Board Office Use: **Legislative File Info.**	
File ID Number	21-0743
Introduction Date	4/14/2021
Enactment Number	
Enactment Date	

OAKLAND UNIFIED SCHOOL DISTRICT

Community Schools, Thriving Students

Board Cover Memorandum

To Board of Education

From Kyla Johnson-Trammell, Superintendent
Lisa Grant-Dawson, Chief Business Officer

Board Meeting Date April 14, 2021

Subject Independent Audit Report for the 2019-20 Fiscal Year prepared by Eide Bailly LLP

Ask of the Board Acceptance by the Board of Education of the District's 2019-2020 annual Financial Audit Report prepared by the Independent audit firm of Eide Bailly LLP.

Background The Oakland Unified School District is required by law to have an examination of its financial records, internal control, and various other accounting and management

fiscal year ended June 30, 2020 has been completed by Eide Bailly LLP. The draft report was presented and discussed with the Audit Committee on March 1, 2021.

In accordance with Education Code section 41020 and Board Policy 3460, a licensed Certified Public Accountant or Public Accountant is required to prepare an independent financial statement for all funds in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. These standards require that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The audit has been filed with the Alameda County Office of Education and the State Controller's Office.

The Independent Auditors Report of the Annual Financial Statements states, in part, *"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 respective financial position of the aggregate remaining fund information of the District, as of June 30, 2020, 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. 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, 2020, 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."

It should be noted that the audit report is normally completed and submitted to the Alameda County Office of Education by December 15th and presented to the Governing Board by the second board meeting in January. The report was delayed as the District not only sought to provide complete responses to audit requests, but also due to limited in person activity due to social distancing and safety requirements caused by the COVID-19 pandemic, the sharing of documents that normally would have been reviewed and accessible in person, were constrained to electronic submission, which required more time and effort. The State Legislature also provided an extension for all school Districts that cites the following amended deadline:

Ed Code Section 41020.9(b).
(b) Notwithstanding subdivision (h) of Section 41020 or subdivision (m) of Section 47605, for audit reports for the 2019–20 fiscal year, a local educational agency shall file an annual audit report with the county superintendent of schools of the county in which the local educational agency is located, the Superintendent, the Controller, and, if applicable, to its chartering authority, by March 31, 2021, and notwithstanding subdivision (k) of Section 41020, the county superintendent of schools shall submit the required certification to the Superintendent and the Controller by July 15, 2021.

The District is pleased with our audit results and the efforts therein despite the various challenges and is satisfied with its completion despite the risk of delays. We appreciate the professionalism, desire for accuracy, thorough attention, and assistance to Eide Bailly by our various departments and responsible parties.

The 2019-20 parcel tax performance audits for Measures G, G1, and N have also been completed and are being presented to the respective oversight commissions/committees and will subsequently be presented to the Governing Board. Eide Bailly LLP performed the Measure G and G1 audits and Measure N was performed by Christy White and Associates. The 2006 Measure B and 2012 Measure J Bond Performance Audit is also in progress and in draft and will also be presented to the Board upon completion and after the reports have been presented to the respective oversight committees.

Financial Impact

There is no financial impact related to the submission of this report other than notification of completion of the contracted service for 2019-20.

OAKLAND UNIFIED SCHOOL DISTRICT

Community Schools, Thriving Students

Recommendation Acceptance by the Board of Education of the District's 2019-2020 annual Financial Audit Report prepared by the Independent audit firm of Eide Bailly LLP.

Attachment(s)

- Communication Letter from Eide Bailly
- Oakland Unified School District 2020 Audited Financial Statements
- Oakland Unified School District 2020 Corrective Acton Plan

COMMUNICATION LETTER FROM EIDE BAILLY

EideBailly

CPAs & BUSINESS ADVISORS

March 8, 2021

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

We have audited the financial statements of the Oakland Unified School District as of and for the year ended June 30, 2020, and have issued our report thereon dated March 8, 2021. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards* and our Compliance Audit under the Uniform Guidance

As communicated in our letter dated March 25, 2020 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 and to express an opinion on whether the Oakland Unified School District complied with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Oakland Unified School District major federal programs. Our audit of the financial statements and major program compliance 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.

Our responsibility, as prescribed by professional standards as it relates to the audit of Oakland Unified School District major federal program compliance, is to express an opinion on the compliance for each of Oakland Unified School District major federal programs based on our audit of the types of compliance requirements referred to above. An audit of major program compliance includes consideration of internal control over compliance with the types of compliance requirements referred to above as a basis for designing audit procedures that are appropriate in the circumstances 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, as a part of our major program compliance audit, we considered internal control over compliance for these purposes and not to provide any assurance on the effectiveness of the Oakland Unified School District's internal control over compliance.

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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 March 8, 2021. We have also provided our comments regarding compliance with the types of compliance requirements referred to above and internal controls over compliance during our audit in our Independent Auditor's Report on Compliance with Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance dated March 8, 2021.

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 2020. 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.

Misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by management, are identified in the Reconciliation of Annual Financial and Budget Report with Audited Financial Statements on page 77 of the financial report.

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

> GASB 31 reporting of investments at fair value rather than book value, which temporarily would increase the reported value of county pooled cash balances by the following amounts: General fund, $266 thousand; Cafeteria fund, $3 thousand; Bond interest and redenption fund, $330 thousand; Building fund, $139 thousand; total of the nonmajor funds, $106 thousand.

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 which are included in the management representation letter dated March 8, 2021.

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, operating conditions affecting the entity, and operating 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.

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 questioned costs to the 2020 financial statements.

Modification of the Auditor's Report

We expect to make the following modification to our auditor's report.

Qualified opinoin the aggregate remainign fund information becaue the ASB fiduciary funds are not presented.

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.

Eide Bailly LLP

Menlo Park, California

OUSD 2019-20 AUDITED FINANCIAL STATEMENTS

Financial Statements
June 30, 2020

Oakland Unified School District

Oakland Unified School District
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EideBailly

CPAs & BUSINESS ADVISORS

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 Oakland Unified School District (District) as of and for the year ended June 30, 2020, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion 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, 2020. Presentation of such information is required to comply with accounting principles generally accepted in the United States of America. The amount by which this departure would affect the financial statements is unknown.

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 respective financial position of the aggregate remaining fund information of the District, as of June 30, 2020, 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, 2020, 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 on pages 4 through 12, budgetary comparison information on pages 64 through 65, Schedule of changes in the District's net pension liability and related ratios on page 66, and schedule of District contributions for pension on page 67, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards as required by the audit requirements of 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 other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are 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 a report dated March 8, 2021 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, 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 the 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.

Eide Bailly LLP

Menlo Park, California
March 8, 2021

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, 2020. 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 liabilities 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.

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.

Financial Highlights

- At June 30, 2020, assets and deferred outflow of resources totaled $1,712 million. Liabilities and deferred inflow of resources were $1,864 million. This results to a deficit net position of $152.49 million.

- At June 30, 2020, the general fund available reserves were $25.69 million, or 4.34% of total general fund expenditures. This is an improvement over the June 30, 2019 reserves of 4.14%, and the June 30, 2018 reserves of 2.02%.

- For the year ending June 30, 2020, total general fund expenditures and other uses were $591.25 million, which is an increase of $9.72 million or 1.67% from the year ending June 30, 2019. Of this total increase, $23.4 million are State contributions to pension plans on behalf of the District. Total general fund expenditures increased by $858 thousand, after backing out on-behalf expenditures.

