



December 31, 2019

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

We have audited the financial statements of Oakland Unified School District as of and for the year ended June 30, 2019 and have issued our report thereon dated December 31, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our letter dated February 25, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Oakland Unified School District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 31, 2019.

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Oakland Unified School District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are management's estimate of the net pension liability (NPL) and self-insured workers' compensation claims liabilities.

Management's estimates of the of the NPL and claims liability are based on actuarial valuations prepared in accordance with the methods prescribed in the relevant authoritative accounting literature. We evaluated the key factors and assumptions used to develop the NPL and claims liability and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Oakland Unified School District's financial statements relate to the debt to maturity schedules and the self-insured claims liability. The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

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

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Building Fund</u>	<u>Aggregate Remaining Funds</u>
GASB 31 fair market value adjustment	\$ 265,952	\$ 2,636	\$ 329,689	\$ 138,946	\$ 106,225

The misstatements described on page 77 of the financial report were identified as a result of our audit procedures were brought to the attention of, and corrected by, management.

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated December 31, 2019.

Management’s Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Oakland Unified School District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Oakland Unified School District's auditors.

Material weaknesses of internal control over financial are described in the schedule of findings and responses to the 2019 financial statements.

Noncompliance with Laws and Regulations

We identified matters involving noncompliance with laws and regulations that came to our attention during the course of the audit. Such instances of noncompliance are described in the schedule of findings and responses to the 2019 financial statements.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing Oakland Unified School District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have applied certain limited procedures to management's discussion and analysis, budgetary comparison schedules, the schedule of proportionate share of the net pension liability, and the schedule of pension contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".



December 31, 2019

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

In planning and performing our audit of the financial statements of Oakland Unified School District as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Oakland Unified School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of Oakland Unified School District's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We consider the deficiencies described in the accompanying schedule of findings and responses as items 2019-001, 2019-003, 2019-006, and 2019-007 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the schedule of findings and responses as items 2019-002, 2019-004, and 2019-005 to be significant deficiencies.

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

Eide Bailly LLP



Annual Financial Report
June 30, 2019

Oakland Unified School District

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OAKLAND UNIFIED SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Oakland Unified School District
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oakland Unified School District (District) as of and for the year ended June 30, 2019, 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 *2018-2019 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 entities 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 qualified audit opinions.

Basis for Qualified Opinion on the Aggregate Remaining Fund Information

The accompanying financial statements do not include the associated student body (ASB) fiduciary fund, as of and for the year ended June 30, 2019. Presentation of such information is required to comply with accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinion on the Aggregate Remaining Fund Information” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the District, as of June 30, 2019, 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the Oakland Unified School District, as of June 30, 2019, and the respective changes in financial position 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, budgetary comparison information, schedule of the proportionate share of the net pension liability, and schedule of pension contributions on pages 5-13 and 65-70, 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 District’s basic financial statements. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information, as listed in the table of contents on pages 73-87 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information, 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, including the Schedule of Expenditures of Federal Awards, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Palo Alto, California
December 31, 2019

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

This section of the Oakland Unified School District's (District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. 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 such as pensions and general obligation bonds). Additionally, certain eliminations have been made as prescribed by the statement in regards to inter-fund activity, payables, and receivables.

The fund financial statements include statements for 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, which are focused on short-term financial resources. This measurement focus only includes assets that are available to pay current liabilities. Likewise, liabilities are only included to the extent that they require the use of current financial resources. Capital assets and general obligation bonds, including the long-term portion of the emergency apportionment loan, are not included in this measurement focus. The general fund is included within this category.

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.

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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

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

In the statement of net position and the statement of activities, we report the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development centers, and the ongoing effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Proprietary Funds - When the District charge fees for the services it provides, whether to outside customers or to other departments within the District, these fees are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *statement of net position* and the *statement of revenues, expenses, and changes in fund net position*. We use an internal service fund (a component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, the only such fund is the District's Self-Insurance Fund. The internal service fund is reported with governmental activities in the government-wide financial statements.

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

FINANCIAL HIGHLIGHTS

- At June 30, 2019, assets and deferred outflow of resources totaled \$1,511 million. Liabilities and deferred inflow of resources were \$1,659 million. This results to net position of negative \$148.45 million for the District.
- At June 30, 2019, the *general fund available reserves* were \$24.1 million, or 4.14% of total general fund expenditures. This is an improvement over the June 30, 2018 reserves of 2.02%, and the June 30, 2017 reserves of 0.56%.
- For the year ending June 30, 2019, *total general fund expenditures* were \$581.4 million, which is an increase of \$46.5 million or 8.7% from the year ending June 30, 2018. Of this total increase, about \$25 million are State contributions to pension plans on behalf of the District. Total general fund expenditures increased by \$18.5 million, after backing out the increase in on-behalf expenditures.
- For the year ending June 30, 2019, *total general fund revenues* were \$606.1 million, which is an increase of \$48.4 million or 8.70% from the year ending June 30, 2018. Of this total increase, about \$25 million are State contributions to pension plans on behalf of the District. Total general fund revenues increased by \$23.4 million, after backing out the increase in on-behalf revenues.
 - Of this total increase, principal apportionment revenues (State of California Local Control Funding Formula and local property tax) increased \$16.3 million or 4.50% benefiting the unrestricted general fund.
 - Revenue from local sources increased \$8.2 million or 9.9% benefiting the restricted portion of the general fund.
- The *restricted balance of the general fund* was \$40.7 million on June 30, 2019, an increase of \$2.1 million or 5.36% from June 30, 2018.
- Unrestricted general fund revenues were \$398.6 million for the year ended June 30, 2019, a decrease of \$11.4 million or 3.0% over revenues of \$409.9 million over the same period last year.
- Unrestricted general fund expenditures were \$380.6 million for the year ended June 30, 2019, a decrease of \$21.50 million or 5.35% over expenditures of \$402.1 million the same period last year.
- On full accrual method, the District's ending *net position* at June 30, 2019 is negative \$148.5 million, which is an improvement of \$58.03 million or 28.1% over fiscal year 2018. This amount includes long term assets such as capital assets, and long-term liabilities such as the state loan, general obligation bonds, self-insured claims, and pension. The unrestricted deficit net position declined from a deficit of \$447.8 million to a deficit of \$408.31 million, an improvement of \$39.5 million or 8.8%. The changes are due to increase in the CalSTRS and CalPERS net pension liability, offset by payments of general obligation bonds, the state emergency apportionment loan, and improvements to the general fund ending balance.

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

THE DISTRICT AS A WHOLE

Net Position

The computation of the District's net position at June 30, 2019 and 2018 is presented in the table below:

Table 1

(Amounts in millions)	Governmental Activities	
	2019	2018
Assets		
Current and other assets	\$ 272.99	\$ 367.19
Net capital assets	1,035.07	954.11
Total Assets	<u>1,308.06</u>	<u>1,321.30</u>
Deferred outflows of resources		
Deferred charge on refunding	30.96	33.03
Deferred outflows from pensions	171.98	175.77
Total Outflows	<u>202.94</u>	<u>208.80</u>
Liabilities		
Current liabilities	103.36	129.01
Long-term obligations	1,509.35	1,589.30
Total Liabilities	<u>1,612.71</u>	<u>1,718.31</u>
Deferred inflows from pensions	<u>46.74</u>	<u>18.27</u>
Net Position		
Net investment in capital assets	119.01	96.17
Restricted	140.85	145.15
Unrestricted	(408.31)	(447.80)
Total Net Position	<u>\$ (148.45)</u>	<u>\$ (206.48)</u>

The total assets and deferred outflow of resources decreased by \$19.1 million in 2019. The total liabilities and deferred inflow of resources decreased by \$77.1 million.

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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	
	2019	2018
Revenues		
Program revenues:		
Charges for services	\$ 0.38	\$ 0.35
Operating grants and contributions	186.16	149.99
General revenues:		
Federal and State aid not restricted	247.65	239.60
Taxes	274.90	255.95
Other general revenues	30.27	37.51
Total Revenues	<u>739.36</u>	<u>683.40</u>
Expenses		
Instruction	337.78	360.95
Instruction-related	111.25	115.89
Student support services	69.55	50.02
Administration	36.75	31.89
Maintenance and operations	80.59	78.31
Interest on long-term obligations	40.02	34.95
Other	5.40	3.28
Total Expenses	<u>681.33</u>	<u>675.29</u>
Change in Net Position	<u>\$ 58.03</u>	<u>\$ 8.11</u>

For Fiscal Year 2018-19, the District's total revenue is \$739.36 million, an increase of \$55.96 million or 7.6%. The District's total expenditures were \$681.33 million, an increase of \$6.04 million or 0.89%.

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

District's expenditures of \$449.03 million or 66% was for instructional and instructional support, \$155.54 million or 22.8% was expended for student support services and plant maintenance or operation, \$40.02 million or 5.9% is paid to interest of long-term obligations, and \$36.75 million or 5.4% is administration costs.

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Governmental Activities

As reported in the statement of activities on page 15, the cost of all our governmental activities this year was \$681.3 million. The amount that our taxpayers ultimately financed for these activities through local taxes was \$494.8 million because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions in the amount of \$186.16 million. We paid for the remaining "public benefit" portion of our governmental activities with \$247.65 million in federal and state funds, and \$274.9 million with local property taxes.

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

Table 3

(Amounts in millions)

		Net Cost of Services	
		2019	2018
Instruction		\$ 244.67	\$ 287.70
School administration		85.48	93.46
Pupil services		40.29	27.09
Administration		32.04	26.39
Maintenance and operations		66.18	64.92
Interest on long term debt		36.72	34.95
Other		(10.59)	(9.56)
Total		<u>\$ 494.79</u>	<u>\$ 524.95</u>

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$228.0 million, which is a decrease of \$69.5 million from last year (Table 4).

Table 4

(Amounts in millions)

	July 1, 2018	Revenues	Expenditures	June 30, 2019
General	\$ 49.98	\$ 606.10	\$ 581.35	\$ 74.73
Cafeteria	0.18	17.73	17.75	0.16
Building	122.43	1.78	93.93	30.28
Bond interest and redemption	80.79	79.47	73.65	86.61
Adult education	1.99	2.92	2.81	2.10
Child development	0.07	15.76	14.03	1.68
Deferred maintenance	-	4.72	-	4.72
Capital facilities	32.14	7.31	21.39	18.06
County school facilities	9.10	0.15	0.32	8.93
Special reserve, capital	0.82	0.02	0.15	0.69
Total	<u>\$ 297.50</u>	<u>\$ 735.96</u>	<u>\$ 805.38</u>	<u>\$ 227.96</u>

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget to reflect the most updated information and changes in revenues and expenditures for the fiscal year. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 65.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had \$1,035 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase of \$81.0 million or 8.5%, from last year (Table 5).

Table 5

(Amounts in millions)

	Governmental Activities	
	2019	2018
Land and construction in progress	\$ 283.93	\$ 180.40
Buildings and improvements	746.07	768.90
Equipment	5.07	4.80
Total	<u>\$ 1,035.07</u>	<u>\$ 954.10</u>

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Long-Term Obligations

At the end of this year, the District had \$1,561.93 million in long-term obligations outstanding versus \$1,637.98 million last year, a decrease of \$76.05 million or 4.6%. Much of the decrease is attributable to changes in the net pension liability for CalSTRS and CalPERS offset by debt service payments of general obligation bonds. Total long-term debt, including unamortized bond premiums, consisted of the following:

Table 6

(Amounts in millions)	Governmental Activities	
	2019	2018
Claims liability (District obligation)	\$ 42.13	\$ 46.92
Emergency apportionment loan (District obligation)	28.57	33.95
General obligation bonds (financed with property taxes)	977.29	1,013.18
Aggregate net pension liability (District obligation)	498.30	527.54
Other (District obligation)	15.64	16.40
Total	<u>\$ 1,561.93</u>	<u>\$ 1,637.98</u>

We present more detailed information regarding our long-term obligations in Note 7 of the financial statements.

General Fund Budgetary Highlights

The District adopted its Fiscal Year 2018-19 budget on June 2018. Subsequent budget updates were reported in the first and second interim to reflect changes in revenue, expenses and their impact to fund balance.

