



OAKLAND UNIFIED SCHOOL DISTRICT

**INDEPENDENT ACCOUNTANT'S REPORT
MEASURE G PARCEL TAX
FOR THE YEAR ENDED JUNE 30, 2016**



Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT ACCOUNTANT'S REPORT

Board of Trustees
Oakland Unified School District
Oakland, California

We have examined management's assertion of the Oakland Unified School District (the District) that the use of the Measure G Parcel Tax proceeds for the year ended June 30, 2016, was within the scope of the ballot language authorized by the District's Board of Trustees in specifying the intended use of the proceeds. Oakland Unified School District's management is responsible for compliance with the scope of ballot language specifying the intended use of the proceeds. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, management's assertion that the District complied with the aforementioned compliance requirements for the year ending June 30, 2016, is fairly stated, in all material respects.

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

Vavrinek Trine Day + Co. LLP

Palo Alto, California
February 23, 2017

Financial Summary

- The Measure G Parcel Tax (Measure G) was authorized by an election of the registered voters of the Oakland Unified School District in February 2008. Measure G provides for a special tax of \$195 per taxable parcel in the city of Oakland. Measure G was approved to:
 - Attract and retain highly qualified teachers by offering competitive salaries and benefits.
 - Prepare students for college by ensuring that high school courses meet UC requirements.
 - Maintain up-to-date textbooks and instructional materials.
 - Maintain small class sizes in Kindergarten through K-3.
 - Maintain after school tutoring programs that help students with their homework and keep them out of trouble.
 - Maintain school library music and arts programs.
- Total Measure G parcel tax proceeds were \$20,458,246 for the year ended June 30, 2016. Actual program expenditures for the same period, before any auditor adjustments, totaled \$20,465,537. The expenditures are segregated into 10 separate sub programs and are listed out the revenue and expenditure summary shown as Exhibit I to this report.

Management's Assertions:

- 1) The Measure G Parcel Tax proceeds of the Measure were accounted separately in the accounting records of the District.
- 2) Expenditures charged against such proceeds were made in accordance with intended uses spelled out in Measure G and approved by the voters.

Procedures Performed:

1. Obtain the project expenditure detail reports prepared by the District and agree amounts to the general ledger.
2. Select specific programs for detailed expenditure testing. See Exhibit II for a listing of programs selected for testing.
3. Review the nature of the program expenditures to ensure they were within the scope of the ballot language.
4. From the specific programs selected for testing, select a sample of payroll and non-payroll related expenditures as appropriate and obtain and review the necessary supporting documentation to satisfy ourselves as to the validity of the expenditure.
5. Review the District's method of allocation of parcel tax proceeds to each school site for reasonableness and conformity with the language of the Measure G ballot measure.

6. Test payroll benefits charged to the programs for reasonableness for those programs that incur large amounts of salary cost.
7. Determine, from the expenditure testing performed, if there were any a) control deficiencies, b) significant deficiencies or c) material weaknesses in internal control noted. To the extent there are deficiencies noted, prepare a separate report to the District listing the weakness noted and the recommended corrective action.
8. Examine sufficient supporting documentation to validate the amount of Measure G Parcel Tax revenues received.

Results of Testing

1. We obtained the program expenditure summary details and agreed the amounts to the general ledger without exception.
2. Exhibit II shows which programs were tested for the year under audit. The level of coverage for the programs tested approximates 91%.
3. We mapped each of the 10 programs to the ballot language and noted that each individual program objective was within the scope of the ballot language. It should be noted that the parcel tax ballot language does not specify any particular percentage of dollars to be spent in any of the noted objectives. The largest category, Basic School Support, is essentially an allocation of parcel tax dollars to the individual school sites and the sites use that allocation to cover the cost of specific classroom teachers and their related employee benefits. While this is not a specific item mentioned in the ballot language, our conclusion is this program addresses the initiative to attract and retain qualified teachers by offering competitive salaries and benefits because the use of parcel tax monies in this manner saves other unrestricted resources. This, in turn, allows the District to offer a more competitive salary and benefits package. The same can be said for the other programs that directly deal with classroom services such as CSR and Covered Elementary Intervention (CEI). The point is if the District did not have the parcel tax resources to cover these otherwise unrestricted expenses, they would either have to use reserves to cover the cost, or they would have to make cuts in services. Saving or preserving reserves directly impacts the District's ability to offer competitive salaries and benefits.

