that it was discovered, in the course of the year end reconciliation performed by the District's contract internal auditor, that PERS and STRS payments to the State for retro payrolls were not made. The amounts were properly accrued in the fund, thus the expense was properly recorded. But the accrued amounts are required to be paid to the State on a current basis. The District has subsequently identified the amounts and is in the process of making the necessary payments to the State. At year end we recorded an audit adjustment of \$323,000 to reflect adjustments to the fund that need to be made as a result of the reconciliation process.

OAKLAND UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

Cause

Reiterating our comment from the prior year, we believe the reconciliation process has not been properly monitored by those in charge of overseeing that process.

Recommendation

We recommend the District take whatever steps are necessary to ensure that this critical accounting process is maintained on at least a monthly basis. The District needs to be sure that the individual tasked with this responsibility has the necessary skill set to accomplish the task. Further, we recommend the District institute a process whereby the reconciliation is reviewed monthly by the Controller or Chief Financial Officer.

Corrective Action Plan

Starting fiscal year 2015-16, the District began implementation of procedures to reconcile Fund 76 on a monthly basis with hands-on reviews by the Financial Accounting Director and the Controller. District staff members are continually being trained in the reconciliation process and year-end closing procedures. The District recently hired an Accountant in the Payroll Department that will run pertinent payroll-related reports useful in Fund 76 reconciliation and conduct preliminary reconciliation prior to submission to accounting department for final reviews. Identified adjustments from prior audit years were cleared and posted, and adjustments for audit year 2015-16 will be posted by 2016-17 year-end. The District projects having Fund 76 reconciled on a monthly basis by end of Fiscal Year 2016-17.

2016-003

Human Resources/Payroll Internal Control Findings Code 30000, 60000

Criteria or Specific Requirements

Expenditures for wages and benefits are allocated among various restricted and unrestricted funding sources based on the activity in which the employee is working. The District is responsible to ensure proper allocation of salaries and benefits among various funding sources.

The District is billed by its pension and medical benefit providers based on the number of enrolled employees and pensionable earnings reported by the District. The District is responsible to ensure the completeness and accuracy of information reported to the benefit providers.

Condition

The District has established internal controls designed to ensure wages are allocated to correct funding sources. During our testing of this control process, the District was unable to locate the data supporting the determination that controls over cost allocation of payroll to specific resources. In substantive testing of payroll transactions in such areas as the parcel tax expenditures and in testing of costs allocated to federal programs, we did satisfy ourselves that such expenditures were properly allocated.

The District has established internal controls designed to ensure completeness and accuracy regarding the reporting employee information to the medical and pension benefit providers. However, during our testing, it was determined that the District is not always maintaining such documentation in auditable form.

OAKLAND UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

Questioned Costs

Our testing of specific restricted resources does not indicate evidence of questioned costs. However, the possibility does exist, particularly in the case of improper reporting of employee census data to medical providers, that the District could incur additional costs, and if those costs were then allocated to a federal program, such costs could be deemed unallowable.

Context

Expenditures for wages and benefits represent approximately 70% of total General Fund expenditures. In addition approximately \$130 million in salaries and benefits are allocated to restricted resources.

Effect

Failure to correctly allocate salary among funding sources could result in forfeiture of grant revenue, resulting in an additional liability to the Unrestricted General Fund. Failure to timely notify the benefit providers of employee separations could result in the District incurring excess benefit costs.

Cause

There appears to be a lack of ongoing monitoring to ensure that employees involved in key process are consistently following the established policies and procedures, which includes the retention of pertinent physical records to support the performance of documented controls. This finding was first noted in the 2014-15 audit report, which was issued during June, 2016. Implementation of corrective action during the 2015-16 fiscal period was not anticipated.

Recommendation

Management in charge of these areas needs to make sure that all critical internal control policies and procedures are effectively communicated to the employees charged with the responsibility of carrying out those procedures. Management further needs to monitor compliance and make sure that processes are being performed timely and consistently. There needs to be one established methodology to ensure that controls are being followed. Employees should not be allowed to deviate from established policies. Finally, there needs to be an established record retention policy that supports the fact that controls are being followed in accordance with District policies.

Corrective Action Plan

During 2016-17 and thereafter the District will formally document the policies and procedures designed to ensure that wages are allocated to proper funding sources, and that accurate information is communicated to benefit providers. Written procedures will be provided to employees in key positions. As part of the written policies and procedures, the District will also develop an ongoing system of monitoring to ensure the policies and consistently followed. Towards that end, the District established a standing committee comprised of key staff members from Human Resources, Payroll, Benefits and Information Technology divisions during fiscal year 2016.