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

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

For the year ended June 30, 2019, the District reserve was 4.14% of the total general fund expenditures. While the District is aiming to attain a reserve higher than the state minimum required reserve, the impact of declining enrollment and increase costs of compensation, pension, health, and welfare costs outpaced the increase in revenue. In addition, the District has a slight decline of enrollment as they compete with the neighboring charters on enrollment.

On August 8, 2018, the District adopted Resolution 1819-0041 to implement a \$30 million budget reduction for 2019-20 to improve its financial position and commitment to fiscal solvency.

OAKLAND UNIFIED SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

The signing of the Assembly Bill No. 1840 on September 17, 2018, amended the fiscal oversight of districts with emergency State loans. The legislation shifted the primary oversight duties from the State Superintendent of Public Instruction to the local County Office of Education.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Chief Business Officer
Oakland Unified School District
1000 Broadway, Suite 450
Oakland, CA 94607

Or visit our website at: www.ousd.org.

OAKLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2019

	Governmental Activities
ASSETS	
Deposits and investments	\$ 234,733,662
Receivables	37,803,411
Prepaid items	453,782
Capital assets	
Land and construction in progress	283,933,855
Other capital assets, net of depreciation	751,134,096
Total capital assets	<u>1,035,067,951</u>
Total assets	<u>1,308,058,806</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	30,958,318
Pension related amounts	<u>171,982,583</u>
Total deferred outflows of resources	<u>202,940,901</u>
LIABILITIES	
Accounts payable and accrued expenses	30,598,980
Interest payable	17,668,812
Unearned revenue	2,511,747
Long-term liabilities	
Due within one year	52,582,373
Due in more than one year	1,011,050,965
Aggregate net pension liability	<u>498,300,082</u>
Total liabilities	<u>1,612,712,959</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related amounts	<u>46,738,199</u>
NET POSITION	
Net investment in capital assets	119,008,834
Restricted for	
Debt service	68,950,624
Capital projects	27,509,260
Educational programs	44,394,130
Unrestricted (deficit)	<u>(408,314,299)</u>
Total Net Position	<u>\$ (148,451,451)</u>

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

OAKLAND UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 337,784,305	\$ 200,419	\$ 92,912,399	\$ (244,671,487)
Instruction-related activities				
Supervision	59,405,330	43,579	18,157,941	(41,203,810)
Instructional library, media, and technology	1,478,639	166	240,515	(1,237,958)
School site	50,361,449	70,135	7,254,632	(43,036,682)
Pupil services				
Home-to-school	14,864,345	-	-	(14,864,345)
Food services	18,937,649	87	18,355,972	(581,590)
All other pupil services	35,751,352	651	10,901,795	(24,848,906)
Administration				
Data processing	10,024,358	4	11,864	(10,012,490)
All other administration	26,724,045	12,291	4,687,404	(22,024,350)
Plant services	75,177,787	6,226	2,267,516	(72,904,045)
Ancillary services	12,798,077	199	12,138,180	(659,698)
Community services	701,683	-	-	(701,683)
Interest expense	40,015,110	-	3,295,107	(36,720,003)
Other outgo	5,392,295	42,436	15,937,405	10,587,546
Total	<u>\$ 681,331,972</u>	<u>\$ 376,193</u>	<u>\$ 186,160,730</u>	<u>(494,795,049)</u>
General revenues and subventions:				
Property taxes, levied for general purposes				146,305,604
Property taxes, levied for debt service				75,041,100
Taxes levied for other specific purposes				53,551,138
State aid not restricted to specific purposes				247,648,311
Interest and investment earnings				1,865,142
Interagency revenues				1,409,883
Miscellaneous				27,006,674
Subtotal, General Revenues				<u>552,827,852</u>
Change in Net Position				<u>58,032,803</u>
Net Position - Beginning				<u>(206,484,254)</u>
Net Position - Ending				<u>\$ (148,451,451)</u>

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

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OAKLAND UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2019

	General Fund	Cafeteria Fund	Building Fund
ASSETS			
Deposits and investments	\$ 69,692,885	\$ 810,978	\$ 36,330,677
Receivables	25,823,780	3,809,970	252,769
Due from other funds	9,065,398	-	-
Prepaid expenditures	139,029	-	314,753
Total Assets	<u>\$ 104,721,092</u>	<u>\$ 4,620,948</u>	<u>\$ 36,898,199</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Payables	\$ 21,923,254	\$ 537,601	\$ 5,539,253
Due to other funds	5,602,107	3,874,440	1,083,191
Unearned revenue	2,464,641	47,106	-
Total Liabilities	<u>29,990,002</u>	<u>4,459,147</u>	<u>6,622,444</u>
Fund Balances			
Nonspendable	289,029	-	314,752
Restricted	40,683,996	148,735	29,961,003
Committed	-	13,066	-
Assigned	9,688,159	-	-
Unassigned	24,069,906	-	-
Total Fund Balances	<u>74,731,090</u>	<u>161,801</u>	<u>30,275,755</u>
Total Liabilities and Fund Balances	<u>\$ 104,721,092</u>	<u>\$ 4,620,948</u>	<u>\$ 36,898,199</u>

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

Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 86,204,697	\$ 27,970,770	\$ 221,010,007
414,739	4,946,121	35,247,379
-	5,602,107	14,667,505
-	-	453,782
<u>\$ 86,619,436</u>	<u>\$ 38,518,998</u>	<u>\$ 271,378,673</u>

\$ -	\$ 2,258,632	\$ 30,258,740
-	61,983	10,621,721
-	-	2,511,747
<u>-</u>	<u>2,320,615</u>	<u>43,392,208</u>

-	-	603,781
86,619,436	31,070,659	188,483,829
-	5,127,724	5,140,790
-	-	9,688,159
-	-	24,069,906
<u>86,619,436</u>	<u>36,198,383</u>	<u>227,986,465</u>
<u>\$ 86,619,436</u>	<u>\$ 38,518,998</u>	<u>\$ 271,378,673</u>

OAKLAND UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2019

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	\$ 227,986,465
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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	\$ 1,465,034,715	
Accumulated depreciation is	(429,966,764)	
Net capital assets		1,035,067,951

The deferred charge on refunding is the difference between reacquisition price and the net carrying amount of the old debt. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations as a component of interest expense until the maturity of the refunding bonds.

30,958,318

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.

(17,668,812)

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.

(31,925,469)

Long-term obligations 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 and premiums	977,293,190	
Emergency apportionment loan	28,568,894	
Compensated absences	14,054,436	
Unclaimed property	1,588,260	
Net pension liability and related deferrals	371,365,124	
Total long-term obligations		(1,392,869,904)

Net Position - Governmental Activities

\$ (148,451,451)

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

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OAKLAND UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Cafeteria Fund	Building Fund
REVENUES			
Local control funding formula	\$ 378,498,739	\$ -	\$ -
Federal sources	45,307,610	15,885,900	-
Other state sources	91,451,136	1,221,514	153,298
Local sources	90,844,009	627,215	1,627,514
Total revenues	606,101,494	17,734,629	1,780,812
EXPENDITURES			
Current			
Instruction	307,977,695	-	13,594
Instruction-related activities			
Supervision of instruction	54,025,514	-	-
Instructional library, media and technology	1,392,519	-	-
School site administration	44,302,685	286,827	127,199
Pupil services			
Home-to-school transportation	13,998,597	-	-
Food services	-	17,834,659	-
All other pupil services	33,669,077	-	-
Administration			
Data processing	9,440,507	-	-
All other administration	23,783,073	631,932	-
Plant services	56,297,909	-	5,176,637
Ancillary services	12,052,675	-	-
Community services	660,814	-	-
Other outgo	5,392,295	-	-
Capital outlay	6,874,718	-	88,614,530
Debt service			
Principal	5,381,794	-	-
Interest and other	562,865	-	-
Total expenditures	575,812,737	18,753,418	93,931,960
Net change in fund balance	30,288,757	(1,018,789)	(92,151,148)
Other Financing Sources (Uses)			
Transfers in	185,645	1,004,084	-
Transfers out	(5,726,382)	-	-
Net Financing Sources (Uses)	(5,540,737)	1,004,084	-
Net change in fund balances	24,748,020	(14,705)	(92,151,148)
Fund Balance - Beginning	49,983,070	176,506	122,426,903
Fund Balance - Ending	\$ 74,731,090	\$ 161,801	\$ 30,275,755

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

Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 378,498,739
3,295,107	843,304	65,331,921
447,072	17,145,693	110,418,713
75,728,874	8,172,446	177,000,058
79,471,053	26,161,443	731,249,431
-	11,102,493	319,093,782
-	1,919,857	55,945,371
-	-	1,392,519
-	2,961,745	47,678,456
-	-	13,998,597
-	-	17,834,659
-	-	33,669,077
-	-	9,440,507
-	780,318	25,195,323
-	286,541	61,761,087
-	-	12,052,675
-	-	660,814
-	-	5,392,295
-	21,643,723	117,132,971
26,955,000	-	32,336,794
46,693,817	-	47,256,682
73,648,817	38,694,677	800,841,609
5,822,236	(12,533,234)	(69,592,178)
-	4,722,298	5,912,027
-	(57,224)	(5,783,606)
-	4,665,074	128,421
5,822,236	(7,868,160)	(69,463,757)
80,797,200	44,066,543	297,450,222
\$ 86,619,436	\$ 36,198,383	\$ 227,986,465

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, 2019

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 \$ (69,463,757)

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	\$ 107,397,584	
Depreciation expense	<u>(26,435,762)</u>	
		80,961,822

In the governmental funds, additional unclaimed property is recorded as a revenue; however, in the government-wide financial statement, this activity is recognized as the long-term liability and not as a revenue.

(541,654)

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	5,381,794	
Principal payments of general obligation bonded debt	<u>26,955,000</u>	
		32,336,794

Deferred charges related to general obligation refunding bonds are an expense on the statement of activities, but have no effect on the governmental funds.

(2,076,548)

Amortization of bond premiums does not impact the governmental funds.

8,927,891

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.

390,229

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, 2019

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.

(2,905,480)

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.

9,106,763

Change in Net Position of Governmental Activities

\$ 58,032,803

OAKLAND UNIFIED SCHOOL DISTRICT

**PROPRIETARY FUND - SELF INSURANCE
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental Activities - Internal Service Fund
ASSETS	
Current assets	
Deposits and investments	\$ 13,723,655
Receivables	2,556,032
Total current assets	<u>16,279,687</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pension activities	646,238
LIABILITIES	
Current liabilities	
Accounts payable	340,240
Due to general fund	4,045,784
Claim liabilities	8,042,000
Total current liabilities	<u>12,428,024</u>
Noncurrent liabilities	
Claim liabilities	34,086,558
Net pension liability	2,136,425
Total noncurrent liabilities	<u>36,222,983</u>
Total liabilities	<u>48,651,007</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from pension activities	<u>200,387</u>
NET POSITION	
Unrestricted deficit	(31,925,469)
Total Net Position	<u><u>\$ (31,925,469)</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, 2019**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
In-district premiums	\$ 17,823,516
Other	345,176
Total Operating Revenues	<u>18,168,692</u>
OPERATING EXPENSES	
Payroll costs	1,932,034
Claims expense	7,129,378
Total Operating Expenses	<u>9,061,412</u>
Operating Loss	<u>9,107,280</u>
NONOPERATING REVENUES	
Interest income	127,904
Transfers out	(128,421)
Total Nonoperating Expense	<u>(517)</u>
Change in Net Position	9,106,763
Net Position - Beginning	<u>(41,032,232)</u>
Net Position - Ending	<u><u>\$ (31,925,469)</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, 2019**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from premiums	\$ 17,823,516
Other operating cash receipts	(1,384,125)
Cash payments for insurance claims	(12,761,218)
Cash payments to employees for services	(1,822,241)
Net cash provided by operating activities	<u>1,855,932</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interest on investments	127,904
Cash payments from interfund transfers	<u>4,363,862</u>
Net cash provided by investing activities	<u>4,491,766</u>
Net increase in cash and cash equivalents	6,347,698
Cash and Cash Equivalents - Beginning	<u>7,375,957</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 13,723,655</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Loss from operations	\$ 9,107,280
Changes in assets and liabilities:	
Change in accounts receivables	(1,729,301)
Change in accounts payables	(842,606)
Change in claims liability	(4,789,234)
Change in pension liability and related deferred inflows and outflows	<u>109,793</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,855,932</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, 2019**

	Payroll Revolving Agency Fund
ASSETS	
Deposits and investments	\$ 8,570,856
Total Assets	<u>\$ 8,570,856</u>
LIABILITIES	
Accrued payroll and related benefits	\$ 8,570,856
Total Liabilities	<u>\$ 8,570,856</u>

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

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 State and Federal agencies. During the 2018-19 school year, the District operated 48 K-5 elementary schools, 5 K-8 elementary schools, 1 grade 4-5 elementary school, 14 middle schools, 3 grades 6-12 schools, 8 grades 9-12 high schools, 11 alternative schools, and 28 early childhood education centers.