- For the year ending June 30, 2020, total general fund revenues were $584.10 million, which is a decrease of $22.19 million or 3.66% from the year ending June 30, 2019.

    - Of this total decrease, principal apportionment revenues (State of California Local Control Funding Formula and local property tax) increased $4.51 million or 1.19% helping the unrestricted portion of the general fund.

    - Revenue from local sources decreased $10.07 million or 11.09% impacting the restricted portion of the general fund. The reason for the decline is because we received a non-recurring $9.8 million grant from the Salesforce Foundation during the fiscal year 2018-19.

- The *restricted balance of the general fund* was $34.53 million on June 30, 2020, a decrease of $6.16 million or 15.14% from June 30, 2019.

- Unrestricted general fund revenues were $398.25 million for the year ended June 30, 2020, a decrease of $0.33 million or 0.08% over revenues of $398.58 million over the same period last year.

- Unrestricted general fund expenditures and transfers out were $399.51 million for the year ended June 30, 2020, an increase of $18.89 million or 6.11% over expenditures of $380.62 million the same period last year. The reason or the change was due to negotiated agreements with the majority of its bargaining Unit Agreements, including the Oakland Education Association, many which included one time off the schedule payments which the agreements referred to as "Bonus" payments and annual increases effective the 2018-19 year, but not paid or enacted until the 2019-20 year. This amount of the increases to the instructional areas of the District are directly correlated to the areas where the increases are reflected.

- On a full accrual basis, the District's *net position* at June 30, 2020 is a deficit $152.49 million, which is a decrease of $4.04 million or 2.7% over fiscal year 2019. 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 increased from a deficit of $408.31 million to a deficit of $429.70 million, an increase of the deficit of $21.39 million or 5.2%. The fluctuations are due to changes within the unrestricted general fund, changes in the CalSTRS and CalPERS net pension liability, payments and issuance of general obligation bonds, payments on the state emergency apportionment loan, and changes of the self-insured claims liability.

The District as A Whole

Net Position

The computation of the District's net position at June 30, 2020 and 2019 is presented in the table below:

Table 1

(Amounts in millions)	Governmental Activities	
	2020	2019
Assets		
Current and other assets	$ 437.15	$ 272.99
Capital assets	1,102.73	1,035.07
Total assets	1,539.87	1,308.06
Deferred outflows of resources	171.71	202.94
Liabilities		
Current liabilities	179.39	103.36
Long-term liabilities	1,639.94	1,509.35
Total liabilities	1,819.33	1,612.71
Deferred inflows of resources	44.15	46.74
Net Position		
Net investment in capital assets	124.45	119.01
Restricted	152.48	140.85
Unrestricted deficit	(428.83)	(408.31)
Total net position	$ (151.90)	$ (148.45)

The total assets and deferred outflow of resources increased by $200.58 million in 2020. The total liabilities and deferred inflow of resources increased by $204.62 million.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *statement of activities* on page 13. Table 2 takes the information from the statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	$ 2.89	$ 0.38
Operating grants and contributions	172.03	186.16
General revenues		
Federal and State aid not restricted	231.85	247.65
Property taxes	298.48	274.90
Other general revenues	41.26	30.27
Total revenues	746.51	739.36
Expenses		
Instruction-related	514.49	449.03
Pupil services	75.26	69.55
Administration	33.09	36.75
Plant services	64.68	80.59
Other	62.16	45.41
Total expenses	749.68	681.33
Change in net position	$ (3.17)	$ 58.03

For Fiscal Year 2019-20, the District's total revenue is $746.51 million, an increase of $7.15 million or 0.97%. The District's total expenditures were $750.55 million, an increase of $69.22 million or 10.16%.

The main source of the District's revenue is from Local Control Funding Formula (LCFF) which includes State aid 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 and reduced price meal eligible students, and foster youth. Other sources of the District's revenue are from federal, state, and local grants.

The District's expenditures of $520.06 million or 69.29% was for instructional and instructional support, $140.12 million or 18.67% was expended for student support services and plant maintenance or operation, $42.75 million or 5.70% is paid to interest of long-term liabilities, and $33.13 million or 4.41% is administration costs.

Governmental Activities

As reported in the statement of activities on page 15, the cost of all our governmental activities this year was $750.55 million. The amount that our taxpayers ultimately financed for these activities through local taxes was $575.64 million because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions in the amount of $172.03 million. We paid for the remaining "public benefit" portion of our governmental activities with $231.85 million in federal and state funds, and $298.48 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	
	2020	2019
Instruction	$ (403.39)	$ (330.15)
Pupil services	(39.83)	(40.29)
Administration	(28.98)	(32.04)
Plant services	(62.90)	(72.90)
All other services	(39.93)	(19.41)
Total	$ (575.04)	$ (494.79)

The District's Funds

As the District completed this year, our governmental funds reported a combined fund balance of $335.07 million, which is an increase of $107 million from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	June 30, 2019	Revenues	Expenditures	June 30, 2020
General	$ 74.73	$ 584.09	$ 591.25	$ 67.57
Adult Education	2.10	3.08	3.27	1.91
Child Development	1.68	15.42	14.85	2.25
Cafeteria	0.16	27.07	19.56	7.67
Deferred Maintenance	4.73	0.08	0.21	4.60
Building	30.28	178.57	84.90	123.94
Capital Facilities	18.06	3.88	16.48	5.46
County School Facilities	8.93	0.24	0.14	9.04
Special Reserve Fund for Capital Outlay Projects	0.70	1.15	0.63	1.21
Bond Interest and Redemption	86.62	102.53	78.02	111.14
Total	$ 227.99	$ 916.11	$ 809.31	$ 334.79

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 64.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2020, the District had $1,102.73 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase of $67.66 million or 6.54%, from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities	
	2020	2019
Land and construction in progress	$ 362.36	$ 283.93
Buildings and improvements	735.03	746.07
Equipment	5.34	5.07
Total	$ 1,102.73	$ 1,035.07

Long-Term Liabilities

At the end of this year, the District had $1,715.10 million in long-term liabilities outstanding versus $1,561.93 million last year, an increase of $153.17 million or 9.81%. Much of the increase is attributable to the issuance of general obligation bonds. Total long-term obligations, including unamortized bond premiums, consisted of the following:

Table 6

(Amounts in millions)	Governmental Activities	
	2020	2019
Long-Term obligations		
General obligation bonds	$ 1,023.23	$ 878.36
Unamortized premiums	107.83	98.93
Emergency apportionment loan	23.09	28.57
Claims liability	42.60	42.13
Other	6.01	15.64
Aggregate net pension liability	503.39	498.30
Total	$ 1,706.15	$ 1,561.93

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

General Fund Budgetary Highlights

The District adopted its Fiscal Year 2019-20 budget during June 2019. 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.

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.

