

**UNITY SCHOOLS**  
COUNTY OF ALAMEDA  
OAKLAND, CALIFORNIA

**MEASURE G1 PARCEL TAX  
AUDIT REPORT**

**JUNE 30, 2020**



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**UNITY SCHOOLS  
ALAMEDA COUNTY  
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## **INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE**

Measure G1 Parcel Tax Oversight Committee and  
Board of Directors of Unity Schools  
Oakland, California

### ***Compliance***

We have completed performance audit procedures as required by the Oakland Unified School District in relation to the Teacher Retention and Middle School Improvement Act Fund, Measure G1 Parcel Tax, granted to the Unity Schools (the Charter School) for the fiscal year ended June 30, 2020.

### ***Management's Responsibility***

Management of the Charter School is responsible for compliance with all laws, regulations, contracts, and requirements referred to above.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the Charter School's compliance with the laws and regulations identified above based on our audit. We conducted our audit of compliance 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. Those 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 compliance with the laws and regulations have occurred.

An audit includes examining, on a test basis, evidence supporting the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit does not provide a legal determination of the Charter School's compliance with those requirements.

### ***Audit Objectives***

Our audit included the following objectives as specified by the Oakland Unified School District:

- Ensure proceeds and expenditures of the parcel tax are fully accounted in the books and records of the Charter School.
- Ensure expenditures are in support of allowable uses as per the ballot language, separately with respect to middle school grants and salary for school site educators.
- Ensure that the charter school receiving middle school grant funding has an approved education improvement plan with the minimal requirements specified in the ballot.
- For the charter school receiving middle school grant funding, make a positive statement about the issue of supplanting versus supplementing.



### ***Scope and Methodology***

To meet the objectives of our audit, procedures we performed included, but were not limited to, the following scope and methodology:

1. Obtain parcel tax expenditure detail reports prepared by the Charter School and agree amounts to the general ledger.
2. Select a sample of payroll related expenditures, obtain and review the necessary supporting documentation to satisfy ourselves that they were only to provide raises to “school site educators,” as the term was used in the ballot text. Test payroll benefits for reasonableness.
3. Ensure the same percentage increase in salary was applied to all school site educators.
4. Review the nature of the expenditures incurred by the charter school sites, and review source documents as appropriate, to ensure they were within the specific purposes of the ballot language.
5. Verify if the parcel tax is funding supplemental activities by performing the following procedures:
  - a. Ascertain if funds were used to provide services, which were legally required to be made available by virtue of being a school.
  - b. Also, perform procedures to ascertain whether the parcel tax funded services that were previously provided with another funding source.
6. Obtain the approved education improvement plans for the Charter School and perform the following procedures:
  - a. Ensure the plan contains the minimal elements required by the ballot.
  - b. Verify if the actual parcel tax expenditures are consistent with the approved plan.
7. Determine, from the expenditure testing performed, if there were any;
  - a. control deficiencies,
  - b. significant deficiencies, or
  - c. material weaknesses in internal control noted.
    - i. To the extent there are deficiencies noted, prepare a separate report to the District listing the weakness noted and the recommended corrective action.
8. Examine supporting documentation to validate the amount of Measure G1 Parcel Tax revenues received.

### ***Results of Procedures Performed***

We did not identify any exceptions to the procedures performed above, nor any exceptions to other tests that we conducted related to the Measure G1 Parcel Tax. Our audit of compliance was made for the purposes set forth in the Objectives section of this report and would not necessarily disclose all instances of noncompliance.

### ***Opinion***

In our opinion, the Charter School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Measure G1 Parcel Tax program for the fiscal year ended June 30, 2020.



***Other Matters***

As discussed above, our audit presents only Measure G1 Compliance and does not purport to present fairly the financial position of Unity Schools, as of June 30, 2020, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Internal Control Over Compliance***

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Charter School's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 Charter School's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

***Additional Information***

General information about the Charter School, Measure G1, the audit procedures performed, and the findings and conclusions of those audit procedures are further described in the accompanying Performance Audit Results.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing over compliance and the results of that testing based on the standards referred to above. Accordingly, this report is not suitable for any other purpose.