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

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into 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, 2019

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

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Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service.

Internal Service Fund Internal service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates workers' compensation and general liability programs that are accounted for in an internal service fund.

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.

OAKLAND UNIFIED SCHOOL DISTRICT

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Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

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

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

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.

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.

OAKLAND UNIFIED SCHOOL DISTRICT

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term 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, 2019, 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.

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.

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When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets recorded at estimated acquisition value at the date of donation.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; building improvements, 20 years; equipment, 5 to 20 years.

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

Debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. All debt, accrued liabilities, and other long-term obligations are reported in the government-wide financial statements. However, claims and judgments, compensated absences, and 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. Bonded debt, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the statement of net position. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

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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.

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

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

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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Self-Insurance Obligation

The self-insurance fund is used to account for the District's self-insurance obligation related to workers' compensation, general liability, and dental claims. Funding of the self-insurance obligation is based on estimates of the amounts needed to pay prior and current year claims. The District is self-insured for workers' compensation up to \$500,000 per occurrence. The District is self-insured for general liability up to \$250,000 per occurrence. The general fund is charged premiums by the self-insurance fund, which is accounted for as an internal service fund. The District participates in joint power agreements which provide excess liability and excess workers' compensation coverage to the District. The District also participates in a joint powers agreement for its property insurance coverage. In the government-wide financial statements, the internal service fund activity is eliminated to avoid doubling of revenues and expenditures.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are in-district insurance premiums. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Interfund Activity

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the statement of activities, except for the net residual amounts transferred between governmental and business-type activities.

Investment Valuations

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

Estimates

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

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

Property Tax

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

New Accounting Pronouncements Effective This Fiscal Year

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The District has implemented the provisions of this Statement as of June 30, 2019. Adoption of this pronouncement did not materially affect the financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The District has implemented the provisions of this Statement as of June 30, 2019. Adoption of this pronouncement did not materially affect the financial statements.

New Accounting Pronouncements Effective in Future Fiscal Years

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged. It is anticipated that the payroll revolving fund will not meet the definition of a fiduciary fund upon implementation of this statement.

OAKLAND UNIFIED SCHOOL DISTRICT

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JUNE 30, 2019

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The District has not determined the effect of the statement.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The District has not determined the effect of the statement.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The District has not determined the effect of the statement.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged. The District has not determined the effect of the statement.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 221,010,007
Internal service fund	13,723,655
Fiduciary fund	8,570,856
Total deposits and investments	<u>\$ 243,304,518</u>

Deposits and investments as of June 30, 2019, consist of the following:

Cash on hand and in banks	\$ 1,327,472
Cash in revolving	150,000
Investments with the Alameda County Treasurer	241,827,046
Total deposits and investments	<u>\$ 243,304,518</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, 2019

General Authorizations

Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedule below:

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

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a policy regarding interest rate risk beyond the limitations imposed by California Government Code. The District manages its exposure to interest rate risk by investing in the Alameda County Treasury Investment Pool. The sensitivity of the fair values of the District's investment to market interest rate fluctuation is measured as the weighted average maturity of the investment portfolio, which was 420 days on June 30, 2019.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District does not have a policy regarding credit risk beyond the limitations imposed by California Government Code. The District's investments in the Alameda County Treasury Investment Pool are not rated as of June 30, 2019.

Concentration Credit Risk

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

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits other than the following provision: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2019, the District's bank balance of \$1.08 million was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Fair Value Measurements

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

Level 1 - Quoted prices in active markets for identical assets that the District can access at the measurement date.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data.

As of June 30, 2019, all investments are held with the Alameda County Treasury Investment Pool and are valued at NAV and are not required to be leveled in the fair value hierarchy.

NOTE 3 - RECEIVABLES

Governmental fund receivables at June 30, 2019, 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	Self Insurance Fund
Federal government	\$ 15,340,826	\$ 3,504,205	\$ -	\$ -	\$ 256,747	\$ 19,101,778	\$ -
State government	6,134,615	240,436	-	-	698,310	7,073,361	-
Local sources	4,348,339	65,329	252,769	414,739	3,991,064	9,072,240	2,556,032
Total	<u>\$ 25,823,780</u>	<u>\$ 3,809,970</u>	<u>\$ 252,769</u>	<u>\$ 414,739</u>	<u>\$ 4,946,121</u>	<u>\$ 35,247,379</u>	<u>\$ 2,556,032</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 17,701,767	\$ -	\$ -	\$ 17,701,767
Construction in process	162,698,549	105,355,757	1,822,218	266,232,088
Total capital assets not being depreciated	180,400,316	105,355,757	1,822,218	283,933,855
Capital assets being depreciated				
Buildings	1,086,975,733	4,722,183	-	1,091,697,916
Building improvements	74,333,555	-	-	74,333,555
Equipment	15,927,527	1,633,329	2,491,467	15,069,389
Total capital assets being depreciated	1,177,236,815	6,355,512	2,491,467	1,181,100,860
Less accumulated depreciation				
Buildings	351,704,196	24,509,384	-	376,213,580
Building improvements	40,681,430	3,069,019	-	43,750,449
Equipment	11,145,376	1,271,455	2,414,096	10,002,735
Total accumulated depreciation	403,531,002	28,849,858	2,414,096	429,966,764
Governmental activities, net capital assets	\$ 954,106,129	\$ 82,861,411	\$ 1,899,589	\$ 1,035,067,951

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

Governmental Activities

Instruction	\$ 13,984,472
Supervision of instruction	2,555,180
Instructional library, media and technology	63,600
School administration	1,981,390
Pupil transportation	639,355
Food services	814,558
Other pupil services	1,537,760
Ancillary services	550,479
Community services	30,181
Other general administration	1,128,962
Data processing services	431,174
Plant maintenance and operations	2,718,651
Total depreciation expense, governmental activities	<u>\$ 26,435,762</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2019, between major and nonmajor governmental funds, and internal service funds are as follows:

Payable from	Payable to		Amount
	General Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 5,602,107	\$ 5,602,107
Cafeteria Fund	3,874,440	-	3,874,440
Building Fund	1,083,191	-	1,083,191
Nonmajor Funds	61,983	-	61,983
Self-insurance fund	4,045,784	-	4,045,784
Total	<u>\$ 9,065,398</u>	<u>\$ 5,602,107</u>	<u>\$14,667,505</u>

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

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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, 2019, consisted of the following:

Transfer from	Transfer to			Amount
	General Fund	Cafeteria Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 1,004,084	\$ 4,722,298	\$ 5,726,382
Nonmajor Governmental Fund	57,224	-	-	57,224
Self-insurance fund	128,421	-	-	128,421
Total	<u>\$ 185,645</u>	<u>\$ 1,004,084</u>	<u>\$ 4,722,298</u>	<u>\$ 5,912,027</u>

The general fund contributed to the cafeteria fund to subsidize its operations.	1,004,084
The general fund contributed to the deferred maintenance fund to subsidize its operations.	4,722,298
The child development fund transferred its share of the emergency apportionment loan payment to the general fund for subsequent remittance to the State.	57,224
The self-insurance fund transferred to the general fund for claims reimbursements.	128,421
	<u>\$ 5,912,027</u>

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Cafeteria Fund	Building Fund	Nonmajor Governmental Funds	Total Governmental Funds	Self Insurance Fund
Vendor payables	\$ 16,157,016	\$ 328,604	\$ 5,465,921	\$ 2,163,476	\$ 24,115,017	\$ 332,577
State apportionment	539,119	-	-	-	539,119	-
Salaries and benefits	5,227,119	208,997	73,332	95,156	5,604,604	7,663
Total	<u>\$ 21,923,254</u>	<u>\$ 537,601</u>	<u>\$ 5,539,253</u>	<u>\$ 2,258,632</u>	<u>\$ 30,258,740</u>	<u>\$ 340,240</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 7 - LONG-TERM OBLIGATIONS OTHER THAN PENSION

Summary

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

	July 1, 2018	Additions	Deductions	June 30, 2019	Current Portion
General obligation bonds	\$ 905,315,000	\$ -	\$ 26,955,000	\$ 878,360,000	\$ 30,135,000
General obligation bond premiums	107,861,081	-	8,927,891	98,933,190	8,927,891
Emergency apportionment - direct borrowing loan	33,950,688	-	5,381,794	28,568,894	5,477,482
Compensated absence, net	15,351,179	-	1,296,743	14,054,436	-
Claims liability	46,917,792	4,272,178	9,061,412	42,128,558	8,042,000
Unclaimed property	1,046,606	541,654	-	1,588,260	-
Total	<u>\$ 1,110,442,346</u>	<u>\$ 4,813,832</u>	<u>\$ 51,622,840</u>	<u>\$ 1,063,633,338</u>	<u>\$ 52,582,373</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 self-insurance fund will pay the claims liability primarily with general fund contributions.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Bond Issuance	Issue Date	Maturity Date	Interest Rate	Original Issuance
Election of 2006 - Series 2009 A	Jul-09	Aug-29	4.0-6.5%	\$ 87,885,000
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
2015 Refunding	Aug-15	Aug-30	5.00%	168,705,000
Election of 2006 - Series 2016A	Aug-16	Aug-41	4.0-5.0%	65,000,000
2016 Refunding	Aug-16	Aug-31	2.0-5.0%	155,780,000
2017 Refunding - Series A	May-17	Aug-25	4.0-5.0%	111,055,000
2017 Refunding - Series B	May-17	Aug-32	4.0-5.0%	24,155,000
2017 Refunding - Series C	May-17	Aug-38	4.0-5.0%	82,930,000
2017 Refunding - Series D	May-17	Aug-34	3.405-3.955%	75,420,000
				<u>\$ 1,145,750,000</u>

Bond Issuance	June 30, 2018	Issued	Redeemed/ Defeased	June 30, 2019
Election of 2006 - Series 2009 A	\$ 6,100,000	\$ -	\$ 2,825,000	\$ 3,275,000
Election of 2006 - Series 2009 C	26,320,000	-	-	26,320,000
Election of 2006 - Series 2012 A	4,175,000	-	495,000	3,680,000
Election of 2006 - Series 2012 B	23,960,000	-	-	23,960,000
Election of 2012 - Series 2013	8,575,000	-	2,300,000	6,275,000
Election of 2012 - Series 2015A	169,165,000	-	-	169,165,000
2015 Refunding	154,135,000	-	8,315,000	145,820,000
Election of 2006 - Series 2016A	65,000,000	-	-	65,000,000
2016 Refunding	154,325,000	-	1,550,000	152,775,000
2017 Refunding - Series A	111,055,000	-	11,225,000	99,830,000
2017 Refunding - Series B	24,155,000	-	10,000	24,145,000
2017 Refunding - Series C	82,930,000	-	235,000	82,695,000
2017 Refunding - Series D	75,420,000	-	-	75,420,000
	<u>\$ 905,315,000</u>	<u>\$ -</u>	<u>\$ 26,955,000</u>	<u>\$ 878,360,000</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Debt Service Requirements to Maturity