OAKLAND UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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

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

**2016-004 Procurement and Suspension and Debarment
Code 50000**

Federal Program Affected

U.S. Department of Education, California Department of Education: Title I (84.010), Title II (84.367), 21 Century (84.287), Special Education (84.027, 84.027A, 84.173, 84.173A). U.S. Department of Agriculture, California Department of Education: National School Lunch Program (10.555, 10.553), Child and Adult Care Food Program (10.558). U.S. Department of Health and Human Services, California Department of Education: Child Care (93.575).

Criteria or Specific Requirements

Before entering a contract that is funded by a federal grant, the District entity must verify that the entity is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the Excluded Parties List System (EPLS), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity. The requirements are contained in OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, "Debarment and Suspension;" Federal awarding agency regulations in Title 2 of the CFR adopting/implementing the OMB guidance in 2 CFR part 180; program legislation; and the terms and conditions of federal award.

Condition

Control and compliance - The District had not completed implementation of effective internal controls over federal compliance regarding policies for federally funded procurements. The former policies did not include procedures to ensure vendors are not prohibited from 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.

OAKLAND UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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 the end of the 2015-16 fiscal year.

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

In Section 41.01 of the Procurement Handbook (Revised December 4, 2015), it states:

“The District shall follow federal requirement procedures regarding checking to insure that no vendors on the disbarment and suspension list are utilized on OUSD contracts prior to execution of contracts. Contracts over \$25,000, including but not limited to those using federal funds, will be checked against the suspension & disbarment list to determine if the vendor is listed on the Excluded Parties List System (EPLS) maintained by the General Services Administration of the Federal Government located at: <https://www.sam.gov/portal/public/SAM/#1>.”

Effective June 2015 the Contracts Buyer (OUSD staff member) checks the Oakland Unified School District vendor database of vendors utilized in the last three (3) academic years. The most recent verification was completed November 3, 2015. Effective June 2016 the list of purchase orders using resources 3000 and 4000 and object codes 4000 through 6999 will be run and vendors checked to verify that none were on the Excluded Parties List System. Current process includes:

- a) The OUSD Contracts Buyer in the Procurement Services office verifies that vendors do not appear on the Excluded Parties List annually in July utilizing the sam.gov website <https://www.sam.gov/portal/public/SAM/#1>.
- b) OUSD does not contract with vendors if the vendor appears on the list.
- c) The Contracts Online Form includes a check-box list to ensure staff inputting information is checking the Excluded Parties List when working on new contracts/procurements.
- d) The Procurement Handbook has been updated December 4, 2015 to reflect current procedures, staffing and resources.

The above corrective measures were partly implemented and followed during fiscal year 2015-16. Full implementation occurred during 2016-17 fiscal year.

OAKLAND UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

2016-005 **Highly Qualified Teachers and Paraprofessionals**
Code 50000

Federal Program Affected

U.S. Department of Education, California Department of Education: Title I (84.010)

Criteria or Specific Requirements

By the end of the 2005-06 school year, an LEA had to ensure that all teachers of core academic subjects, whether or not they work in a program supported with Title I, Part A funds, are highly qualified. "Core academic subjects" means english, reading or language arts, mathematics, science, foreign languages, civics and government, economics, arts, history, and geography. Per the United States Department of Education, a Highly Qualified Teacher is one who: (1) holds a bachelor's or higher degree from a regionally accredited institution of higher learning, (2) is appropriately licensed by the state, and (3) has demonstrated subject matter competence in each core academic subject assigned to teach.

In order to ensure compliance, the California Department of Education requires California LEAs to complete the Highly Qualified Teacher Certificate of Compliance. The Certificate of Compliance must be completed by appropriately trained LEA personnel only. For the purposes of data reporting and accountability, and to assist with complying with the California Code of Regulations (CCR), Section 6120, LEAs are required to retain the original signed Certificate of Compliance within the teacher's personnel file and, pursuant to both the Elementary and Secondary Education Act (ESEA) and CCR, the LEA is required to provide a copy of the completed and signed Certificate of Compliance to the teacher.