*C & A LLP*

October 27, 2020  
San Jose, California

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**GENERAL BACKGROUND AND INFORMATION**

***Unity Schools***

Unity Schools (the Charter School) is a nonprofit public benefit corporation that was established on March 3, 2003, and currently operates the Oakland Unity Middle School (OUMS) and the Oakland Unity High School (OUHS). The two California public independent charter schools are located in Oakland, California.

Oakland Unity Middle School was issued charter #1707 by the State Board of Education in January 2015 and is authorized by the Alameda County Office of Education. A five-year charter petition was approved in September 2014 by the Alameda County Office of Education for a term beginning July 1, 2015 and ending June 30, 2020. OUMS provided classroom-based instruction to approximately 170 students in grades 6 – 8 during the 2019-20 school year at 7200 Bancroft Avenue, Suite 261.

Oakland Unity High School's was issued charter #0510 by the State Board of Education in December 2002 and is authorized by the Oakland Unified School District. A five-year charter petition was approved in March 2017 by the Oakland Unified School District for a term beginning July 1, 2017 and ending June 30, 2022. OUHS provided classroom-based instruction to approximately 355 students in grades 9 – 12 during the 2019-20 school year at 6038 Brann Street.

***Oakland Unified School District and Oversight Commission***

Oakland Unified School District (the District) is charged with the oversight and allocation of the Teacher Retention and Middle School Improvement Act Funds. The District's Board of Education is responsible for establishing a five-member oversight commission that reports to the District's Board and provides oversight of the proper allocation and use of the tax proceeds.

The Commission shall advise and report to the District's Board of Education and shall be responsible for oversight, which includes (a) oversight of proper allocation and use of all parcel tax monies, (b) reviewing annual independent audit reports, and (c) submitting recommendations to the Board of Education for any new or modified policies and administrative regulations to ensure the District's compliance with the requirements and intent of this Measure.

***Measure G1***

The Districtwide Teacher Retention and Middle School Improvement Act, Measure G1, was authorized by an over two-thirds vote from the registered voters of the County of Alameda on November 8, 2016, to provide a districtwide educator salary increase in order to attract/retain teachers; provide enhanced middle school art, music, languages/other programs in addition to core educational programs; improve academic achievement; provide safe, positive schools, and prepare students for college/careers in Oakland Unified School District (OUSD) schools as well as charter schools in Oakland. The Measure authorizes the District to levy a twelve-year special parcel tax in the amount of \$120 per year on each parcel of taxable real property within the District beginning July 1, 2017, to fund the programs set forth in the Measure, with exemptions for senior and low-income residents.

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**PERFORMANCE AUDIT PROCEDURES**

***Objectives***

- Ensure proceeds and expenditures of the parcel tax are fully accounted in the books and records of the Charter School.
- Ensure expenditures are in support of allowable uses as per the ballot language, separately with respect to middle school grants and salary for school site educators.
- Ensure that the charter school receiving middle school grant funding has an approved education improvement plan with the minimal requirements specified in the ballot.
- For the charter school receiving middle school grant funding, make a positive statement about the issue of supplanting versus supplementing.

***Scope***

Charter school expenditures funded by Measure G1 during the fiscal year ended June 30, 2020.

***Methodology and Findings***

The following describes the audit procedures and our related findings:

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

*Finding:* No exceptions were identified from applying this procedure. The Measure G1 accounting records were complete and included all activities during the fiscal year.

2. Select a sample of payroll related expenditures, obtain, and review the necessary supporting documentation to satisfy ourselves that they were only to provide raises to “school site educators,” as the term was used in the ballot text. Test payroll benefits for reasonableness.

*Finding:* No exceptions were identified from applying these procedures. The Measure G1 ballot language defines a “school site educator” as all site-based educators and all represented employees. All individuals tested were valid school employees and deemed to meet the ballot definition for a school site educator. The payroll base salary and benefits used in the calculation of bonuses paid, were also found to be reasonable and properly supported, and in line with the Charter School’s policies and agreements.