The general obligation bonds mature through 2042 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2020	\$ 30,135,000	\$ 41,817,049	\$ 71,952,049
2021	36,910,000	39,908,715	76,818,715
2022	40,595,000	38,037,165	78,632,165
2023	45,920,000	35,994,365	81,914,365
2024	49,435,000	33,586,689	83,021,689
2025-2029	278,040,000	124,244,770	402,284,770
2030-2034	234,660,000	66,681,683	301,341,683
2035-2039	125,440,000	21,969,256	147,409,256
2040-2042	37,225,000	1,821,825	39,046,825
Total	<u>\$ 878,360,000</u>	<u>\$ 404,061,518</u>	<u>\$ 1,282,421,518</u>

State of California Emergency Apportionment Direct Borrowing Loan

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

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

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

Fiscal Year	Principal	Interest to Maturity	Total
2020	\$ 5,477,482	\$ 507,955	\$ 5,985,437
2021	5,574,871	410,565	5,985,436
2022	5,673,993	311,444	5,985,437
2023	5,774,877	210,560	5,985,437
2024	1,987,020	107,883	2,094,903
2025-2026	4,080,651	109,152	4,189,803
Total	<u>\$ 28,568,894</u>	<u>\$ 1,657,559</u>	<u>\$ 30,226,453</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 8 - 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						
Prepaid expenditures	\$ 139,029	\$ -	\$ 314,752	\$ -	\$ -	\$ 453,781
Revolving cash	150,000	-	-	-	-	150,000
Total nonspendable	289,029	-	314,752	-	-	603,781
Restricted						
Adult education	-	-	-	-	-	-
Capital projects	-	-	29,961,003	-	27,509,260	57,470,263
Child development	-	-	-	-	-	-
Debt service	-	-	-	86,619,436	-	86,619,436
Local programs	13,268,485	-	-	-	-	13,268,485
Measure G1 programs	11,890,484	-	-	-	-	11,890,484
Measure N programs	10,462,747	-	-	-	-	10,462,747
Ongoing maintenance	1,392,662	-	-	-	-	1,392,662
State and federal programs	3,669,618	148,735	-	-	3,561,399	7,379,752
Total restricted	40,683,996	148,735	29,961,003	86,619,436	31,070,659	188,483,829
Committed						
Capital projects	-	-	-	-	4,910,917	4,910,917
Child nutrition	-	13,066	-	-	-	13,066
Educational programs	-	-	-	-	216,807	216,807
Total committed	-	13,066	-	-	5,127,724	5,140,790
Assigned						
Audit findings	898,510	-	-	-	-	898,510
ECE rental	32,254	-	-	-	-	32,254
Health and welfare	4,001,789	-	-	-	-	4,001,789
Prop 39 charter repairs	2,283,187	-	-	-	-	2,283,187
Routine maintenance	638,137	-	-	-	-	638,137
Special Ed outstanding accruals	246,022	-	-	-	-	246,022
State dated warrants	1,588,260	-	-	-	-	1,588,260
Total assigned	9,688,159	-	-	-	-	9,688,159
Unassigned						
Reserve for economic uncertainties	19,776,627	-	-	-	-	19,776,627
Unassigned	4,293,279	-	-	-	-	4,293,279
Total unassigned	24,069,906	-	-	-	-	24,069,906
Total fund balance	\$ 74,731,090	\$ 161,801	\$ 30,275,755	\$ 86,619,436	\$ 36,198,383	\$ 227,986,465

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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	\$ 24,069,906
Nonspendable fund balance of the general fund	289,029
Assigned balance of the general fund	9,688,159
Committed balance of the child development fund	20,068
Committed balance of the adult education fund	196,739
Committed balance of the cafeteria fund	13,066
Committed balance of capital projects funds	4,910,917
Compensated absences	(14,054,436)
Unclaimed property	(1,588,260)
Emergency apportionment loan	(28,568,894)
Deficit self-insurance reserve	(30,234,895)
Aggregate net pension liability and related deferrals	(373,055,698)
Unrestricted deficit per the statement of net position	<u>\$ (408,314,299)</u>

NOTE 9 - 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
2020	\$ 349,174
2021	363,766
2022	120,000
2023	120,000
Thereafter	1,470,000
Total	<u>\$ 2,422,940</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 10 - 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 \$2,000,000 to Northern California ReLiEF for its excess property and liability coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage to date.

Workers' Compensation

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

Claims Liabilities

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

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents the changes in approximate aggregate liabilities for the District from July 1, 2017, to June 30, 2019 (in thousands):

	Self-Insurance
Liability Balance, July 1, 2017	\$ 44,176
Claims and changes in estimates	26,457
Claims payments	(23,715)
Liability Balance, June 30, 2018	46,918
Claims and changes in estimates	7,973
Claims payments	(12,762)
Liability Balance, June 30, 2019	\$ 42,129
Assets available to pay claims at June 30, 2019	\$ 10,203

NOTE 11 - 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, 2019, 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	\$ 330,349,607	\$ 115,201,587	\$ 31,450,440	\$ 40,298,625
CalPERS	167,950,475	56,780,996	15,287,759	31,541,662
Total	\$ 498,300,082	\$ 171,982,583	\$ 46,738,199	\$ 71,840,287

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, 2019

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, 2017, 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, 2019, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.28%	16.28%
Required state contribution rate	9.828%	9.828%

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, are presented above and the District's total contributions were \$46,089,133.

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

At June 30, 2019, 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	\$	330,349,607
State's proportionate share of the net pension liability associated with the District		189,140,600
Total net pension liability, including State share	\$	<u>519,490,207</u>

The net pension liability was measured as of June 30, 2018. 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, 2018 and June 30, 2017, respectively, was 0.3594 percent and 0.3799 percent, resulting in a net decrease in the proportionate share of 0.0205 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$40,298,625. In addition, the District recognized pension expense and revenue of \$14,577,491 for support provided by the State. At June 30, 2019, 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	\$ 46,089,133	\$ -
Net change in proportionate share of net pension liability	16,767,352	13,931,382
Change in assumptions	51,320,701	-
Differences between projected and actual earnings on plan investments	-	12,720,547
Differences between expected and actual experience in the measurement of the total pension liability	1,024,401	4,798,511
Total	<u>\$ 115,201,587</u>	<u>\$ 31,450,440</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 2,761,989
2021	(2,004,173)
2022	(10,672,043)
2023	(2,806,320)
Total	<u>\$ (12,720,547)</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 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 10,371,123
2021	10,371,123
2022	10,371,122
2023	11,072,063
2024	10,554,954
Thereafter	(2,357,824)
Total	<u>\$ 50,382,561</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and if contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 483,923,517
Current discount rate (7.10%)	330,349,607
1% increase (8.10%)	203,021,934

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, 2017 Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

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, 2019, are presented above and the total District contributions were \$22,735,881.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$167,950,475. The net pension liability was measured as of June 30, 2018. 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, 2018, and June 30, 2017, respectively was 0.6299 percent and 0.7382 percent, resulting in a net decrease in the proportionate share of 0.1083 percent.

For the year ended June 30, 2019, the District recognized pension expense of \$31,541,662. At June 30, 2019 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	\$ 22,735,881	\$ -
Net change in proportionate share of net pension liability	4,888,212	15,287,759
Differences between projected and actual earnings on plan investments	1,377,570	-
Differences between expected and actual experience in the measurement of the total pension liability	11,010,218	-
Changes of assumptions	16,769,115	-
Total	<u>\$ 56,780,996</u>	<u>\$ 15,287,759</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 are amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 5,010,528
2021	1,198,224
2022	(3,839,866)
2023	(991,316)
Total	<u>\$ 1,377,570</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	\$ 10,970,692
2021	7,777,100
2022	(1,368,006)
Total	<u>\$ 17,379,786</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Liability
1% decrease (6.15%)	\$ 185,613,138
Current discount rate (7.15%)	167,950,475
1% increase (8.15%)	73,437,408

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Social Security

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

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. The state contribution for fiscal year ending June 30, 2019 was \$14,577,491. The CalSTRS on behalf contribution is reported in the general fund as state revenue and pension expenditure.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018-2019 contribution on-behalf of school employers of \$2.246 billion for CalSTRS and \$904 million for CalPERS. A proportionate share of these contribution has been recorded in these financial statements. On behalf payments related to these additional contributions 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 12 - 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, 2019.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Health Benefits Obligation

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

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

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

NOTE 13 - 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, 2019, the District made no payments to the Chabot JPA.

Youth Ventures Joint Powers Authority

The District participates in the Youth Ventures Joint Powers Authority (Youth Ventures), a joint powers authority established to promote the education, health, well-being, and economic viability of children, youth, and families within the County of Alameda.

The Youth Ventures board consists of representatives of the City of Oakland, the Oakland Unified School District, and the County of Alameda. The District appoints 5 members to the 15 member governing board. During the year ended June 30, 2019, the District allowed Youth Ventures to use buildings and classroom space for operation of after school programs in lieu of cash payments.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Northern California Regional Liability Excess Fund

The District is a member of the Northern California Regional Liability Excess Fund (NCR). NCR is a non-profit member-owned and operated Joint Powers Authority (JPA) providing risk management services to California public schools. The District appointed one member to the 42 member governing board. During the year ending June 30, 2019 the District made payments of \$2.3 million to NCR for insurance premiums.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

OAKLAND UNIFIED SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variances - Final to Actual Favorable (Unfavorable)
	Original	Final	(GAAP Basis)	
REVENUES				
Local control funding formula	\$ 390,139,733	\$ 377,593,903	\$ 378,498,739	\$ 904,836
Federal sources	46,911,112	52,189,378	45,307,610	(6,881,768)
Other state sources	63,776,510	92,032,179	91,451,136	(581,043)
Other local sources	76,155,642	80,552,012	90,844,009	10,291,997
Total Revenues	576,982,997	602,367,472	606,101,494	3,734,022
EXPENDITURES				
Current				
Certificated salaries	202,591,284	197,152,286	191,352,494	5,799,792
Classified salaries	93,202,534	94,592,614	93,862,136	730,478
Employee benefits	149,300,843	169,153,776	159,511,716	9,642,060
Books and supplies	30,620,636	38,798,928	18,350,244	20,448,684
Services and operating expenditures	79,916,837	101,017,701	94,771,944	6,245,757
Other outgo	21,772,568	8,648,469	4,183,430	4,465,039
Capital outlay	38,847	8,086,695	7,836,114	250,581
Debt service - principal	5,381,794	5,381,794	5,381,794	-
Debt service - interest	562,865	562,865	562,865	-
Total Expenditures	583,388,208	623,395,128	575,812,737	47,582,391
Excess (Deficiency) of Revenues Over Expenditures	(6,405,211)	(21,027,656)	30,288,757	51,316,413
Other Financing Sources (Uses)				
Transfers in	564,067	564,067	185,645	(378,422)
Transfers out	(1,790,000)	(1,790,000)	(5,726,382)	(3,936,382)
Net Financing Sources (Uses)	(1,225,933)	(1,225,933)	(5,540,737)	(4,314,804)
NET CHANGE IN FUND BALANCES	(7,631,144)	(22,253,589)	24,748,020	47,001,609
Fund Balance - Beginning	49,983,070	49,983,070	49,983,070	-
Fund Balance - Ending	\$ 42,351,926	\$ 27,729,481	\$ 74,731,090	\$ 47,001,609

See accompanying note to required supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

CAFETERIA FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variances - Final to Actual Favorable (Unfavorable) to Actual
	Original	Final	(GAAP Basis)	
REVENUES				
Federal sources	\$ 17,514,666	\$ 17,509,416	\$ 15,885,900	\$ (1,623,516)
Other state sources	1,019,956	1,307,243	1,221,514	(85,729)
Other local sources	808,952	600,530	627,215	26,685
Total Revenues	19,343,574	19,417,189	17,734,629	(1,682,560)
EXPENDITURES				
Current				
Classified salaries	7,214,971	7,254,971	6,444,564	810,407
Employee benefits	4,275,766	4,378,337	3,811,654	566,683
Food	8,450,349	8,500,633	7,636,830	863,803
Services and operating expenditures	197,437	267,122	171,620	95,502
Other outgo	687,534	686,657	631,932	54,725
Equipment	130,000	81,818	56,818	25,000
Total Expenditures	20,956,057	21,169,538	18,753,418	2,416,120
Excess (Deficiency) of Revenues Over Expenditures	(1,612,483)	(1,752,349)	(1,018,789)	733,560
Other Financing Sources (Uses)				
Transfers in	1,790,000	1,790,000	1,004,084	(785,916)
Transfers out	(206,843)	(206,843)	-	206,843
Net Financing Sources	1,583,157	1,583,157	1,004,084	(579,073)
NET CHANGE IN FUND BALANCES	(29,326)	(169,192)	(14,705)	154,487
Fund Balance - Beginning	176,506	176,506	176,506	-
Fund Balance - Ending	\$ 147,180	\$ 7,314	\$ 161,801	\$ 154,487

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, 2019

Measurement Date, As of June 30,	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.35944%	0.37988%
District's proportionate share of the net pension liability	\$ 330,349,607	\$ 351,313,224
State's proportionate share of the net pension liability associated with the District	189,140,600	207,833,936
Total	\$ 519,490,207	\$ 559,147,160
District's covered payroll	\$ 192,490,076	\$ 201,334,054
District's proportionate share of the net pension liability as a percentage of its covered payroll	171.62%	174.49%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%
CalPERS		
District's proportion of the net pension liability	0.62990%	0.73819%
District's proportionate share of the net pension liability	\$ 167,950,475	\$ 176,224,617
District's covered payroll	\$ 94,779,376	\$ 94,133,345
District's proportionate share of the net pension liability as a percentage of its covered payroll	177.20%	187.21%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%

Note: Until the full ten year trend is compiled, information is presented only for those years which information is available.