	Governmental Activities
Assets	
Deposits and investments	$ 342,957,187
Receivables	15,190,861
Due from other governments	78,997,224
Capital assets not depreciated	362,357,657
Capital assets, net of accumulated depreciation	740,369,834
Total assets	1,539,872,763
Deferred Outflows of Resources	
Deferred charge on refunding	28,881,770
Deferred outflows of resources related to pensions	142,826,257
Total deferred outflows of resources	171,708,027
Liabilities	
Accounts payable	82,318,562
Interest payable	19,785,174
Unearned revenue	2,998,172
Long-term liabilities	
Portion due or payable within one year	
Claims	7,819,176
Compensated absences	8,083,041
Long term debt	57,476,705
Unclaimed property	908,909
Portion due or payable after one year	
Claims	34,782,580
Compensated absences	5,099,737
Long term debt	1,096,672,813
Aggregate net pension liability	503,385,375
Total liabilities	1,819,330,244
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	44,147,413
Total deferred inflows of resources	44,147,413
Net Position	
Net investment in capital assets	124,452,731
Restricted for	
Debt service	91,350,790
Educational programs	38,397,442
Capital projects	15,068,907
Child nutrition programs	7,661,144
Unrestricted deficit	(428,827,881)
Total net position	$ (151,896,867)

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 400,941,867	$ 741,698	$ 86,821,424	$ (313,378,745)
Instruction-related activities				
Supervision of instruction	60,184,696	246,197	16,006,949	(43,931,550)
Instructional library, media, and technolog	1,944,563	8,697	383,559	(1,552,307)
School site administration	51,419,230	77,595	6,809,840	(44,531,795)
Pupil services				
Home-to-school transportation	13,183,416	-	-	(13,183,416)
Food services	19,869,119	363,093	24,413,528	4,907,502
All other pupil services	42,211,756	21,937	10,635,642	(31,554,177)
Administration				
Data processing	9,546,037	2,313	34,950	(9,508,774)
All other administration	23,541,556	36,389	4,033,474	(19,471,693)
Plant services	64,675,830	51,586	1,724,039	(62,900,205)
Facility acquisition and construction	275,158	-	-	(275,158)
Ancillary services	13,365,453	10,971	10,671,161	(2,683,321)
Community services	449,532	-	-	(449,532)
Interest on long-term liabilities	42,749,465	-	-	(42,749,465)
Other outgo	5,599,693	1,332,664	10,491,141	6,224,112
Total governmental activities	749,957,371	2,893,140	172,025,707	(575,038,524)
General Revenues and Subventions				
Property taxes, levied for general purposes				162,666,614
Property taxes, levied for debt service				79,882,659
Taxes levied for other specific purposes				55,928,574
Federal and State aid not restricted to specific purposes				231,854,889
Interest and investment earnings				1,563,613
Interagency revenues				1,420,482
Special and extraordinary				18,676,750
Miscellaneous				19,599,527
Subtotal, general revenues				571,593,108
Change in Net Position				(3,445,416)
Net Position - Beginning				(148,451,451)
Net Position - Ending				$ (151,896,867)

Oakland Unified School District

Balance Sheet – Governmental Funds

June 30, 2020

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Deposits and investments	$ 60,360,805	$ 404,816	$ 135,493,105	$ 110,691,392	$ 21,470,730	$ 328,420,848
Receivables	6,260,395	1,658,988	619,392	444,572	3,749,909	12,733,256
Due from other funds	121,616	-	-	-	74,848	196,464
Due from other governments	71,534,116	7,316,144	-	-	146,964	78,997,224
Total assets	$ 138,276,932	$ 9,379,948	$ 136,112,497	$ 111,135,964	$ 25,442,451	$ 420,347,792
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 66,712,022	$ 1,703,670	$ 12,095,708	$ -	$ 770,706	$ 81,282,106
Due to other funds	1,154,076	5,388	74,688	-	41,540	1,275,692
Unearned revenue	2,840,635	-	-	-	157,537	2,998,172
Total liabilities	70,706,733	1,709,058	12,170,396	-	969,783	85,555,970
Fund Balances						
Nonspendable	150,000	-	-	-	-	150,000
Restricted	34,526,380	7,661,144	123,901,576	111,135,964	18,939,969	296,165,033
Committed	-	-	-	-	4,597,838	4,597,838
Assigned	7,205,400	9,746	40,525	-	934,861	8,190,532
Unassigned	25,688,419	-	-	-	-	25,688,419
Total fund balances	67,570,199	7,670,890	123,942,101	111,135,964	24,472,668	334,791,822
Total liabilities and fund balances	$ 138,276,932	$ 9,379,948	$ 136,112,497	$ 111,135,964	$ 25,442,451	$ 420,347,792

See Notes to Financial Statements

Total Fund Balance - Governmental Funds		$ 334,791,822
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
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	$ 1,561,206,608	
Accumulated depreciation is	(458,479,117)	
Net capital assets		1,102,727,491
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(19,785,174)
An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		(27,349,862)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources are from pensions		142,251,325.00
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to pensions		(44,040,981)
Expenditures relating to deferred charges on bond issuances were recognized on the modified accrual basis, but are amortized over the life of the debt on the accrual basis.		28,881,770
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(501,132,053)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of		
General obligation bonds	$ (1,131,058,106)	
Unclaimed property	(908,909)	
Compensated absences (vacations)	(13,182,778)	
Emergncy apportionment loan	(23,091,412)	
Total long-term liabilities		(1,168,241,205)
Total net position - governmental activities		$ (151,896,867)

Oakland Unified School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2020

	General Fund	Cafeteria Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Local Control Funding Formula	$ 383,008,899	$ -	$ -	$ -	$ -	$ 383,008,899
Federal sources	45,910,978	23,702,050	-	2,195,750	883,365	72,692,143
Other State sources	74,138,852	1,168,796	12,054	446,417	17,067,252	92,833,371
Other local sources	80,770,934	2,195,124	3,552,980	81,214,948	5,019,674	172,753,660
Total revenues	583,829,663	27,065,970	3,565,034	83,857,115	22,970,291	721,288,073
Expenditures						
Current						
Instruction	333,825,051	-	-	-	12,062,557	345,887,608
Instruction-related activities						
Supervision of instruction	53,737,298	-	-	-	2,220,780	55,958,078
Instructional library, media, and technology	1,726,635	-	-	-	101,947	1,828,582
School site administration	39,805,480	-	-	-	2,992,594	42,798,074
Pupil services						
Home-to-school transportation	12,617,808	-	-	-	-	12,617,808
Food services	-	19,011,507	-	-	-	19,011,507
All other pupil services	37,696,041	-	-	-	-	37,696,041
Administration						
Data processing	9,099,252	-	-	-	-	9,099,252
All other administration	21,201,031	338,531	-	-	511,648	22,051,210
Plant services	55,972,569	-	3,112,617	-	215,815	59,301,001
Ancillary services	12,679,476	-	-	-	-	12,679,476
Community services	430,246	-	-	-	-	430,246
Other outgo	5,599,693	-	-	-	-	5,599,693
Capital outlay	49,463	-	81,786,071	-	17,419,485	99,255,019
Debt service						
Principal	5,420,579	-	-	30,135,000	-	35,555,579
Interest and other	507,955	-	-	47,882,337	-	48,390,292
Total expenditures	590,368,577	19,350,038	84,898,688	78,017,337	35,524,826	808,159,466
Excess (Deficiency) of Revenues Over Expenditures	(6,538,914)	7,715,932	(81,333,654)	5,839,778	(12,554,535)	(86,871,393)
Other Financing Sources (Uses)						
Transfers in	264,067	-	-	-	886,044	1,150,111
Proceeds from the sale of bonds	-	-	175,000,000	18,676,750	-	193,676,750
Transfers out	(886,044)	(206,843)	-	-	(57,224)	(1,150,111)
Net Financing Sources (Uses)	(621,977)	(206,843)	175,000,000	18,676,750	828,820	193,676,750
Net Change in Fund Balances	(7,160,891)	7,509,089	93,666,346	24,516,528	(11,725,715)	106,805,357
Fund Balance - Beginning	74,731,090	161,801	30,275,755	86,619,436	36,198,383	227,986,465
Fund Balance - Ending	$ 67,570,199	$ 7,670,890	$ 123,942,101	$ 111,135,964	$ 24,472,668	$ 334,791,822