Condition

Control - During our testwork, it was noted that the District is not utilizing the Highly Qualified Teacher Certificate of Compliance form, as required by the California Department of Education. In order to insure compliance, the District is utilizing its own internally developed form. However, it was noted during the audit that the internally developed form is not used in all situations where it is applicable.

Questioned Costs

We did not identify actual instances of noncompliance. The District produced documentation indicating that each of the audit samples satisfied the requirements to be considered highly qualified. There is no questioned costs associated with this finding.

OAKLAND UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Context

There were approximately 2,500 teachers and paraprofessionals of core academic subjects. Our audit sample consisted of nine employees. The District did not complete the California Department of Education Highly Qualified Teacher Certificate of Compliance for any employee, but instead utilized internally developed alternative procedures. For six employees, the District utilized its own alternative document. For two employees, the internally developed document was not utilized. For one employee, the District was unable to provide the internally developed document.

Effect

The District does not have sufficient documentation to ensure compliance with California Code of Regulations (CCR), Section 6120, or to ensure that all teachers of core academic subjects are highly qualified. There may be teachers or paraprofessionals of core academic subjects who are incorrectly classified as Highly Qualified.

Cause

District personnel involved in the process of ensuring compliance were unaware of the broader requirements, and accordingly effective internal controls were not implemented during the fiscal year.

Recommendation

The District should adopt procedures, and assign responsibility to ensure those procedures are implemented as intended. District personnel should utilize the Highly Qualified Teacher Certificate of Compliance, as required by the California Department of Education. The certificates should be maintained in the personnel folder for the respective employee.

Corrective Action Plan

The District had 2,697 teachers and paraprofessionals of core academic subjects as of the 2014-15 fiscal year. In order to decrease the amount of paper given to teachers, the information contained on the Certificate of Compliance was incorporated into the Authorization to Work document. The Authorization to Work is given to every new employee with a copy placed in the employee's personnel file. This ensures that all teachers of core academic subjects are highly qualified.

The CDE will no longer require the Certificate of Compliance beginning with the 2016-17 school year and thereafter. The Talent Division will use the Certificate of Compliance and the Authorization to Work to show teachers are highly qualified until the CDE develops new procedures under ESSA. The Division will develop processes and procedures to comply with the new regulations and requirements once they are announced by the CDE.

OAKLAND UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been 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

**2016-006 After School Education and Safety
Code 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 incomplete or unavailable.

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.

OAKLAND UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Context

The District operates an ASES after school program at over 60 schools. Of the nine schools in our sample, eight schools identified only minor exceptions. At Bridges Academy, we examined ASES attendance documentation covering the months of September 2015, and November 2016. For the date of November 30, 2015, 25% of the attendance documentation was incomplete because it was missing sign out times or reconciliation with the early release policy.

This finding has repeated for multiple years. However, the magnitude of noncompliance has reduced substantially as the District has worked to implement corrective action.

Effect

The District would be incapable of defending its self against allegations 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, due to incomplete documentation.

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.

Recommendation

We recommend the District continue implementation of the corrective action that is currently in progress.

Our prior findings 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, 2016

Corrective Action Plan

The OUSD After School Programs Office (ASPO) implemented several new procedures beginning in the 2014-15 school year to increase standardization and effective OUSD central oversight of ASES attendance gathering and reporting. Consequently, OUSD ASES programs made significant improvements in ensuring that written attendance records were complete and compliant, early release codes were properly utilized, and attendance data reported to the California Department of Education could be substantiated with student signatures on daily sign in/out sheets. The 2015-16 audit findings noted for ASES are significantly better than previous years, and reflects our improved after school internal monitoring procedures. We will continue to utilize and strengthen these procedures, detailed here:

- ASPO has established the following 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 attendance 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 crosscheck that the daily count of student attendance signatures match Cityspan data.
- These attendance requirements are documented in the 2015-16 OUSD After School Operations Manual. All program sites received documentation of these attendance requirements during the 2015 After School August Institute training, and electronically through email correspondence. The Operations Manual is also accessible via the After School webpage of the OUSD website. New after school site coordinators and program staff responsible for attendance record keeping received training on these new requirements during the New Site Coordinators orientation in August 2015, and during Cityspan trainings at the beginning of the 2015-16 school year. ASPO staff reviewed compliance requirements and provided examples of properly completed sign in/out sheets during these trainings.