See accompanying note to required supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2019

2016	2015	2014
0.35750%	0.34673%	0.34697%
\$ 289,147,011	\$ 233,433,103	\$ 202,760,645
164,606,236	123,460,378	122,435,631
\$ 453,753,247	\$ 356,893,481	\$ 325,196,276
\$ 186,271,892	\$ 143,578,581	\$ 154,542,764
155.23%	162.58%	131.20%
70%	74%	77%
0.69684%	0.65215%	0.66962%
\$ 137,626,784	\$ 96,126,834	\$ 76,017,851
\$ 88,303,630	\$ 108,315,164	\$ 70,293,104
155.86%	88.75%	108.14%
74%	79%	83%

OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2019

Fiscal Year End, June 30,	2019	2018
CalSTRS		
Contractually required contribution	\$ 46,089,133	\$ 27,776,318
Contributions in relation to the contractually required contribution	(46,089,133)	(27,776,318)
Contribution deficiency (excess)	\$ -	\$ -
District's covered payroll	\$ 283,102,783	\$ 192,490,076
Contributions as a percentage of covered payroll	16.28%	14.43%
CalPERS		
Contractually required contribution	\$ 22,735,881	\$ 14,728,715
Contributions in relation to the contractually required contribution	(22,735,881)	(14,728,715)
Contribution deficiency (excess)	\$ -	\$ -
District's covered payroll	\$ 125,876,874	\$ 94,779,376
Contributions as a percentage of covered payroll	18.06%	15.54%

See accompanying note to required supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT PENSION CONTRIBUTIONS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2019

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 25,327,824	\$ 19,117,248	\$ 14,342,738
<u>(25,327,824)</u>	<u>(19,117,248)</u>	<u>(14,342,738)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 201,334,054	\$ 186,271,892	\$ 143,578,581
<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
\$ 13,073,239	\$ 10,461,331	\$ 9,904,140
<u>(13,073,239)</u>	<u>(10,461,331)</u>	<u>(9,904,140)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 94,133,345	\$ 88,281,274	\$ 84,140,175
<u>13.89%</u>	<u>11.85%</u>	<u>11.77%</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedules

These schedules present 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. The final budget is the projected year totals presented in the District's third interim financial report.

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

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

Schedule of District Pension Contributions

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

Changes in Benefit Terms

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

Changes in Assumptions

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

SUPPLEMENTARY INFORMATION

OAKLAND UNIFIED SCHOOL DISTRICT

LOCAL EDUCATIONAL AGENCY ORGANIZATION STRUCTURE JUNE 30, 2019

The Oakland Unified School District was established in 1855 and consists of an area comprising approximately 55 square miles. During the 2018-19 school year, the District operated 48 K-5 elementary schools, 5 K-8 elementary schools, 1 4-5 elementary school, 14 middle schools, 3 grades 6-12 schools, 8 grades 9-12 high schools, 11 alternative schools, and 28 early childhood education centers. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
District 1-Jody London	Vice President	January 2021
District 2-Aimee Eng	President	January 2023
District 3-Jumoke Hinton Hodge	Director	January 2021
District 4-Gary Yee	Director	January 2023
District 5-Roseann Torres	Director	January 2021
District 6-Shanthi Gonzales	Director	January 2023
District 7-James Harris	Director	January 2021

STATE TRUSTEE

Christopher Learned

ADMINISTRATION

NAME	TITLE
Kyla Johnson-Trammell	Superintendent
Michael Smith	Interim General Counsel
Vacant	Senior Business Officer

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2019

	P-2 Certified Submission	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	12,002.79	11,555.25
Fourth through sixth	7,727.43	8,318.50
Seventh and eighth	4,273.41	4,306.71
Ninth through twelfth	8,404.76	8,398.67
Total Regular ADA	32,408.39	32,579.13
Extended Year Special Education		
Transitional kindergarten through third	19.86	19.86
Fourth through sixth	11.63	11.63
Seventh and eighth	7.93	7.93
Ninth through twelfth	20.77	20.77
Total Extended Year Special Education	60.19	60.19
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	11.26	10.92
Fourth through sixth	20.44	20.64
Seventh and eighth	30.96	30.05
Ninth through twelfth	74.00	71.95
Total Special Education, Nonpublic, Nonsectarian Schools	136.66	133.56
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.99	0.99
Fourth through sixth	1.33	1.33
Seventh and eighth	1.89	1.89
Ninth through twelfth	6.79	6.79
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	11.00	11.00
Community Day School		
Seventh and eighth	5.57	5.83
Ninth through twelfth	13.00	12.16
Total Community Day School	18.57	17.99
Total ADA	32,634.81	32,801.87

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2019

Grade Level	Required Minimun Minutes	2018-19 Actual Minutes	Number of Days	Status
			Traditional Calendar	
Kindergarten	36,000	47,390	180	In Compliance
Grades 1 - 3				
Grade 1	50,400	50,685	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	53,460	180	*Not In Compliance
Grade 6	54,000	53,460	180	*Not In Compliance
Grades 7 - 8				
Grade 7	54,000	54,417	180	In Compliance
Grade 8	54,000	54,417	180	In Compliance
Grades 9 - 12				
Grade 9	64,800	64,812	180	In Compliance
Grade 10	64,800	64,812	180	In Compliance
Grade 11	64,800	64,812	180	In Compliance
Grade 12	64,800	64,812	180	In Compliance

*See finding 2019-012

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2019

Charter #	Name of Charter School	Included in District Financial Statements or Separate Report
0780	Achieve Academy	Separate Report
0882	American Indian Charter School II	Separate Report
0765	American Indian Public Charter High	Separate Report
0106	American Indian Public Charter School	Separate Report
0837	ARISE High School	Separate Report
1443	ASCEND Academy	Separate Report
0726	Aspire Berkley Maynard Academy	Separate Report
1577	Aspire College Academy	Separate Report
1115	Aspire ERES Academy	Separate Report
1023	Aspire Golden State College Preparatory Academy	Separate Report
0465	Aspire Lionel Wilson College Preparatory Charter Academy	Separate Report
0252	Aspire Monarch Academy	Separate Report
1663	Aspire Triumph Technology Academy	Separate Report
0661	Bay Area Technology School	Separate Report
0948	Civicorps Corpmembers (East Bay Conservation Corps)	Separate Report
1745	Conservatory of Vocal & Instrumental Arts High School	Separate Report
1661	Downtown Charter Academy	Separate Report
1620	East Bay Innovation Academy	Separate Report
1632	EPIC Charter School	Separate Report
1708	Francophone Charter School of Oakland	Separate Report
0938	KIPP Bridge Charter School	Separate Report
1442	Learning Without Limits	Separate Report
0700	Lighthouse Community Charter High School	Separate Report
0413	Lighthouse Community Charter School	Separate Report
1783	Lodestar: A Lighthouse Community Charter Public School	Separate Report
1449	LPS Oakland R&D	Separate Report
0302	North Oakland Community Charter School	Separate Report
0014	Oakland Charter Academy	Separate Report
0883	Oakland Charter High School	Separate Report
0349	Oakland Military Institute	Separate Report
0340	Oakland School for the Arts	Separate Report
0510	Oakland Unity High School	Separate Report
1713	Roses in Concrete Community School	Separate Report
1271	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, 2019

	General Fund	Building Fund	Self Insurance Fund
Ending fund balance per unaudited actuals	\$ 71,245,993	\$ 32,512,284	\$ 15,902,318
LCFF adjustments	(39,865)	-	-
GAAP versus SACS accounting	4,001,789	-	(4,001,789)
GAAP versus SACS accounting - Claims liability	-	-	(42,128,558)
GAAP versus SACS accounting - Pension	-	-	(1,690,574)
Unrecorded liabilities - timing differences	(476,827)	(2,236,529)	(6,866)
Ending fund balance per audited GAAP financial statements	<u>\$ 74,731,090</u>	<u>\$ 30,275,755</u>	<u>\$ (31,925,469)</u>

See accompanying note to supplementary information.

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OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

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	\$ 4,673,774
Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	17,216,320
Title II, Part A, Improving Teacher Quality State Grants	84.367	14341	1,643,647
Title III, English Language Acquisition State Grants			
Title III, Limited English Proficient Student Program	84.365	14346	1,208,561
Title III, Immigrant Education program	84.365	15146	430,530
Total Title III			1,639,091
 Title IV, Part A, Student Support and Academic Enrichment	84.424	14346	829,845
Title IV, Part B, 21st Century Community Learning Centers	84.287	14349	4,819,518
Title IX, Part A, McKinney-Vento Homless Assistance Grants	84.196A	14332	75,000
Career and Technical Education	84.048	14894	474,334
Rehabilitation Services, Vocational Rehabilitation	84.126	10006	391,639
Adult Education	84.002	13978	208,197
IDEA Early Intervention Programs, Part C	84.181	23761	205,411
Special Education - Individuals with Disabilities Education Act			
Part B, Sec 611, Basic Local Assistance Entitlement	84.027	13379	8,621,487
Part B, Sec 611, Preschool Local Entitlement	84.027A	13682	430,758
Part B, Sec 619, Preschool Grants	84.173	13430	241,634
Part B, Sec 619, Preschool Staff Development	84.173A	13431	21,246
Total IDEA Cluster			9,315,125
Total passed through California Department of Education			41,491,901

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2019

Program Title	CFDA Number	Pass-through Identifying Number	Federal Expenditures
Federal Project Prevention	84.184	Unknown	705,280
Full Services Community School	84.215	Unknown	346,086
Carol M. White Physical Education Program	84.215F	Unknown	740,523
Indian Education	84.060	Unknown	43,401
Promoting Readiness of Minors	84.418P	Unknown	142,456
School Climate Transformation	84.184G	Unknown	586,497
Low-cost, Short-duratoin Evaluation of Education Interventions	84.305L	Unknown	11,438
Total U.S Department of Education			44,067,582
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education			
Child Nutrition Cluster			
Summer Food Service Program for Children	10.559	13005	194,523
National School Lunch Program	10.555	13391/13396	8,970,420
Especially Needy Breakfast Program	10.553	13526	3,182,559
School Breakfast Program	10.553	13525	111,475
Meal Supplement	10.555	13524	896,706
Cash in Lieu Commodity	10.555	Unknown	1,141,187
Total Child Nutrition Cluster			14,496,870
Child Care Food Program - Centers and Family Day Homes	10.558	13393	1,386,589
Farm to School Grant Program	10.575	Unknown	2,441
Total U.S. Department of Agriculture			15,885,900

OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2019

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	316,342
Refugee and Entrant Assistance	93.576	24791	186,236
Federal Child Care, Center-based	93.596, 93.575	13609	635,107
Total California Department of Education			1,137,685
Passed through California Department of Health Care Services			
Medical Assistance Program	93.778	10013	808,857
Total U.S. Department of Health and Human Services			1,946,542
National Science Foundation			
Passed through strategic education research partnership institute			
TRU-Lesson Study: Supporting A Fundamental Shift in High School Mathematics	47.076	1503342	136,790
Total expenditures of federal awards			\$ 62,036,814

OAKLAND UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS JUNE 30, 2019

	(Budget) 2020 ¹	2019	2018	2017
GENERAL FUND				
Revenues	\$ 571,056,865	\$ 606,101,494	\$ 557,452,856	\$ 538,680,771
Other sources and transfers in	564,067	185,645	207,817	4,772,512
Total revenues and other sources	571,620,932	606,287,139	557,660,673	543,453,283
Expenditures	570,752,569	575,812,737	533,219,289	545,926,788
Other uses and transfers out	2,676,044	5,726,382	1,722,460	5,157,909
Total expenditures and other uses	573,428,613	581,539,119	534,941,749	551,084,697
CHANGE IN FUND BALANCE	\$ (1,807,681)	\$ 24,748,020	\$ 22,718,924	\$ (7,631,414)
ENDING FUND BALANCE	\$ 72,923,409	\$ 74,731,090	\$ 49,983,070	\$ 27,264,146
AVAILABLE RESERVES ²	\$ 22,262,225	\$ 24,069,906	\$ 10,830,054	\$ 3,062,676
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.88%	4.14%	2.02%	0.56%
LONG TERM COMMITMENTS				
Bonded debt	\$ 938,230,299	\$ 977,293,190	\$ 1,013,176,081	\$ 1,049,738,972
Direct district obligations				
State loan	23,091,412	28,568,894	33,950,688	33,950,688
Claims liability	42,128,558	42,128,558	46,917,792	46,917,792
Net pension liability	498,300,082	498,300,082	527,537,841	426,773,795
Other	15,642,696	15,642,696	16,397,785	16,397,785
Total direct district obligations	579,162,748	584,640,230	624,804,106	524,040,060
TOTAL LONG-TERM COMMITMENTS	\$ 1,517,393,047	\$ 1,561,933,420	\$ 1,637,980,187	\$ 1,573,779,032
K-12 AVERAGE DAILY ATTENDANCE AT P-2				
	34,049	32,635	34,952	34,951

The general fund balance has increased by \$47.5 million over the past two years. Available reserves have increased by \$21.8 million over the past two years. The fiscal year 2019-20 budget projects a decrease of \$1.8 million. 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). Available reserves on June 30, 2019 were 4.27% of total general fund expenditures.

Average daily attendance has decreased by 2,316 over the past two years. ADA is anticipated to increase 1,414 during the 2020 fiscal year.

¹ Budget 2020 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances of the general fund.

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET JUNE 30, 2019

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund
ASSETS				
Deposits and investments	\$ 2,008,905	\$ 1,047,714	\$ 5,517	\$ 15,308,495
Receivables	173,279	869,192	28	3,854,556
Due from other funds	-	-	4,722,298	879,809
Total Assets	<u>\$ 2,182,184</u>	<u>\$ 1,916,906</u>	<u>\$ 4,727,843</u>	<u>\$ 20,042,860</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Payables	\$ 38,734	\$ 220,171	\$ -	\$ 1,979,391
Due to other funds	43,378	18,601	-	-
Total Liabilities	<u>82,112</u>	<u>238,772</u>	<u>-</u>	<u>1,979,391</u>
Fund Balances				
Restricted	1,903,333	1,658,066	-	18,063,469
Committed	196,739	20,068	4,727,843	-
Total Fund Balances	<u>2,100,072</u>	<u>1,678,134</u>	<u>4,727,843</u>	<u>18,063,469</u>
Total Liabilities and Fund Balances	<u>\$ 2,182,184</u>	<u>\$ 1,916,906</u>	<u>\$ 4,727,843</u>	<u>\$ 20,042,860</u>

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Capital Outlay Fund	Nonmajor Governmental Funds
\$ 8,907,910	\$ 692,229	\$ 27,970,770
45,504	3,562	4,946,121
-	-	5,602,107
<u>\$ 8,953,414</u>	<u>\$ 695,791</u>	<u>\$ 38,518,998</u>

\$ 20,336	\$ -	\$ 2,258,632
4	-	61,983
<u>20,340</u>	<u>-</u>	<u>2,320,615</u>
8,776,267	669,524	31,070,659
156,807	26,267	5,127,724
<u>8,933,074</u>	<u>695,791</u>	<u>36,198,383</u>
<u>\$ 8,953,414</u>	<u>\$ 695,791</u>	<u>\$ 38,518,998</u>

OAKLAND UNIFIED SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2019

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund
REVENUES				
Federal sources	\$ 208,197	\$ 635,107	\$ -	\$ -
Other state sources	2,554,338	14,591,355	-	-
Other local sources	153,551	535,334	94	7,307,794
Total Revenues	2,916,086	15,761,796	94	7,307,794
EXPENDITURES				
Current				
Instruction	1,842,617	9,259,876	-	-
Instruction-related activities:				
Supervision of instruction	60,962	1,858,895	-	-
School site administration	818,205	2,143,540	-	-
Administration:				
All other administration	84,814	492,119	-	203,385
Plant services	-	276,600	-	-
Capital outlay	-	-	-	21,187,596
Total Expenditures	2,806,598	14,031,030	-	21,390,981
Excess (Deficiency) of				
Revenues Over Expenditures	109,488	1,730,766	94	(14,083,187)
Other Financing Sources (Uses)				
Transfers in	-	-	4,722,298	-
Transfers out	-	(57,224)	-	-
Net Financing Sources (Uses)	-	(57,224)	4,722,298	-
CHANGE IN FUND BALANCE	109,488	1,673,542	4,722,392	(14,083,187)
Fund Balance - Beginning	1,990,584	4,592	5,451	32,146,656
Fund Balance - Ending	\$ 2,100,072	\$ 1,678,134	\$ 4,727,843	\$ 18,063,469

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Capital Outlay Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ 843,304
-	-	17,145,693
152,897	22,776	8,172,446
152,897	22,776	26,161,443
-	-	11,102,493
-	-	1,919,857
-	-	2,961,745
-	-	780,318
-	9,941	286,541
316,119	140,008	21,643,723
316,119	149,949	38,694,677
(163,222)	(127,173)	(12,533,234)
-	-	4,722,298
-	-	(57,224)
-	-	4,665,074
(163,222)	(127,173)	(7,868,160)
9,096,296	822,964	44,066,543
\$ 8,933,074	\$ 695,791	\$ 36,198,383

OAKLAND UNIFIED SCHOOL DISTRICT

GENERAL FUND SCHEDULE OF UNRESTRICTED AND RESTRICTED BALANCE SHEET JUNE 30, 2019

	Unrestricted	Restricted	Total General Fund
ASSETS			
Deposits and investments	\$ 31,638,260	\$ 38,054,625	\$ 69,692,885
Receivables	4,995,308	20,828,472	25,823,780
Due from other funds	9,065,398	-	9,065,398
Prepaid expenditures	139,029	-	139,029
Total Assets	\$ 45,837,995	\$ 58,883,097	\$ 104,721,092
LIABILITIES AND FUND BALANCES			
Liabilities			
Payables	\$ 10,911,092	\$ 11,012,162	\$ 21,923,254
Due to other funds	879,809	4,722,298	5,602,107
Unearned revenue	-	2,464,641	2,464,641
Total Liabilities	11,790,901	18,199,101	29,990,002
Fund Balances			
Nonspendable	289,029	-	289,029
Restricted	-	40,683,996	40,683,996
Assigned	9,688,159	-	9,688,159
Unassigned	24,069,906	-	24,069,906
Total Fund Balances	34,047,094	40,683,996	74,731,090
Total Liabilities and Fund Balances	\$ 45,837,995	\$ 58,883,097	\$ 104,721,092

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, 2019

	Unrestricted	Restricted	Total General Fund
REVENUES			
Local control funding formula	\$ 375,275,531	\$ 3,223,208	\$ 378,498,739
Federal sources	-	45,307,610	45,307,610
Other state sources	15,415,312	76,035,824	91,451,136
Other local sources	7,885,087	82,958,922	90,844,009
Total Revenues	398,575,930	207,525,564	606,101,494
EXPENDITURES			
Current			
Instruction	154,773,917	153,203,778	307,977,695
Instruction related activities	61,875,323	37,845,395	99,720,718
Pupil services	19,995,416	27,672,258	47,667,674
General administration	28,936,221	4,287,359	33,223,580
Plant services	29,028,217	27,269,692	56,297,909
Ancillary services	996,733	11,055,942	12,052,675
Community services	660,814	-	660,814
Other outgo	100,990	5,291,305	5,392,295
Capital outlay	6,874,718	-	6,874,718
Debt service			
Principal	5,381,794	-	5,381,794
Interest	562,865	-	562,865
Total Expenditures	309,187,008	266,625,729	575,812,737
Excess (Deficiency) of revenues over expenditures	89,388,922	(59,100,165)	30,288,757
OTHER FINANCING SOURCES (USES):			
Transfers	4,722,297	(4,722,297)	-
Other sources (uses)	(71,434,300)	65,893,563	(5,540,737)
Net Financing Uses	(66,712,003)	61,171,266	(5,540,737)
NET CHANGE IN FUND BALANCES	22,676,919	2,071,101	24,748,020
Fund Balance - Beginning	11,370,175	38,612,895	49,983,070
Fund Balance - Ending	\$ 34,047,094	\$ 40,683,996	\$ 74,731,090

See accompanying note to supplementary information.

OAKLAND UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

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, 2019

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:	\$ 65,331,921
Federal interest subsidy on qualified construction bonds and build America bonds	(3,295,107)
Total federal expenditures on the schedule of expenditures of federal awards	<u><u>\$ 62,036,814</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 through the end of the next operating cycle.

Nonmajor Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances

The nonmajor governmental funds combining balance sheet and combining statement of revenues, expenditures and changes in fund balances is included to provide information regarding the individual funds that have been included in the nonmajor governmental funds column on the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances.

Schedules of the unrestricted and restricted General Fund

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

INDEPENDENT AUDITOR'S REPORTS



**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 the Oakland Unified School District (District) as of and for the year ended June 30, 2019, 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 31, 2019. Our report is modified because the District's financial statements do not include the associated student body (ASB) fiduciary fund as required by Generally Accepted Accounting Principles.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2019-001, 2019-003, 2019-006, and 2019-007 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2019-002, 2019-004, and 2019-005 to be significant deficiencies.

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 responses as items 2019-008 through 2019-013.

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 responses. 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.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Palo Alto, California
December 31, 2019



**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 (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified 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, the District did not comply with requirements regarding the following federal programs:

Reference	Program Name (CFDA)	Compliance Requirement
2019-008	U.S. Department of Education, California Department of Education: Title I (84.010), Title II (84.367), Twenty-First Century Community Learning Centers (84.287), Special Education Cluster (84.027, 84.027A, 84.173, 84.173A), School Improvement Grant (84.377) U.S. Department of Agriculture, California Department of Education: Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559), Child and Adult Care Food Program (10.558)	Activities, Costs, Procurement
2019-009	U.S. Department of Education, California Department of Education: Title I (84.010)	Special Tests and Provisions

Compliance with such requirements is necessary, in our opinion, for the 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, 2019.

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. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-008 and 2019-009 that we consider to be material weaknesses.

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. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Eide Bailly LLP

Palo Alto, California
December 31, 2019

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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 the Oakland Unified School District's (District) compliance with the types of compliance requirements as identified in the *2018-2019 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 District's state government programs as noted below for the year ended June 30, 2019.

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 *2018-2019 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 District's compliance with those requirements.