Total net change in fund balances - Governmental Funds		$ 106,805,357
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	$ (28,635,139)	
Capital outlays	96,298,713	
Net expense adjustment		67,663,574
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(4,034)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.		871,658
In the governmental funds, pension costs 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.		(31,556,586)
Proceeds from the sale of general obligation bonds are a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		(175,000,000)
Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		
Premium on issuance recognized		(18,676,750)
Premium amortization		9,776,834
Deferred amount on refunding amortization		(2,076,548)

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	
General obligation bonds	30,135,000
Emergency apportionment loan	5,477,482
Liquidations of unclaimed property are not expenses on the government-wide statements	679,351
Interest on long-term liabilities 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 accretes or accrues, regardless of when it is due.	(2,116,361)
An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	4,575,607
Change in net position of governmental activities	$ (3,445,416)

	Governmental Activities - Internal Service Fund
Assets	
Current assets	
Deposits and investments	$ 14,536,339
Receivables	2,457,605
Due from other funds	1,079,228
Total current assets	18,073,172
Total assets	18,073,172
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	574,932
Total deferred outflows of resources	574,932
Liabilities	
Current liabilities	
Accounts payable	1,036,456
Claims liability	7,819,176
Total current liabilities	8,855,632
Noncurrent liabilities	
Claims liabilities	34,782,580
Net pension liability	2,253,322
Total noncurrent liabilities	37,035,902
Total liabilities	45,891,534
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	106,432
Total deferred outflows of resources	106,432
Net Position	
Unrestricted deficit	(27,349,862)
Total net position (deficit)	$ (27,349,862)

	Governmental Activities - Internal Service Fund
Operating Revenues	
In-district premiums	$ 25,196,349
Total operating revenues	25,196,349
Operating Expenses	
Claims	15,763,863
Excess insurance	2,924,223
Salaries and benefits	1,953,158
Supplies and materials	183,301
Other	5,426
Total operating expenses	20,829,971
Operating Income	4,366,378
Nonoperating Revenues	
Interest income	209,229
Total nonoperating revenues	209,229
Change in Net Position	4,575,607
Net Position (deficit) - Beginning	(31,925,469)
Net Position (deficit) - Ending	$ (27,349,862)

	Governmental Activities - Internal Service Fund
Cash flows from operating ctivities	
Cash receipts for insurance premiums	$ 25,196,349
Other operating cash receipts	169,733
Cash payment for insurance claims	(14,594,449)
Cash payments to employees for services	(1,930,216)
Other operating cash payments	(3,112,950)
Net cash provided by operating activities	5,728,467
Cash flows from noncapital financing activities	
Cash payment for interfund transfer	(5,125,012)
Cash flows from investing activities	
Interest on investments	209,229
Net change in cash and cash equivalents	812,684
Cash and cash equivalents, beginning	13,723,655
Cash and cash equivalents, ending	$ 14,536,339
Reconciliation of operating income to net cash from operating activities	
Operating income	$ 4,366,378
Change in pension liability and related deferred inflows and outflows	94,248
Changes in assets and liabilities	
Receivables	98,427
Claim liabilities	473,198
Accrued liabilities	696,216
Net cash from operating activities	$ 5,728,467

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Oakland Unified School District (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 2019-20 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). The District elected to present the cafeteria fund as a major fund.

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.

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 lA), 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).

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.

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net asset use.

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

- **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.

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. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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 liabilities, 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 with original maturities greater than one year 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 (Expenses)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

The following are the changes in the balances of compensated absences during the year:

Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
$ 14,054,436	$ 8,083,041	$ (8,954,699)	$ 13,182,778

Compensated absences will be paid by the fund from which the employee worked.

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund 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, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. 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 in the period the bonds are issued.

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, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

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 deferred charges on refunding of debt, for pension related items, and for OPEB 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. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Fund Balances - Governmental Funds

As of June 30, 2020, 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.

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

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

Self-Insurance Obligation

The self-insurance fund is used to account for the District's self-insurance obligation related to workers' compensation, 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 to specified limits for workers' compensation and general liability, as described in Note 10. 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.

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 – Implemented in the Current Fiscal Year

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations.
- Statement No. 84, Fiduciary Activities.
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.
- Statement No. 90, Majority Equity Interests.
- Statement No. 91, Conduit Debt Obligations.
- Statement No. 92, Omnibus 2020.
- Statement No. 93, Replacement of Interbank Offered Rates.
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018.
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019.
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases.
- Implementation Guide No. 2019-3, Leases.

New Accounting Pronouncements – Effective in Future Fiscal Years

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance related to fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, or the fiscal year 2020-21. The District is evaluating the impact of this Statement.

GASB Statement No. 87 – In June 2017, 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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about govern-ments' leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2020, or fiscal year 2021-22. The District is evaluating the impact of this Statement.

GASB Statement No. 89 – In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in the financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 or fiscal year 2021-22. The District is evaluating the impact of this Statement.

GASB Statement No. 90 – In August 2018, GASB issued Statement No. 90, *Majority Equity Interest*, an amendment of GASB statement No. 14 and No. 61. The objectives of this Statement is to improve how majority equity interest is reported. The Statement specifies that a majority equity interest in a legally separate organization should be reported as an investment using the equity method if a government's holding of the equity interest meets the definition of an investment and for all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 or fiscal year 2020-21. The District is evaluating the impact of this Statement.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The objectives of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures 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 reporting periods beginning after December 15, 2021 or fiscal year 2022-23. The District is evaluating the impact of this Statement.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement is to establish accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 or fiscal year 2021-22, except for Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The District is evaluating the impact of this Statement.

GASB Statement No. 93 – In May 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates.* The objectives of this Statement is to address those and other accounting and reporting implications resulting from the replacement of an IBOR by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced and providing clarification to the hedge accounting termination provisions, removing LIBOR as a benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap and providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 or fiscal year 2021-22, except the removal of LIBOR as a benchmark interest rate which is effective for periods beginning after December 31, 2022 or fiscal year 2022-23. The District is evaluating the impact of this Statement.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objectives of this Statement improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 or fiscal year 2022-23. The District is evaluating the impact of this Statement.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 or fiscal year 2022-23. The District is evaluating the impact of this Statement.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The objective of this Statement is to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 or fiscal year 2021-22. The District is evaluating the impact of this Statement.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental funds	$ 328,420,848
Proprietary funds	14,536,339
Total deposits and investments	$ 342,957,187

Deposits and investments as of June 30, 2020, consist of the following:

Cash on hand and in banks	$ 1,812,095
Cash with fiscal agent	510,997
Cash in revolving	150,000
Investments	340,484,095
Total deposits and investments	$ 342,957,187

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.

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

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 674 days on June 30, 2020.

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, 2020.

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, 2020, the District's bank balance of $1.57 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.

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.