OAKLAND UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

- ASPO changed its process for semi-annual attendance reporting to CDE beginning with the 2014-15 school year, and continues to use this improved process in the current 2015-16 school year. ASPO completes its 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 only reports attendance numbers that can 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 monitors monthly attendance records and internal audit logs from each site to determine whether Cityspan numbers and signatures are matching up, and provides 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 sites on the early release policy and proper documentation of early release occurrences during the 2015 August Institute training, and during the Cityspan trainings we provided at the beginning of the 2015-16 school year.
- The OUSD After School Programs Office created a new Compliance and Operations Program Manager position whose primary responsibility is to monitor programs for compliance, and provide training and technical assistance to ensure that all program sites are operating fully in compliance. We also shifted responsibilities of our Program Assistant so that this staff member can monitor monthly attendance submissions from all program sites. The Program Assistant follows up immediately with sites with missing, incomplete, or inaccurate monthly attendance data.
- In Spring 2014, as part of OUSD After School's new Lead Agency Request for Qualifications (RFQ) process, we defined lead agency partner expectations for ensuring compliance and developing agency systems and structures to ensure proper attendance record-keeping. Moving forward, lead agency evaluation will include a review of their ability to maintain compliant programs and accurate attendance records. Lead agencies that consistently fall short of OUSD's performance expectations regarding compliance may not be allowed to continue serving in the lead agency role for OUSD after school.

The above strategies were first implemented beginning in the 2014-15 school year, and continue to be implemented with more fidelity in 2015-16 school year and thereafter. As our program sites and lead agency partners become more familiar with these new attendance monitoring processes and strengthen their own internal processes for attendance monitoring and oversight, we anticipate that the number of ASES-related audit findings will continue to reduce in the upcoming program years.

OAKLAND UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

2016-007 **School Accountability Report Card**
Code 40000, 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 is also required to report information regarding complaints related to teacher misassignments or vacancies pursuant to Education Code section 35186(d).

Condition

We identified instances where the SARC was not adequately supported by source documentation regarding school facility condition and teacher misassignments and vacancies.

Questioned Costs

There is no questioned cost associated with this condition because there is no funding related to school accountability report card.

Context

We examined the report cards for 13 of the District's 86 school sites and noted the condition applies to the following two report cards:

- Fremont High School – A teacher vacancy was omitted from the report card.
- Garfield Elementary – The facilities inspection indicated "poor" for electrical but the report card showed "fair."

This finding has repeated for multiple years. However, the magnitude of noncompliance has reduced substantially as the District has worked to implement corrective action.

Effect

Information contained in the SARC may be incomplete or inaccurate.

Cause

The staff tasked with responsibility for compilation of the report cards operate independently of the staff tasked with responsibility to annually assess the condition of school facilities. Coordination between the two departments should be improved.

OAKLAND UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Recommendation

SARC findings have been reported for multiple years. However, the District is showing progress towards full remediation, as the magnitude of this finding continues to diminish. We recommend the District continue implementation of the SARC corrective action that began after the fiscal year 2013-14 finding.

Our prior findings recommend the District to appoint a single person to obtain information from various departments involved in SARC compilation. Supporting documentation should be retained in a central location.

Corrective Action Plan

During 2014-15, the District enhanced its SARC process and procedures to better support the collection of compliant SARC Reports 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 (Accountability Partner) in the Office of Accountability Partners' (OAP) group to work with each central department designee 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 the completion of the SARC.
- Created a Google Drive system to house all of the SARCs/FIT Reports in one central location. OAP will receive all reports through a Google Drive folder and the Facilities Unit has committed to completing these by the agreed upon date of December 12, 2016.

Additionally, Facilities has updated their reporting system to improve the accuracy of the data and to ensure that all schools are reviewed in a timely manner.

OAKLAND UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

2016-008 Unduplicated Local Control Funding Formula Pupil Counts Code 40000

Criteria or Specific Requirements

Supplemental and concentration grant amounts are calculated based on the percentage of “unduplicated pupils” enrolled in the District on census day (first Wednesday in October). The percentage equals:

Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. Divided by total enrollment in the LEA (EC sections 2574(b)(1) and 42238.02(b)(5)).

“Unduplicated count” means that each pupil is counted only once even if the pupil meets more than one of these criteria (EC sections 2574(b) (2) and 42238.02(b)(1)).

Data submitted by LEAs to CALPADS is used as the starting point for calculating the unduplicated student count. CALPADS Certification Report 1.17 – FRPM/English Learner/Foster Youth – Count, displays the counts of students by category and an unduplicated total.