Basis for Qualified Opinion on School Accountability Report Card, Instructional Time, and Unduplicated Local Control Funding Formula Pupil Counts

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding School Accountability Report Card (2019-011), Instructional Time (2019-012), and Unduplicated Local Control Funding Formula Pupil Counts (2019-013). Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

Qualified Opinion on School Accountability Report Card, Instructional Time, and Unduplicated Local Control Funding Formula Pupil Counts

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 School Accountability Report Card, Instructional Time, and Unduplicated Local Control Funding Formula Pupil Counts for the year ended June 30, 2019.

Unmodified Opinion on Each of the Other Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the other state programs noted below that were audited for the year ended June 30, 2019.

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. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	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
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
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes

	Procedures Performed
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
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

We did not perform procedures regarding certain state programs for the following reasons:

The District did not offer an early retirement incentive program.

The District does not have any juvenile court schools.

The District does not have any middle or early college high schools.

The District does not offer an Apprenticeship program.

The District is not a District of Choice.

The District does not offer a before school education and safety Program.

The District does not offer course based independent study program.

The District does not have any dependent charter schools.

Eide Sallie LLP

Palo Alto, California

December 31, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OAKLAND UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

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

Qualified

Internal control over financial reporting:

Material weakness identified?

Yes

Significant deficiency identified?

Yes

Noncompliance material to financial statements noted?

No

FEDERAL AWARDS

Internal control over major federal programs:

Material weakness identified?

Yes

Significant deficiency identified?

None reported

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 - Supporting Effective Instruction
84.287	Title IV, Part B of the ESEA, 21 Century Community Learning Centers
84.027, 84.027A, 84.173, 84.173A	Special Education - IDEA Cluster
84.377	School Improvement Grant
10.553, 10.555, 10.556, 10.559	Child Nutrition Cluster
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 1,918,757

Auditee qualified as low-risk auditee?

No

STATE AWARDS

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

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

Name of Program

Unduplicated Local Control Funding Formula Pupil Count (2019-013)

School Accountability Report Card (2019-011)

Instructional Minutes (2019-012)

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

The following findings represent significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

The findings have been coded as follows:

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

FINANCIAL STATEMENT FINDINGS

2019-001 Financial Statement Presentation of Fiduciary Funds (ASB)

Code 30000, 60000

Criteria

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

Condition

Material weakness in internal control - 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

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 48 K-5 elementary schools, 5 K-8 elementary schools, 1 grades 4-5 elementary school, 14 middle schools, 3 grades 6-12 schools, 8 grades 9-12 high schools, 11 alternative schools, and 28 early childhood education centers. Likely, not all these schools have ASB accounts.

Effect

The District is unable to present the fiduciary activity in the financial statements. Furthermore, the District is unable to demonstrate 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.

Identification as a Repeat Finding

See finding 2018-001.

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

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.

Views of Responsible Officials/Corrective Action Plan

Central office staff are developing procedures to address this finding.

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

2019-002 Human Resources/Payroll Internal Control Process, Pension

Code 30000

Criteria

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

Condition

Significant deficiency in internal control.

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

The District ultimately provided adequate documentation for much of our audit sample after an extensive time delay.

Context

Expenditures for wages and benefits of \$428.6 million are approximately 77% of general fund expenditures. The condition applies to two items from our total sample of 50. Over six months of time was necessary for the District to provide support for most of the audit sample.

Effect

Internal controls are essential so that users of the financial statements have confidence that financial information published by the management of the District is complete and accurate.

There is a higher risk that payroll amounts paid were not budgeted and that interim financial reports are less reliable.

Cause

There appears to be a lack of ongoing monitoring and oversight to ensure that employees involved in the 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. Often no single person is accountable to locate documents or answer questions.

Identification as a Repeat Finding

See finding 2018-002.

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

Central office staff are developing procedures to address this finding. To that end, finance staff will work in cooperation with payroll and human resources staff to develop processes to ensure the accounting records are complete, accurate, and that documentation is available to support the audit.

2019-003 Payroll Internal Control Process, Vacation

Code 30000

Criteria

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

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

Condition

Material weakness in internal control.

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

In substantive testing of general ledger account balances, it seems that payroll expenditures reported are fairly stated. However, we had to perform much more work than is typically necessary to reach that conclusion, which is evidence of the internal control deficiency. Furthermore, we cannot conclude if the District has a complete and accurate accounting of vacation balance of which to base the accrued vacation payments upon separation.

Context

Expenditures for wages and benefits of \$426.6 million are approximately 77% of general fund expenditures. Vacation payouts during the year were \$1.5 million.

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

Effect

Although the accounting records reflect actual expense paid, there is a higher risk that the amounts paid were not based on accurate calculations. Furthermore, while we do not believe that the accounting records are other than correct on payroll expense, the lack of response is evidence of higher risk that payroll expense maybe for other than budgeted and approved amounts.

Cause

There appears to be a lack of ongoing monitoring and oversight to ensure that employees involved in the 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. Often no single person is accountable to locate documents or answer questions. Furthermore, effective internal controls are an overall District responsibility requiring interdepartmental communication to be successful.

Identification as a Repeat Finding

See finding 2018-003.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

Central office staff are developing procedures to address this finding. To that end, finance staff will work in cooperation with payroll staff to develop processes to ensure the accounting records are complete, accurate, and that documentation is available to support the audit.

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

2019-004 Classification of Workers

Code 30000

Criteria

Management of the District is responsible for complying with board-approved policies about the hiring of employees and selection of vendors. The purpose of such policies is to provide reasonable assurance about the achievement of the entity's objectives, meeting the board approved operating budget, effectiveness and efficiency of operations, and compliance with laws and regulations.

Condition

Significant deficiency in internal control.

In our internal control testing of contractors/vendors, we found “contractors/vendors” that are in form, appear to be District employees. The District did not provide adequate documentation for us to conclude if workers are correctly classified as independent contractors and not District employees.

Context

Total general fund expenditures for contractors/vendors were \$6.5 million or 1% of total general fund expenditures.

Effect

Failure to correctly classify workers as employees or independent contractors could be viewed as an attempt to circumvent board approved internal control policies, spend outside the approved budget, and increases the risk of financial penalties for noncompliance with tax laws.

Cause

The District does not have effective controls to ensure that all hiring decisions comply with District policy.

Identification as a Repeat Finding

See finding 2018-004.

Recommendation

The District should not assume it is legal to classify a worker as an independent contractor simply because the worker wanted, or asked, to be treated as an independent contractor.

We recommend management develop written procedures addressing areas of compliance with labor laws, meeting the Board approved operating budget and achieving the Board's strategic objectives for the District. We also recommend a review of all independent contractors to ensure compliance with District policy.

Views of Responsible Officials and Planned Corrective Actions

Central office staff are developing procedures to address this finding. To that end, finance staff will work in cooperation with payroll and human resources staff to develop processes to ensure the accounting records are complete, accurate, and that documentation is available to support the audit.

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

2019-005 Contractor Selection Internal Controls

Code 30000

Criteria

Management of the District is responsible for ensuring compliance with board approved policies about the selection of vendors.

Condition

Significant deficiency in internal control.

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

Context

Total vendor expense, including construction contractors, was \$189 million for the fiscal year. The above condition applies to 29 of 75 audit samples.

Effect

The District's purchasing policies are not effective unless consistently followed, increasing the business risk to the District.

Cause

There is a lack of monitoring to ensure that internal control policies and procedures are implemented and followed in the manner intended when they were established.

Identification as a Repeat Finding

See finding 2018-005.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

Central office staff are developing procedures to address this finding. To that end, finance staff will work in cooperation with procurement staff to develop processes to ensure that documentation is available to support the audit.

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

2019-006 Health Benefits Governing Board

Code 30000

Criteria

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

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

Condition

Material weakness in internal control.

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

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

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

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

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

Context

Health and welfare expenditures were \$56 million for the year ending June 30, 2019.

The financial statements correctly reflect the health and welfare benefits expenditures per accounting standards applicable to governmental entities. Specifically, concerning the general fund, which reports accounting activity on the modified accrual basis of accounting, all health and welfare expenditures are correctly reported.

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

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

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

Effect

The financial statement impact of the "HBGB" on the District's financial position is not objectively determinable as of June 30, 2019.

Cause

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

Identification as a Repeat Finding

See finding 2018-006.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

Central office staff are developing procedures to address this finding. To that end, finance staff will work in cooperation with general counsel staff and the HBGB on the mathematical formula. In corporation with the HBGB we will subject any proposed formula to external audit before making a formal recommendation to the HBGB.

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

2019-007 Audit Adjustment to Correct Understatement of Fund Balance

Code 30000

Criteria

Management of the District must account for all transactions in accordance with generally accepted accounting principles. GASB Codification 1300.110 (GASB 34 as amended) allows an internal service fund to report an activity that provides goods or services to other funds of the District, on a cost-reimbursement basis.

Condition

Material weakness in internal control.

Management changed the application of accounting principles during the year ending June 30, 2019, to a non-GAAP method of accounting. Health and welfare expenditures reported by the District's funds exceeded the amount of actual expenditures paid to the benefit providers. The excess of reported over actual expenditures was classified as "fund balance restricted for self-insurance."

The District is not self-insured for health and welfare.

Context

Expenditures charged to governmental funds were \$61 million, although actual expenditures were \$57 million.

Effect

Audit adjustments were necessary for the financial statements to be presented in accordance with GAAP. The ending unrestricted fund balance of the general fund was understated by \$4 million, and the same amount overstated expenditures reported for health and welfare. Furthermore, the internal budget and financial reports understated general fund resources available for ongoing operations.

Cause

The decision to change the method of accounting for health and welfare expenditures was not thoroughly vetted for GAAP compliance.

Identification as a Repeat Finding

This is not a repeat finding.

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

Finance staff will seek counsel from the external auditors, and others who are experts in GASB financial reporting, to ensure that our financial statements comply with the reporting requirements for governmental entities.

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

FEDERAL COMPLIANCE FINDINGS

2019-008 Documenting Activities and Costs Charged to Federal Grants

Material weakness in internal control and noncompliance about allowable activities and costs, procurement
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), School Improvement Grant (84.377), Special Education (84.027, 84.027A, 84.173, 84.173A), U.S. Department of Agriculture, California Department of Education: Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559), Child and Adult Care Food Program (10.558).

Criteria

The Uniform Guidance 2 CFR section 200.430 specifies the standards for documenting salaries and wages charged to federal programs, and 2 CFR section 200.200 specifies the standards for documenting that direct charges to Federal awards are for allowable costs.

Employees who work solely on a single federal award or cost objective need only complete a periodic certification meeting certain requirements. 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. 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.

Condition

Material weakness in internal control over compliance and noncompliance.

During our examination of employee time and effort documentation, it was noted that management of the District was not preparing time and effort documentation meeting the aforementioned requirements. It was also noted that the District could not produce source documentation for all direct charges to federal grants.

Questioned Costs

Known questioned costs are \$407,288 and likely (projected) questioned costs are \$5,576,629.

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

Context

The total payroll charged to federal resources was \$33.6 million. We randomly selected a sample of 60 transactions for time and effort documentation. Management ultimately provided us with the correct documentation for every audit sample, but the extended time delays and the fact that documentation was not prepared contemptuously is evidence of this audit finding.

Total nonpayroll direct charges to federal resources were \$21 million. We randomly selected a sample of 60 transactions. Management ultimately provided us with the correct documentation for every audit sample, but the extended time delays and the fact that documentation was not prepared contemptuously is evidence of this audit finding.

The accounting records are detailed and provide descriptions of direct charges to federal grants. This finding is related to the District being unable to produce documents required by the uniform guidance. In such instances, we performed additional audit procedures that primarily consisted of review of alternative documents, to satisfy ourselves that the employees are engaged in an eligible activity and that direct vendor charges are otherwise permissible for the program.

Effect

The District is required to maintain source documentation in a form that is retrievable to support the audit. Failure to do so could result in disallowance of expenditures allocated to federal programs, even if the District otherwise complied with the underlying grant requirements.

Cause

The District does not have a process that facilitates the collection of these documents. There are no formal procedures, and it seems each school is tasked with the individual responsibility of compliance. The issue is compounded by the turnover of staff responsible for compliance in this area.

Identification as a Repeat Finding

See finding 2018-008.