Deposits and withdrawals in the Alameda County investment pool are made on the basis of $1 and not fair value. Accordingly, the District's proportionate share of investments in the county pool at June 30, 2020 is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

Note 3 - Receivables

Receivables at June 30, 2020, 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 and Redemption Fund	Nonmajor Governmental Funds	Total	Proprietary Fund
Federal Government							
Categorical aid	$18,588,951	$ 7,354,486	$ -	$ -	$ 105,985	$ 26,049,422	$ -
State Government							
LCFF apportionment	50,234,120	-	-	-	-	50,234,120	-
Categorical aid	5,651,930	-	-	-	40,979	5,692,909	-
Lottery	1,748,583	-	-	-	-	1,748,583	-
Local Government							-
Interest	225,943	8,489	619,392	444,572	98,316	1,396,712	58,017
Other local sources	1,344,984	1,612,157	-	-	3,651,593	6,608,734	2,399,588
Total	$77,794,511	$ 8,975,132	$ 619,392	$ 444,572	$ 3,896,873	$ 91,730,480	$ 2,457,605

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	$ 17,701,767	$ -	$ -	$ 17,701,767
Construction in progress	266,232,088	94,426,873	(16,003,071)	344,655,890
Total capital assets not being depreciated	283,933,855	94,426,873	(16,003,071)	362,357,657
Capital assets being depreciated				
Buildings and improvements	1,166,031,471	16,210,526	-	1,182,241,997
Furniture and equipment	15,069,389	1,664,385	(126,820)	16,606,954
Total capital assets being depreciated	1,181,100,860	17,874,911	(126,820)	1,198,848,951
Total capital assets	1,465,034,715	112,301,784	(16,129,891)	1,561,206,608
Accumulated depreciation				
Buildings and improvements	(419,964,029)	(27,244,662)	-	(447,208,691)
Furniture and equipment	(10,002,735)	(1,390,477)	122,786	(11,270,426)
Total accumulated depreciation	(429,966,764)	(28,635,139)	122,786	(458,479,117)
Governmental activities capital assets, net	$1,035,067,951	$ 83,666,645	$ (16,007,105)	$1,102,727,491

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

Governmental Activities	
Instruction	$ 16,991,599
Supervision of instruction	2,587,139
Instructional library, media, and technology	84,542
School site administration	2,978,705
Home-to-school transportation	583,366
Food services	878,969
All other pupil services	2,482,821
Ancillary Services	586,217
Community Services	19,892
Data processing	422,384
All other administration	1,019,505
Total depreciation expenses governmental activities	$ 28,635,139

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, 2020, between major and nonmajor governmental funds, and internal service funds are as follows:

	Interfund receivable			
Interfund payable	General Fund	Nonmajor Governmental Funds	Self Insurance Fund	Total
General Fund	$ -	$ 74,848	$ 1,079,228	$ 1,154,076
Cafeteria Fund	5,388	-	-	5,388
Building Fund	74,688	-	-	74,688
Nonmajor Governmental Funds	41,540	-	-	41,540
Total	$ 121,616	$ 74,848	$ 1,079,228	$ 1,275,692

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.

Interfund 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, 2020, consisted of the following:

	Transfer From		
Transfer To	General Fund	Nonmajor Governmental Funds	Total
General fund	$ -	$ 886,044	$ 886,044
Cafeteria fund	206,843	-	206,843
Nonmajor governmental funds	57,224	-	57,224
Total	$ 264,067	$ 886,044	$ 1,150,111

The general fund transferred to the special reserve for capital outlay fund for district general fund subsidies to cover deficit spending in those programs.	$ 886,044
The cafeteria fund transferred to general fund for its proportion of the state loan repayment.	206,843
The child development fund transferred to general fund for its proportion of the state loan repayment.	57,224
Total	$ 1,150,111

Note 6 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	General Fund	Cafeteria Fund	Building Fund	Nonmajor Governmental Funds	Total	Proprietary Funds
Vendor payables	$ 30,233,075	$ 1,602,750	$ 275,158	$ 12,253,855	$ 44,364,838	$ 1,036,456
State apportionment	18,426,812	-		-	18,426,812	-
Salaries and benefits	15,957,232	100,920	2,410	59,833	16,120,395	-
Other	2,094,903	-		-	2,094,903	-
Total	$ 66,712,022	$ 1,703,670	$ 277,568	$ 12,313,688	$ 81,006,948	$ 1,036,456

Note 7 - Long-Term Debt

Summary

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
General obligation bonds	$ 878,360,000	$ 175,000,000	$ (30,135,000)	$ 1,023,225,000	$ 42,125,000
Unamortized debt premiums	98,933,190	18,676,750	(9,776,834)	107,833,106	9,776,834
Emergency apportionment-direct borrowing loan	28,568,894	-	(5,477,482)	23,091,412	5,574,871
Total	$ 1,005,862,084	$ 193,676,750	$ (45,389,316)	$ 1,154,149,518	$ 57,476,705

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 primarily by the general fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Bond Issuance	Issuance Date	Final Maturity Date	Interest Rate	Original Issue
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	4.00-5.00%	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	4.00-5.00%	65,000,000
2016 Refunding	Aug-16	Aug-31	2.00-5.00%	155,780,000
2017 Refunding - Series A	May-17	Aug-25	4.00-5.00%	111,055,000
2017 Refunding - Series B	May-17	Aug-32	4.00-5.00%	24,155,000
2017 Refunding - Series C	May-17	Aug-38	4.00-5.00%	82,930,000
2017 Refunding - Series D	May-17	Aug-34	3.405-3.955%	75,420,000
2019 Series A	Aug-19	Aug-40	3.00-5.00%	160,000,000
2019 Series B	Aug-19	Aug-22	2.096-2.146%	15,000,000
				$ 1,320,750,000

Bond Issuance	Bonds Outstanding July 1, 2019	Issued	Redeemed	Bonds Outstanding June 30, 2020
Election of 2006 - Series 2009 A	$ 3,275,000	$ -	$ (3,275,000)	$ -
Election of 2006 - Series 2009 C	26,320,000	-	-	26,320,000
Election of 2006 - Series 2012 A	3,680,000	-	(635,000)	3,045,000
Election of 2006 - Series 2012 B	23,960,000	-	-	23,960,000
Election of 2012 - Series 2013	6,275,000	-	(2,650,000)	3,625,000
Election of 2012 - Series 2015A	169,165,000	-	-	169,165,000
2015 Refunding	145,820,000	-	(9,065,000)	136,755,000
Election of 2006 - Series 2016A	65,000,000	-	-	65,000,000
2016 Refunding	152,775,000	-	(2,020,000)	150,755,000
2017 Refunding - Series A	99,830,000	-	(12,235,000)	87,595,000
2017 Refunding - Series B	24,145,000	-	(10,000)	24,135,000
2017 Refunding - Series C	82,695,000	-	(245,000)	82,450,000
2017 Refunding - Series D	75,420,000	-	-	75,420,000
2019 Series A	-	160,000,000	-	160,000,000
2019 Series B	-	15,000,000	-	15,000,000
	$ 878,360,000	$ 175,000,000	$ (30,135,000)	$ 1,023,225,000

Debt Service Requirements to Maturity

The general obligation bonds mature through 2042 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2021	$ 42,125,000	$ 46,536,015	$ 88,661,015
2022	46,880,000	44,542,373	91,422,373
2023	49,420,000	42,394,650	91,814,650
2024	49,435,000	39,949,489	89,384,489
2025	79,130,000	36,789,587	115,919,587
2026-2030	266,975,000	141,803,718	408,778,718
2031-2035	271,240,000	77,033,504	348,273,504
2036-2040	179,760,000	25,481,275	205,241,275
2041-2042	38,260,000	829,100	39,089,100
Total	$1,023,225,000	$ 455,359,711	$1,478,584,711