In order to be counted in Report 1.17, a student must have an open primary or short-term enrollment in CALPADS over census day and meet one or more of the following criteria:

- Have a program record with an education program code of Homeless (191), Migrant (135), Free Meal Program (181), or Reduced-Price Meal Program (182), that is open over census day.
- Have an English Language Acquisition Status (ELAS) of “English learner” (EL) that is effective over census day.
- Be directly certified in July through November as being eligible for free meals based on a statewide match conducted by CALPADS.
- Be identified as a foster youth based on a statewide match conducted by CALPADS.
- Be identified as a foster youth through a local data matching process and submitted to and validated by CALPADS.

Condition

Our audit procedures identified 4 pupils incorrectly classified as “English learner” (EL) in CALPADS.

OAKLAND UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Questioned Costs

Based on the known overstatement of 4 pupils, we projected the CALPADS unduplicated pupil count to have been overstated by 15, resulting in excess state aid of \$10,266.

Context

CALPADS certified total enrollment count was 37,122 and the certified total unduplicated pupil count was 28,987. Decreases to the unduplicated pupil count based on the audit are 15 (4 known and 11 projected) resulting in an adjusted count of 28,972. All the decreases are to the category of pupils designated as “English learner” (EL).

Effect

The percentage of “unduplicated pupils” enrolled in the District on census day was not accurate, resulting in the District receiving excess supplemental and concentration grants.

Cause

The differences in classification between Aeries and CALPADS is primarily due to errors in data reported to CALPADS by students’ former school districts or due to reclassifications since the initial entry into CALPADS.

Recommendation

We recommend the District to formalize procedures related to pupil classification, and designate an individual with the responsibility of implementing those procedures. Procedures should include a process to monitor the listing of pupils designated as “English learner” (EL) in CALPADS Report 1.18, by selecting a random sample of pupils and ensuring that underlying documentation supports the CALPADS classification.

Upon enrollment of a student transferring into OUSD from another school district, the District should request supporting documentation from the outgoing district. Pupils incorrectly classified by another school district should be detected and corrected during the CALPADS revision window.

Corrective Action Plan

Since audit year 2014-15 (to current year) the District has made considerable improvements to the intake process, including requiring the enrollment attendant to follow up with the outgoing school districts when a student transfers in. The timelines for CALPADS reporting are also closely monitored, to ensure that any discrepancies between the information in Aeries and in CALPADS are resolved prior to the deadline for submission. The District has one full time employee responsible for CALPADS submissions and a team of enrollment and attendance staff who follow up as needed to ensure accurate reporting. The District will review the English Learner (EL) pupil identification process, implement appropriate procedures and ensure adequate training is provided.

OAKLAND UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

2016-009

Educator Effectiveness

Code

4000

Criteria or Specific Requirements

As a condition of receiving Educator Effectiveness funds, a school district is required to develop and adopt a plan delineating how the Educator Effectiveness funds will be spent. The plan must be explained in a public meeting of the governing board of the school before its adoption in a subsequent public meeting.

Condition

The District did not develop and adopt a plan delineating how the Educator Effectiveness funds will be spent.

Questioned Costs

There is no questioned costs because the District reimbursed the Educator Effectiveness grant for all ineligible expenditures prior to the close of the fiscal year.

Context

The total Educator Effectiveness grant is about \$3.5 million, of which approximately \$150 thousand was originally expended in the 2015-16 fiscal year.

Effect

Expenditures of the educator effectiveness grant, prior to adoption of the plan, would be deemed disallowed and subject to reimbursement to the California Department of Education.

Cause

The District was unaware of the requirements regarding development and adoption of the plan.

Corrective Action Plan

Towards the end of Fiscal Year 2015-16 the District received \$3.5 million of new monies from the California Department of Education but did not submit a spending plan to Governing Board in a timely manner prior to charging expenditures to the new grant money. Prior to closing of Fiscal Year 2015-16, the District transferred all charged expenditures (deemed unauthorized under the terms of the grant) out of Educator Effectiveness grant, into the Unrestricted General Fund. Effective 2016-17 the District implemented an approved spending plan.

OAKLAND UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

Financial Statement Findings

2015-01 **Code 30000, 60000**

Financial Statement Presentation of Fiduciary Funds, ASB

Finding

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

Recommendation

The District should develop procedures to identify the student body accounts at each of the school sites. Additionally, the District should adopt the procedures contained in the FCMAT ASB manual regarding custody and oversight of the student body funds.