Recommendation

The responsibility to comply with federal time accounting documents should be handled by centralized personnel at the District office. One person should be tasked with this responsibility and held accountable for compliance. The District implemented a new ERP system during the year. We recommend the District achieve all source documents in the accounting system, and designate a specific person responsible for providing the information to support the audit.

Views of Responsible Officials/Corrective Action Plan

Central office staff are developing procedures to address this finding. To that end, finance staff will work in cooperation with state and federal compliance staff to develop processes to ensure that documentation is available to support the audit and in compliance with grant requirements.

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

2019-009 Title I Comparability

Material weakness in internal control and noncompliance about special tests and provisions
Code 50000

Federal Program Affected

U.S. Department of Education, California Department of Education: Title I (84.010), special tests and provisions.

Criteria

Title I, Part A of the Elementary and Secondary Education Act (ESEA) provides federal financial assistance to local educational agencies (LEAs) to provide supplemental services to meet the educational needs of educationally disadvantaged children. The legislation requires LEAs to provide state and local resources in Title I schools that are comparable to the services provided in non-Title I schools. This requirement continues under the Every Student Succeeds Act. (Section 1120A(c) of ESEA (20 USC 6321(c))).

Condition

Significant deficiency in internal control over compliance and noncompliance.

Six of the District's 71 schools did not meet the Title I comparability test because the student to staff ratio exceeded 110 percent of the average student to staff ratio of all Title I schools in the grade span.

The District correctly calculated the student to staff ratio using the CDE comparability calculator. However, no action was taken to increase staffing or adjust student enrollment to achieve comparability.

Questioned Costs

No questioned costs are associated with this finding.

Context

The student-to-instructional staff ratio is not complying with the comparability requirements. Six schools out of the 71 schools that received Title I have a higher student-to-staff ratio compare to the average ratio.

Cause

There is no specific person accountable to ensure compliance with this requirement. The administrative staff completed the calculation, but nobody initiated action to correct the noncompliance.

Identification as a Repeat Finding

See finding 2018-009.

Recommendation

Administrative staff assigned responsibility for completing the CDE comparability calculation are not able to ensure actual compliance. After completing the calculation, there should be a single person responsible for reviewing the calculation and initiating follow-up action as necessary.

Views of Responsible Officials/Corrective Action Plan

The State and Federal Compliance Department will develop procedures to ensure compliance with federal grants.

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

STATE COMPLIANCE FINDINGS

2019-010 Attendance Recording

Code 10000, 40000

Criteria

EDC §41601 requires the District to report average daily attendance (ADA) to the California Department of Education, which is the basis for calculating state funding. To this end, the District accumulates attendance electronically in the Aeries student information system.

Condition

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

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

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

Questioned Costs

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

Context

The total ADA at P-2 was 32,800. A change of one ADA has approximately a \$10,800 effect on the unrestricted general fund.

Effect

By overstating ADA, internal budget and financial reports were may not be reliable. Furthermore, there is a higher risk that attendance reported on P-2 could be overstated.

Cause and Recommendation

The District has official policies and procedures to identify and correct Aeries input errors promptly. Those procedures are overall working, as the District has shown substantial improvement over the past few years. We recommend the District continue implementation of its attendance taking policies. Specifically, management should monitor secondary sites to ensure they are completing the "single period attendance reports" weekly. We found many instances where the forms were completed but not entered into Aeries, and there must be an emphasis on that follow through.

The issue of mixed attendance codes is a system-level issue that should be addressed by the District's IT department.

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

Identification as a Repeat Finding

This is a partial repeat of finding 2018-011.

Views of Responsible Officials/Corrective Action Plan

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

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

2019-011 School Accountability Report Card

Code 40000, 72000

Criteria

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

Condition

The District did not provide us with quarterly complaint forms. Instead, we were given the dataset that the school district presumably would use to create the forms, indicating to us that the quarterly complaint forms were not filed as prescribed in the prior paragraph.

From reviewing the dataset, we noted discrepancies regarding the complaint log and the published SARCS.

Questioned Costs

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

Context

The condition is not specific to any single site.

Effect

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

Cause and Recommendation

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

Identification as a Repeat Finding

This is a partial repeat of finding 2018-013.

Views of Responsible Officials/Corrective Action Plan

Central office staff are developing procedures to address this finding. To that end, finance staff will work in cooperation with general counsel staff to ensure that are school report cards and quarterly Williams complaint summaries comply with State law.

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

2019-012 Instructional Minutes

Code 10000, 60000

Criteria

EDC §46201(b) requires the District to provide a minimum of 54,000 annual instructional minutes in grades 4 to 8, inclusive.

Condition

The summary of instructional minutes offered at each school site shows that the District did not offer the minimal number of annual instructional minutes in grades 4 and 5 with respect to one school.

Questioned Costs

Questioned cost is calculated as the product of total apportionment for affected grade level multiplied by the percentage of instructional time the district failed to offer.

Grade span 4-6 ADA at the P-2 reporting period was 7,891.66, and the derived value of grade 4-6 ADA was \$9,558.08. The shortage was 540 instructional minutes. The instructional time penalty is \$754,291.

Context

This finding applies to two of the District's 77 school sites.

Effect

The sites did not offer the minimum number of annual instructional minutes.

Cause and Recommendation

Administrative staff at the District office input bell schedules into a computer system, which then automatically calculates the instructional minutes offered at each site. The deficiency was identified per review of a summary sheet of the minutes provided at all District schools. This deficiency should have been noticed by District staff and corrected at the beginning of the school year. The root cause of this finding is because there is no single person held accountable for compliance with instructional minutes. Our questions to resolve this discrepancy went unanswered for eight months. We recommend the District to appoint someone to be held accountable for compliance in this area.

We also recommend the District apply for a waiver with the California Department of Education to request corrective action in place of the financial penalty.

Going forward, responsible personnel should review the instructional minutes for compliance before the start of the school year.

Identification as a Repeat Finding

See finding 2018-014.

Views of Responsible Officials/Corrective Action Plan

The State and Federal Compliance Department will develop procedures to ensure compliance with state law. Specifically, the calculation of annual instructional minutes will be reviewed at the start of the school year.

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

2019-013 Unduplicated Local Control Funding Formula Pupil Counts

Code 40000, 60000

Criteria

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 one pupil incorrectly classified as “English learner” (EL) in CALPADS.

Questioned Costs

The method of determining the total impact of the finding on the District's unduplicated pupil count is an extrapolation of the known inappropriately reported pupil counts. Calculated questioned costs are \$39,865, which is calculated using the California Department of Education Audit Finding Calculator.

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

Context

We found the following deviations:

Selected a sample of 60 students that are only English Learner (EL) eligible as identified under the "ELAS Designation" column and found one deviation.

CALPADS certified total enrollment count was 110,278, and the certified total unduplicated pupil count was 84,666. Decreases to the unduplicated pupil count based on English Language designation and calculated by extrapolation of the known inappropriately reported pupil counts are 18, resulting in an adjusted count of 84,658. There is no change to enrollment count.

Effect

There may be errors in the unduplicated pupil count beyond those identified by our random audit sample. Identification and correction of any errors could result in considerable questioned costs.

Cause and Recommendation

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

Identification as a Repeat Finding

This is a partial repeat of finding 2018-012, and 2017-012.

Views of Responsible Officials/Corrective Action Plan

Progress has been made over the past few years in this area. We will continue to work towards full compliance with state law and that documents stored in a manner than enables timely retrieval to support the audit.

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

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

FINANCIAL STATEMENT FINDINGS

2018-001 - Presentation of Fiduciary Funds, ASB

Finding

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

Recommendation

The District should identify the student body accounts at each of the school sites. Additionally, the District should adopt the procedures regarding custody and oversight of the student body funds.

Current Status

See finding 2019-001.

2018-002 Human Resources Internal Control Process

Finding

Significant deficiency in internal control - The District was unable to provide written documentation supporting the budgeting of payroll to restricted resources. The District was also unable to supply documentation to satisfy us that the census information such as age and service credits transmitted to benefit providers is complete and accurate.

Recommendation

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

Current Status

See finding 2019-002.

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

2018-003 – Payroll Internal Control Process

Finding

Significant deficiency in internal control - Usage of vacation is recorded in the payroll system by the centralized payroll department based on paper timecards prepared at the site where the employee works. The District was unable to supply documentation to satisfy us that all usage of vacation is captured in the payroll system.

Recommendation

Management in charge of these areas should be held accountable to ensure that all critical internal control policies and procedures are communicated to the employees charged with the responsibility of carrying out those procedures.

Current Status

See finding 2019-003.

2018-004 - Classification of Workers

Finding

Significant deficiency in internal control - The District classified "contractors/vendors" that are in form appear to be District employees. We reviewed invoices processed through accounts payable supporting hours worked; however, the District did not provide adequate documentation for us to conclude if workers are correctly classified as independent contractors.

Recommendation

The District should not assume it is safe to accurately classify a worker as an independent contractor simply because the worker wanted, or asked, to be treated as an independent contractor. We recommend management develop written procedures addressing areas of compliance with labor laws, meeting the Board approved operating budget, and achieving the Board's strategic objectives for the District. We also recommend a review of all independent contractors to ensure compliance with District policy.

Current Status

See finding 2019-004.

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

2018-005 - Contractor Selection Internal Controls

Finding

Significant deficiency in internal control - The District was unable to provide documentation to show us that vendors were selected pursuant to the District's purchasing policy.

Recommendation

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

Current Status

See finding 2019-005.

2018-006 - Health Benefits Governing Board

Finding

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

Recommendation

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

Current Status

See finding 2019-006.

2018-007 - Income Eligibility, Child Nutrition Program

Finding

We noted instances where students were incorrectly classified as eligible for free or reduced meals. The District also could not produce supporting source documents for all items in our audit sample.

Recommendation

Personnel responsible for compliance in this area should ensure that all income eligibility forms are reviewed and that records are updated timely based on the review.

Current Status

Resolved

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

2018-008 - Time and Effort Documentation

Finding

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

Recommendation

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

Current Status

See finding 2019-008.

2018-009 - Title I Comparability

Finding

Significant deficiency in internal control over compliance and instances of non-compliance - One of the District's high schools failed the Title I comparability test because the student to staff ratio exceeded 110 percent of the average student to staff ratio of all Title I schools in the grade span.

Recommendation

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

Current Status

See finding 2019-009.

2018-010 - 21st Century Attendance Reporting

Finding

Significant deficiency in internal control over compliance and instances of non-compliance - Program attendance reported to the CDE was not accurate.

Recommendation

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

Resolved

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

2018-011 - Attendance Recording and Reporting

Finding

Material weakness in internal control over attendance reporting and recording and instances of noncompliance.

The P-2 certified report of attendance overstated ADA resulting in excess state aid.

Instances where it appears that the teacher did not input attendance into Aeries, which defaulted students to present when, in fact, documentation showed the student was absent.

Recommendation

Management should monitor secondary sites to ensure they are completing the “single period attendance reports” weekly.

Current Status

See finding 2019-010.

2018-012 - Unduplicated Local Control Funding Formula Pupil Counts

Finding

Material weakness in internal control over compliance and noncompliance - Pupils were incorrectly classified as Free Meal Program (181) or Reduced-Price Meal Program (182).

Recommendation

We recommend the District to document procedures related to the review of meal price applications. The procedures should include reviewing forms for completeness before inputting the information into the student information system. The procedures should also include a monitoring process to identify clerical errors occurring when inputting data from the meal applications into the student information system.

Current Status

See finding 2019-013.

2018-013 - School Accountability Report Card

Finding

Material weakness in internal control over compliance and noncompliance - Discrepancies regarding the Williams complaint summary documents and the published SARCS.

Recommendation

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

Current Status

See finding 2019-011.

OAKLAND UNIFIED SCHOOL DISTRICT

AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

2018-014 - Instructional Minutes

Finding

The summary of instructional minutes offered at each school site shows that the District did not offer the minimal number of annual instructional minutes in grades 4 and 5.

Recommendation

The root cause of this finding is because there is no single person held accountable for compliance with instructional minutes. Our questions to resolve this discrepancy went answered for eight months. We recommend the District to appoint someone to be held accountable for compliance in this area.

Current Status

See finding 2019-012.