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
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	2,022,349	72,554	2,094,903
2026	2,058,302	36,598	2,094,900
	$ 23,091,412	$ 1,149,604	$ 24,241,016

Note 8 - FUND BALANCES

Fund balances are composed of the following on June 30, 2020:

	General Fund	Cafeteria Fund	Building Funds	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total
Nonspendable						
Revolving cash	$ 150,000	$ -	$ -	$ -	$ -	$ 150,000
Total nonspendable	150,000	-	-	-	-	150,000
Restricted						
Purpose of the grant, federal/s	2,522,418	-	-	-	3,871,062	6,393,480
Ongoing maintenance	502,658	-	-	-	-	502,658
Purpose of the local grant	7,301,614	-	-	-	-	7,301,614
Measure G1	12,675,811	-	-	-	-	12,675,811
Measure N	11,523,879	-	-	-	-	11,523,879
Food service	-	7,661,144		-	-	7,661,144
Capital projects	-	-	123,901,576	-	15,068,907	138,970,483
Debt services	-	-	-	111,135,964	-	111,135,964
Total restricted	34,526,380	7,661,144	123,901,576	111,135,964	18,939,969	296,165,033
Committed						
Deferred maintenance	-	-	-	-	4,597,838	4,597,838
Assigned						
Health & welfare	4,001,789	-	-	-	-	4,001,789
Charter Lease & Repair	2,283,187	-	-	-	-	2,283,187
Staled warrants	841,026	-	-	-	-	841,026
ECE Rental	79,398	-	-	-	-	79,398
Purpose of the fund	-	9,746	40,525	-	5,532,699	5,582,970
Total assigned	7,205,400	9,746	40,525	-	934,861	8,190,532
Unassigned						
Reserve for economic uncertainties	17,737,638	-	-	-	-	17,737,638
Remaining unassigned	7,950,781	-	-	-	-	7,950,781
Total unassigned	25,688,419	-	-	-	-	25,688,419
Total	$ 67,570,199	$ 7,670,890	$ 123,942,101	$ 111,135,964	$ 24,472,668	$ 334,791,822

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	$	25,688,419
Nonspendable fund balance of the general fund		150,000
Assigned balance of the general fund		7,205,400
Assigned balance of the cafeteria fund		9,746
Assigned balance of the building fund		40,525
Assigned balance of the adult educaton fund		231,278
Assigned balance of the child development fund		53,851
Assigned balance of the capital facilities fund		10,803
Assigned balance of the county school facilities fund		2,500
Assigned balance of the special reserve fund for capital outlay projects		636,429
Compensated absences		(5,099,737)
Unclaimed property		(908,909)
Emergency apportionment loan		(23,091,412)
Deficit self-insurance reserve		(25,565,040)
Aggregate net pension liability and related deferrals		(404,706,531)
Unrestricted deficit per the statement of net position	$	(425,342,678)

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.

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.

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, 2018, to June 30, 2020 (in thousands):

Liability Balance, June 30, 2018	$ 46,917,792
Claims and changes in estimates	2,340,144
Claims payments	(7,129,378)
Liability Balance, June 30, 2019	42,128,558
Claims and changes in estimates	19,350,011
Claims payments	(18,876,813)
Liability Balance, June 30, 2020	$ 42,601,756

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, 2020, the District reported its proportionate share of 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	$ 307,944,534	$ 87,437,355	$ 32,142,823	$ 54,052,282
CalPERS	195,440,841	55,388,902	12,004,590	41,138,713
Total	$ 503,385,375	$ 142,826,257	$ 44,147,413	$ 95,190,995

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.

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, 2018, 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, 2020, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
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	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

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, 2020, are presented above and the District’s total contributions were $33,614,522.

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

At June 30, 2020, 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:

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 307,944,534
State's proportionate share of the net pension liability	168,004,302
Total	$ 475,948,836

The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, respectively, was 0.3410 percent and 0.3594 percent, resulting in a net decrease in the proportionate share of 0.0184 percent.

For the year ended June 30, 2020, the District recognized pension expense of $54,052,282. In addition, the District recognized pension expense and revenue of $25,019,463 for support provided by the State. At June 30, 2020, 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	$ 33,614,522	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	14,097,183	11,603,186
Differences between projected and actual earnings on pension plan investments	-	11,862,118
Differences between expected and actual experience in the measurement of the total pension liability	777,397	8,677,519
Changes of assumptions	38,948,253	-
Total	$ 87,437,355	$ 32,142,823

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
2021	$ (1,196,498)
2022	(9,417,125)
2023	(1,955,141)
2024	706,646
Total	$ (11,862,118)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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 seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 9,159,647
2022	9,140,751
2023	9,821,260
2024	9,271,712
2025	(3,103,456)
Thereafter	(747,786)
Total	$ 33,542,128

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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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, 2020, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	-3.3%
Cash/liquidity	2%	-0.4%

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%)	$ 458,554,902
Current discount rate (7.10%)	307,944,534
1% increase (8.10%)	183,059,858

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, 2018 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.

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, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after 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	19.721%	19.721%

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, 2020, are presented above and the total District contributions were $18,947,422.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $195,440,841. The net pension liability was measured as of June 30, 2019. 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, 2019, and June 30, 2018, respectively was 0.6706 percent and 0.6299 percent, resulting in a net increase in the proportionate share of 0.0407 percent.

For the year ended June 30, 2020, the District recognized pension expense of $41,138,713. At June 30, 2020 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	$ 18,947,422	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	12,941,039	10,191,839
Differences between projected and actual earnings on pension plan investments	-	1,812,751
Differences between expected and actual experience in the measurement of the total pension liability	14,196,850	-
Changes of assumptions	9,303,591	-
Total	$ 55,388,902	$ 12,004,590

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
2021	$ 1,789,385
2022	(3,574,240)
2023	(541,632)
2024	513,736
Total	$ (1,812,751)

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions 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 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 15,034,461
2022	4,693,654
2023	5,928,662
2024	592,864
Total	$ 26,249,641

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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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.

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	Net Pension Liability
1% decrease (6.15%)	$ 281,715,122
Current discount rate (7.15%)	195,440,841
1% increase (8.15%)	123,870,366

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, 2020 was $23,434,982. 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 an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of these contributions have 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 and Major Special Revenue 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, 2020.

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, 2020.

COVID-19 Pandemic

During the fiscal year ended June30, 2020, the world-wide corona virus pandemic impacted national and global economies. The District is closely monitoring its operations and budgeted revenues and expenditures and is actively working to manage the current and future impact of this unprecedented situation.

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, 2020, 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-bring, 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, 2020, the District allowed Youth Ventures to use buildings and classroom space for operation of after school programs in lieu of cash payments.