Current Status

Not resolved. See 2016-01

2015-02 **Code 30000, 60000**

Fund 76 Reconciliation

Finding

In response to a prior year finding rendered by the Fiscal Crisis & Management Assistance Team, (FCMAT), the District's payroll transactions flow through a separate payroll revolving account. This account is set up in the District's general ledger account structure as Fund 76. The purpose of the account is to monitor recurring payroll transactions to ensure that they are properly recorded in the District's financial records. The Fund must be reconciled on a regular basis to enable management to identify any excess or deficiency on a timely basis. It is our view that the reconciliation of the Fund on a monthly basis is a critical internal control procedure that needs to be followed. Furthermore, the monthly reconciliation must be performed by an individual who possesses the requisite skills.

At the conclusion of fieldwork, we were informed by District management that the monthly reconciliation process for the fiscal year ended June 30, 2015 was not being satisfactorily completed. As a result, we received a final reconciliation of the Fund prepared by the District's contract internal auditor on May 9, 2016.

Recommendation

We recommend the District take whatever steps are necessary to ensure that this critical accounting process is maintained on at least a monthly basis. The District needs to be sure that the individual tasked with this responsibility has the necessary skill set to accomplish the task. Further, we recommend the District institute a process whereby the reconciliation is reviewed monthly by the Controller or Chief Financial Officer.

Current Status

Not resolved. See 2016-02

OAKLAND UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

2015-03 **Code 30000, 60000**

Human Resources/Payroll Internal Control Findings

Finding

The District has established internal controls designed to ensure wages are allocated to correct funding sources. During our testing of this control process, the District was unable to locate the data supporting the determination that controls over cost allocation of these costs to specific resources. This condition was noted in four out of six tested transactions. We point out that in prior years our testing disclosed no such instances. Further, in substantive testing of payroll transactions in such areas as the parcel tax expenditures and in testing of costs allocated to federal programs, we were able to satisfy ourselves that such expenditures were properly allocated. The District has also established internal controls designed to ensure completeness and accuracy regarding the reporting of eligible employees and their beneficiaries to the benefit providers. In our testing of this control procedure, we identified an instance where a former District employee was still listed as active in reporting census data to medical benefit providers. The result being that the District inadvertently was billed for benefits expense for this former employee.

Recommendation

Management in charge of these areas needs to make sure that all critical internal control policies and procedures are effectively communicated to the employees charged with the responsibility of carrying out those procedures. Management further needs to monitor compliance and make sure that processes are being performed timely and consistently. There needs to be one established methodology to ensure that controls are being followed. Employees should never be allowed to deviate from established policies. Finally, there needs to be an established record retention policy that supports the fact that controls are being followed in accordance with District policies.

Current Status

Not resolved. See 2016-03

Federal Awards Findings

2015-04 **Code 50000**

Equipment Records Management

Finding

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.

OAKLAND UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

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.

Recommendation

The District should continue implementation of its equipment management system.

Current Status

Resolved.

2015-05 Code 50000

Procurement and Suspension and Debarment

Finding

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.

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.

Current Status

Not resolved. See 2016-04.

2015-06 Code 50000

Transformation Model Implementation

Finding

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.

OAKLAND UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

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).

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

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.

Current Status

Not applicable because the School Improvement Grant is substantially depleted.

2015-07 Code 50000

Employee Time and Effort Documentation

Finding

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 semiannually.

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.

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.

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.

Current Status

Resolved.

OAKLAND UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

2015-08 Code 50000

Highly Qualified Teachers and Paraprofessionals

Finding

By the end of the 2005-06 school year, an LEA had to ensure that all teachers of core academic subjects, whether or not they work in a program supported with Title I, Part A funds, are highly qualified. "Core academic subjects" means English, reading or language arts, mathematics, science, foreign languages, civics and government, economics, arts, history, and geography. Per the United States Department of Education, a Highly Qualified Teacher is one who: (1) holds a bachelor's or higher degree from a regionally accredited institution of higher learning, (2) is appropriately licensed by the state, and (3) has demonstrated subject matter competence in each core academic subject assigned to teach.