4. For the CSR, CEI and Basic School Support programs, the expenditures tested were segregated into two broad categories: direct payroll, and employee benefits. For the year under audit, we randomly selected and tested 40 individual payroll entries spanning the three programs. For the employee benefits testing, we selected five sites for each program and reviewed the employee benefit expenses charged for reasonableness in comparison to the amount of employee salaries charged. We noted no errors in the individual payroll entries selected for testing. In addition, for the employee benefits testing, we noted no issues which would indicate an error in the amount of employee benefit costs charged. For the one non-payroll related program tested, the County Collection Fee, we tested District supplied documentation and noted a finding that is discussed in detail in the findings section of this report.
5. The District, for a number of the parcel tax programs, most notably CSR, CEI, Basic School Support and Middle School Electives, allocates parcel tax proceeds to the school sites and then the school sites utilize the funds allotted for the particular program. So, for example, CSR and CEI funds are only allocated to elementary schools, while Basic School Support is allocated to all schools. The allocation method is straightforward and based on the affected student enrollment for each program. We selected twenty schools, 10 elementary, 5 middle and 5 high schools, and tested their program allocations for the year for the CSR, CEI and Basic School Support. We noted no inconsistencies in the allocation process and conclude the allocation process is reasonable.
6. We did not note any instances of control deficiencies, significant deficiencies or material weaknesses in internal control. Please note that our primary objective was certifying to management's assertion that the expenditures satisfied the stated objectives of the Measure G parcel tax ballot language. We were not retained to audit the District's system of internal control, and we express no opinion or any other form of assurance on it.
7. We received the general ledger detail of the postings of Parcel Tax revenues for each year and we tested the significant revenue entries without exception.

Finding:

County Collection Fee – We note the amount of the collection fee paid to Alameda County for Measure G was \$279,991. Per review of actual invoices received from the County, the actual charges to Measure G were \$346,934. For Measure N we noted the same fee charged as Measure G (the \$279,991). In actuality, the Measure N fee from the County was \$213,048. The collection fees charged for Measures N and G were \$559,982. The District initially posted these charges to the two Measures on a 50-50 basis. We pointed this matter out to the District and they have made the correction to transfer the correct amount of fee to each of the two Measures. Our expenditure summary reflects the corrected amounts. The amount of the transfer is \$66,943.

**Oakland Unified School District
Measure G Parcel Tax Fund
Revenue and Expenditure Summary
Year ended June 30, 2016**

EXHIBIT I

Beginning Balance	\$	10,829
Revenues		20,458,246

Expenditures:

	Program Number	
CSR	1112	4,781,526
Art	1118	510,156
Music	1135	50,780
Covered Elementary Intervention	1159	2,121,863
Basic School Support	1191	11,411,273
School Libraries	1552	120,962
Oratorical Fest/Performances	1564	73,453
Oakland Fine Arts Summer School	1596	75,983
County Collection Fee	9000	346,934
HR Recruitment	9060	1,039,550
		<u>20,532,480</u>

Surplus(Deficit)		<u>(74,234)</u>
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Ending Balance	\$	<u><u>(63,405)</u></u>
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**Oakland Unified School District
Measure G Parcel Tax Fund
Programs Selected For Testing
Year Ended June 30, 2016**

EXHIBIT II

	<u>Program Number</u>	
CSR	1112	\$ 4,781,526
Covered Elementary Intervention	1159	2,121,863
Basic School Support	1191	11,411,273
County Collection Fee	9000	<u>346,934</u>
		<u>\$ 18,661,596</u>