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

*Finding:* No exceptions were identified from applying this procedure. A uniform 2.23% bonus was properly calculated and paid to all eligible employees, based on the approved salary and benefits.

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

*Finding:* No exceptions were identified from applying these procedures. All expenditures tested were deemed to be in compliance with the specific purposes of the ballot language, specifically salary increases (bonuses) to school site educators as a retention incentive and creating a more positive and safe middle-school learning environment via the hiring of a mental health professional.

5. Verify if the parcel tax is funding supplemental activities by ascertaining if funds were used to provide services, which were legally required to be made available by virtue of being a school as well as ascertaining whether the parcel tax funded services that were previously provided with another funding source.

*Finding:* No exceptions were identified from applying these procedures. All expenditures tested were confirmed to be for providing services, which were legally required to be made available by virtue of being a school. All expenditures were paid to school site educators and a mental health professional. The personnel documents and other records provided supported our conclusion that Measure G1 funds were used to supplement and not supplant educational services, and that these services were not previously provided by another funding source.

6. Obtain the approved education improvement plans for the Charter School to ensure the plan contains the minimal elements required by the ballot and verify if the actual parcel tax expenditures are consistent with the approved plan.

*Finding:* No exceptions were identified from applying these procedures. A formal approved education improvement plan did not exist; however, the equivalent Measure G1 Charter Grant Application did contain all the required elements per the ballot measure. All actual parcel tax expenditures tested were consistent with the Measure G1 Charter Grant Application.

7. Determine, from the expenditure testing performed, if there were any control deficiencies, significant deficiencies, or material weaknesses in internal control noted. To the extent there are findings, prepare a separate report to the District listing the deficiencies and the recommended corrective action.

*Finding:* No exceptions were identified from applying this procedure. No control deficiencies, significant deficiencies, or material weaknesses in internal controls were found.

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

*Finding:* No exceptions were identified from applying this procedure. We examined supporting documentation that substantiated the amounts paid by the District; however, the amounts reimbursed did not agree with amounts claimed by the Charter School or actual costs incurred. The District reimbursed the Charter School \$72,100 for the mental health professional despite the Charter School only having incurred and properly claimed \$69,639. The District reimbursed the Charter School \$85,996 for the school site educator bonuses despite the Charter School only having



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incurred \$82,113 related costs. This was due to the fact that the Administrative Regulations for Allocation of Measure G1 Funds require charter schools to submit the Measure G1 Certification Form and Roster in late April/early May annually to receive funds for salary increases. However, the final bonus amounts were calculated and paid in June to eligible school site educators, in order to encourage teacher retention.

**CONCLUSION**

The results of our procedures indicated that, in all material respects, the Charter School expended Measure G1 Parcel Tax proceeds for the year ended June 30, 2020 only for the purposes approved by the voters, in compliance with the requirements of the published election materials specifying the intended use of Measure G1 Parcel Tax proceeds.

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**SCHEDULE OF MEASURE G1 REVENUES AND EXPENDITURES**  
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	<u>Oakland Unity Middle School</u>	<u>Oakland Unity High School</u>	<u>Unity Schools Total</u>
Revenues:			
Other local revenue:			
Measure G1 parcel tax grant:			
School site educator bonuses <sup>(1)</sup>	\$ 24,768	\$ 57,345	\$ 82,113
Education program support <sup>(2)</sup>	69,639	-	69,639
Total Revenues	<u>\$ 94,407</u>	<u>\$ 57,345</u>	<u>\$ 151,752</u>
Expenditures:			
Salaries and benefits:			
Bonuses for school site educators	\$ 24,768	\$ 57,345	\$ 82,113
Mental health professional personnel costs	66,247	-	66,247
Indirect costs	3,392	-	3,392
Total Expenditures	<u>\$ 94,407</u>	<u>\$ 57,345</u>	<u>\$ 151,752</u>

<sup>(1)</sup> The Charter School was reimbursed by Oakland Unified School District for \$85,996 based on the Measure G1 Salary Spreadsheet submitted, however actual total costs were \$82,113.

<sup>(2)</sup> The Charter School was reimbursed by Oakland Unified School District for \$72,100, however, actual total costs were \$69,639.