Northern California Regional Liability Excess Fund

The District is a member of the Northern California Regional Liability Excess Fund (NCR). NCR is a non-profit member-owned and operated Joint Powers Authority (JPA) providing risk management services to California public schools. The District appointed one member to the 42 member governing board. During the year ending June 30, 2020 the District made payments of $2.9 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
June 30, 2020

Oakland Unified School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$387,868,765	$386,538,427	$383,008,899	$ (3,529,528)
Federal sources	42,815,057	53,269,458	45,910,978	(7,358,480)
Other State sources	58,453,532	70,936,279	74,138,852	3,202,573
Other local sources	78,496,196	76,941,410	80,770,934	3,829,524
Total revenues	567,633,550	587,685,574	583,829,663	(3,855,911)
Expenditures				
Current				
Certificated salaries	205,002,586	206,302,507	206,450,471	(147,964)
Classified salaries	87,407,482	97,536,927	93,167,210	4,369,717
Employee benefits	156,039,794	163,520,507	166,743,932	(3,223,425)
Books and supplies	32,302,078	36,612,441	19,310,765	17,301,676
Services and operating expenditures	75,171,896	94,946,166	92,844,072	2,102,094
Other outgo	5,162,487	5,378,954	4,749,512	629,442
Capital outlay	127,474	843,218	1,174,081	(330,863)
Debt service				
Debt service - principal	5,420,579	5,477,482	5,420,579	56,903
Debt service - interest and other	507,955	507,955	507,955	-
Total expenditures	567,142,331	611,126,157	590,368,577	20,757,580
Excess (Deficiency) of Revenues Over Expenditures	491,219	(23,440,583)	(6,538,914)	16,901,669
Other Financing Sources (Uses)				
Transfers in	564,067	264,067	264,067	-
Transfers out	(1,790,000)	(1,366,679)	(886,044)	480,635
Net financing sources (uses)	(1,225,933)	(1,102,612)	(621,977)	480,635
Net Change in Fund Balances	(734,714)	(24,543,195)	(7,160,891)	17,382,304
Fund Balance - Beginning	74,731,090	74,731,090	74,731,090	-
Fund Balance - Ending	$ 73,996,376	$ 50,187,895	$ 67,570,199	$ 17,382,304

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Federal sources	$ 15,907,951	$ 16,814,155	$ 23,702,050	$ 6,887,895
Other State sources	1,005,561	1,040,776	1,168,796	128,020
Other local sources	330,302	770,958	2,195,124	1,424,166
Total revenues	17,243,814	18,625,889	27,065,970	8,440,081
Expenditures				
Current				
Classified salaries	6,800,255	6,822,260	6,104,382	(717,878)
Employee benefits	4,162,085	4,284,388	3,644,396	(639,992)
Books and supplies	7,079,500	6,832,878	8,797,839	1,964,961
Services and operating expenditures	177,392	213,579	464,890	251,311
Other outgo	525,921	520,743	338,531	(182,212)
Capital Outlay	81,818	81,818	-	(81,818)
Total expenditures	18,826,971	18,755,666	19,350,038	594,372
Excess (Deficiency) of Revenues Over Expenditures	(1,583,157)	(129,777)	7,715,932	(466,352)
Other Financing Sources (Uses)				
Transfers in	1,790,000	480,634	-	(480,634)
Transfers out	(206,843)	(206,843)	(206,843)	-
Net financing sources (uses)	1,583,157	273,791	(206,843)	(480,634)
Net Change in Fund Balances	-	144,014	7,509,089	7,365,075
Fund Balance - Beginning	161,801	161,801	161,801	-
Fund Balance - Ending	$ 161,801	$ 305,815	$ 7,670,890	$ 7,365,075

Oakland Unified School District

Schedule of Changes in the District's Net pension Liability and Related Ratios

Last ten fiscal years

	2020	2019	2018	2017	2016	2015
CalSTRS						
Proportion of the net pension liability (asset)	0.3410%	0.3594%	0.3799%	0.3575%	0.3467%	0.3470%
Proportionate share of the net pension liability (asset)	$ 307,944,534	$ 330,349,607	$ 351,313,224	$ 289,147,011	$ 233,433,103	$ 202,760,645
State's proportionate share of the net pension liability (asset)	168,004,302	189,140,600	207,833,936	164,606,236	123,460,378	122,435,631
Total	$ 475,948,836	$ 519,490,207	$ 559,147,160	$ 453,753,247	$ 356,893,481	$ 325,196,276
Covered payroll	$ 283,102,783	$ 192,490,076	$ 201,334,054	$ 186,271,892	$ 143,578,581	154,542,764
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	108.77%	171.62%	174.49%	155.23%	162.58%	131%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
Proportion of the net pension liability (asset)	0.6706%	0.6299%	0.7382%	0.6968%	0.6522%	0.6696%
Proportionate share of the net pension liability (asset)	$ 195,440,841	$ 167,950,475	$ 176,224,617	$ 137,626,784	$ 96,126,834	$ 76,017,581
Covered payroll	$ 125,876,874	$ 94,834,299	$ 94,133,345	$ 88,281,274	$ 84,140,175	70,293,104
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	155.26%	177.10%	187.21%	155.90%	114.25%	108%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	$ 33,614,522	$ 46,089,133	$ 27,776,318	$ 25,327,824	$ 19,117,248	$ 14,343,738
Less contributions in relation to the contractually required contribution	33,614,522	46,089,133	27,776,318	25,327,824	19,117,248	14,343,738
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 196,576,152	$ 283,102,783	$ 192,490,076	$ 201,334,054	$ 186,271,892	$ 143,578,581
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 18,947,422	$ 22,735,881	$ 14,728,715	$ 13,073,239	$ 10,461,331	$ 9,904,140
Less contributions in relation to the contractually required contribution	18,947,422	22,735,881	14,728,715	13,073,239	10,461,331	9,904,140
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 96,077,390	$ 125,876,874	$ 94,834,299	$ 94,133,345	$ 88,281,274	$ 84,140,175
Contributions as a percentage of covered payroll	19.72%	18.06%	15.53%	13.89%	11.85%	11.77%

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

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.

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.

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
June 30, 2020

Oakland Unified School District

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Special Education Cluster			
Special Education—Grants to States (IDEA, Part B)	84.027	13379	$ 8,489,820
Special Education—Grants to States (IDEA, Part B)	84.027	10115	49,333
Special Education—Grants to States (IDEA, Part B)	84.027	15197	400,607
Special Education—Preschool Grants (IDEA Preschool)	84.173	13430	240,679
Special Education—Preschool Grants (IDEA Preschool)	84.173	13007	14,601
Special Education—Preschool Grants (IDEA Preschool)	84.173	13431	2,284
Total Special Education Cluster			9,197,324
School Improvement Grants	84.377	15127	4,919,278
Title I Grants to Local Educational Agencies (LEAs)	84.010	14329	19,121,533
Supporting Effective Instruction State Grant	84.367	14341	1,827,570
Title II, Part B, Mathematics and Science Partnerships	84.366	14512	314,526
Title III, English Language Acquisition State Grants			
English Language Acquisition Grants	84.365	14346	1,476,018
English Language Acquisition Grants	84.365	15146	298,344
Total English Language Acquisition Grants			1,774,362
Student Support and Academic Enrichment Grants	84.424	14346	1,035,739
Twenty-First Century Community Learning Centers	84.287	14349	4,518,307
Title IX, Part A, McKinney-Vento Homless Assistance Grants	84.196A	14332	53,963
Career and Technical Education	84.048	14894	451,190
Rehabilitation Services, Vocational Rehabilitation	84.126	10006	402,213
Adult Education	84.002	13978	209,860
IDEA Early Intervention Programs, Part C	84.181	23761	205,411
Federal Project Prevention	84.184	Unknown	35,759
Full Services Community School	84.215	Unknown	327,714
Carol M. White Physical Education Program	84.215F	Unknown	171,914
Indian Education	84.060	10011	43,860
School Climate Transformation	84.184G	Unknown	31,466
Total U.S. Department of Education			44,641,989