In order to ensure compliance, the California Department of Education requires California LEAs to complete the Highly Qualified Teacher Certificate of Compliance. The Certificate of Compliance must be completed by appropriately trained LEA personnel only. For the purposes of data reporting and accountability, and to assist with complying with the California Code of Regulations (CCR), Section 6120, LEAs are required to retain the original signed Certificate of Compliance within the teacher's personnel file and, pursuant to both the Elementary and Secondary Education Act (ESEA) and CCR, the LEA is required to provide a copy of the completed and signed Certificate of Compliance to the teacher.

Control - During our testwork, it was noted that Oakland Unified is not utilizing the Highly Qualified Teacher Certificate of Compliance form, as required by the California Department of Education. In order to insure compliance, the District is utilizing its own internally developed form. However, it was noted during the audit that the internally developed form is not used in all situations where it is applicable.

Recommendation

The District should adopt procedures, and assign responsibility to ensure those procedures are implemented as intended. District personnel should utilize the Highly Qualified Teacher Certificate of Compliance, as required by the California Department of Education. The certificates should be maintained in the personnel folder for the respective employee.

Current Status

Not resolved. See 2016-05.

OAKLAND UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

State Awards Findings

2015-09 **Code 40000**

After School Education and Safety

Finding

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]).

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 incomplete or unavailable.

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.

Current Status

Not resolved. See 2016-06.

OAKLAND UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

2015-10 **Code 10000, 40000**

Attendance Records Maintenance

Finding

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.

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

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 continue 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.

Current Status

Resolved.

2015-11 **Code 40000, 72000**

School Accountability Report Card

Finding

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.

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

The school facility condition reported in the SARC is inconsistent with the annual facilities inspection.

OAKLAND UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

Recommendation

The District should appoint a single person to obtain information from various departments involved in SARC compilation. Supporting documentation should be retained in a central location.

Current Status

Not resolved. See 2016-07.

2015-12 Code 40000

Unduplicated Local Control Funding Formula Pupil Counts

Finding

Supplemental and concentration grant amounts are calculated based on the percentage of “unduplicated pupils” enrolled in the District on census day (first Wednesday in October). The percentage equals:

Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. Divided by total enrollment in the LEA (EC sections 2574(b)(1) and 42238.02(b)(5)).

“Unduplicated count” means that each pupil is counted only once even if the pupil meets more than one of these criteria (EC sections 2574(b) (2) and 42238.02(b)(1)).

Data submitted by LEAs to CALPADS is used as the starting point for calculating the unduplicated student count. CALPADS Certification Report 1.17 – FRPM/English Learner/Foster Youth – Count, displays the counts of students by category and an unduplicated total.

In order to be counted in Report 1.17, a student must have an open primary or short-term enrollment in CALPADS over census day and meet one or more of the following criteria:

- Have a program record with an education program code of Homeless (191), Migrant (135), Free Meal Program (181), or Reduced-Price Meal Program (182), that is open over census day.
- Have an English Language Acquisition Status (ELAS) of “English learner” (EL) that is effective over census day.
- Be directly certified in July through November as being eligible for free meals based on a statewide match conducted by CALPADS.
- Be identified as a foster youth based on a statewide match conducted by CALPADS.

Be identified as a foster youth through a local data matching process and submitted to and validated by CALPADS.

Our audit procedures identified pupils incorrectly classified as “English learner” (EL) in CALPADS.

OAKLAND UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2016

Recommendation

The District should appoint an individual to review the listing of pupils designated as “English learner” (EL) in CALPADS Report 1.18, by selecting a random sample of pupils and ensuring that underlying documentation supports the CALPADS classification.

Additionally, upon enrollment of a student transferring into OUSD from another school district, the District should request supporting documentation from the outgoing district. Pupils incorrectly classified by another school district should be detected and corrected during the CALPADS revision window.

Current Status

Not resolved. See 2016-08.

2015-13 Code 10000, 40000

Short Term Independent Study

Finding

Schools that claim apportionment for students participating in independent study, must keep a separate listing of the pupils who have engaged in independent study, identifying units of the curriculum undertaken and units of the curriculum completed by each of those pupils in kindergarten and grades one to eight, inclusive, and identifying course credits attempted by and awarded to each of those pupils in grades nine to twelve, inclusive, as specified in their written agreements. 5 CCR 11703(b)(2).

In our attendance testing at one of the District’s elementary schools that claims apportionment for students participating in short-term independent study, the site was unable to produce a contract or written agreement for a student that participated in short-term in independent study.

Recommendation

District office personnel should annually remind sites of the importance of document retention.

Current Status

Resolved.