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	13526	4,870,102
School Breakfast Program	10.553	13525	4,222
National School Lunch Program	10.555	13391/13396	7,935,996
National School Lunch Program, donated commodity foods	10.555	Unknown	992,514
National School Lunch Program	10.555	13524	407,060
Summer Food Service Program for Children	10.559	13005	3,834,576
Total Child Nutrition Cluster			18,044,470
Child and Adult Care Food Program (CACFP)	10.558	13393	6,650,093
Total U.S. Department of Agriculture			24,694,563
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	432,257
Refugee and Entrant Assistance	93.576	24791	143,701
Federal Child Care, Center-based	93.596, 93.575	13609	673,505
Total U.S. Department of Health and Human Services			1,249,463
Total Expenditures of Federal Awards			$ 70,586,015

The Oakland Unified School District was established in 1855 and consists of an area comprising approximately 55 square miles. During the 2019-20 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	President	January 2021
District 2 - Aimee Eng	Director	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	Vice President	January 2023
District 7 - James Harris	Director	January 2021

State Trustee

Christopher Learned

ADMINISTRATION

Name	Title
Kyla Johnson-Trammell	Superintendent
Joshua Daniels	General Counsel
Lisa Grant-Dawson	Senior Business Officer

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	12,309.29	12,309.29
Fourth through sixth	7,937.67	7,937.67
Seventh and eighth	4,430.70	4,430.70
Ninth through twelfth	8,825.56	8,825.56
Total Regular ADA	33,503.22	33,503.22
Extended Year Special Education		
Transitional kindergarten through third	15.66	15.66
Fourth through sixth	10.62	10.62
Seventh and eighth	6.14	6.14
Ninth through twelfth	19.34	19.34
Total Extended Year Special Education	51.76	51.76
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	5.63	5.63
Fourth through sixth	17.59	17.59
Seventh and eighth	19.16	19.16
Ninth through twelfth	72.88	72.88
Total Special Education, Nonpublic, Nonsectarian Schools	115.26	115.26
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.59	0.59
Fourth through sixth	1.31	1.31
Seventh and eighth	1.71	1.71
Ninth through twelfth	7.17	7.17
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	10.78	10.78
Community Day School		
Seventh and eighth	4.41	4.41
Ninth through twelfth	13.25	13.25
Total Community Day School	17.66	17.66
Total ADA	33,698.68	33,698.68

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	46,620	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		50,670	180	N/A	Complied
Grade 2		50,670	180	N/A	Complied
Grade 3		50,670	180	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		54,000	180	N/A	Complied
Grade 5		54,000	180	N/A	Complied
Grade 6		54,570	180	N/A	Complied
Grade 7		54,570	180	N/A	Complied
Grade 8		54,570	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,800	180	N/A	Complied
Grade 10		64,800	180	N/A	Complied
Grade 11		64,800	180	N/A	Complied
Grade 12		64,800	180	N/A	Complied

Charter #	Name of Charter School and Charter Number	Included in Audit 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

	Building Fund	Self Insurance Fund
Fund Balance		
Balance, June 30, 2020, unaudited actuals	$ 124,217,259	$ 17,036,716
Change in fund balance from:		
Timing difference of expenditure recognition	(275,158)	
Actuarially calculated claims liability	-	(42,601,756)
Net pension liability and related deferrals	-	(1,784,822)
Balance, June 30, 2020, audited GAAP basis financial statements	$ 123,942,101	$ (27,349,862)

	(Budget) 2021 [1]	2020	2019	2018
General Fund				
Revenues	$ 567,803,107	$ 583,829,663	$ 606,101,494	$ 557,452,856
Other sources	264,067	264,067	185,645	207,817
Total Revenues and Other Sources	568,067,174	584,093,730	606,287,139	557,660,673
Expenditures	558,385,612	590,368,577	575,812,737	533,219,289
Other uses and transfers out	12,141,616	886,044	5,726,382	1,722,460
Total Expenditures and Other Uses	570,527,228	591,254,621	581,539,119	534,941,749
Increase/(Decrease) in Fund Balance	(2,460,054)	(7,160,891)	24,748,020	22,718,924
Ending Fund Balance	$ 65,110,145	$ 67,570,199	$ 74,731,090	$ 49,983,070
Available Reserves[2]	$ 11,825,092	$ 25,688,419	$ 24,069,906	$ 10,830,054
Available Reserves as a Percentage of Total Outgo	2.07%	4.34%	4.14%	2.02%
Long-term commitments				
Bonded debt	1,079,156,272	1,131,058,106	977,293,190	1,013,176,081
Direct district obligations				
State loan	17,516,541	23,091,412	28,568,894	33,950,688
Claims liability	42,601,756	42,601,756	42,128,558	46,917,792
Net pension liability	503,385,375	503,385,375	498,300,082	527,537,841
Other	6,008,646	6,008,646	15,642,696	16,397,785
Total direct district obligations	569,512,318	575,087,189	584,640,230	624,804,106
Total Long-term Commitments	$ 1,648,668,590	$ 1,706,145,295	$ 1,561,933,420	$ 1,637,980,187
K-12 Average Daily Attendance at P-2	33,717	33,699	32,635	34,952

The general fund balance has increased by $17.6 million over the past two years. The fiscal year 2019-20 budget projects a decrease of $2.4 million (4 percent). For a district this size, the State recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in the past three years and anticipates incurring an operating deficit during the 2020-21 fiscal year. Total long-term liabilities have decreased by $40.8 million over the past two years.

Average daily attendance has decreased by 1,253 over the past two years. ADA is expected to be similar for the fiscal year 2020-21 as compared to the fiscal year 2019-20.

[1] Budget 2021 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances in the General Fund.

Oakland Unified School District
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2020

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Nonmajor Governmental Funds
Assets							
Deposits and investments	$ 1,899,575	$ 2,454,623	$ 4,787,586	$ 2,088,622	$ 9,019,380	$ 1,220,944	$ 21,470,730
Receivables	29,576	13,915	20,252	3,643,600	38,185	4,381	3,749,909
Due from other funds	-	-	-	74,848	-	-	74,848
Due from other governments	119,216	27,748	-	-	-	-	146,964
Total assets	$ 2,048,367	$ 2,496,286	$ 4,807,838	$ 5,807,070	$ 9,057,565	$ 1,225,325	$ 25,442,451
Liabilities and Fund Balances							
Liabilities							
Accounts payable	$ 111,258	$ 91,984	$ 210,000	$ 342,270	$ 2,822	$ 12,372	$ 770,706
Due to other funds	26,874	809	-	-	13,857	-	41,540
Unearned revenue	-	157,537	-	-	-	-	157,537
Total liabilities	138,132	250,330	210,000	342,270	16,679	12,372	969,783
Fund Balances							
Restricted	1,678,957	2,192,105	-	5,453,997	9,038,386	576,524	18,939,969
Committed	-	-	4,597,838	-	-	-	4,597,838
Assigned	231,278	53,851	-	10,803	2,500	636,429	934,861
Total fund balances	1,910,235	2,245,956	4,597,838	5,464,800	9,040,886	1,212,953	24,472,668
Total liabilities and fund balances	$ 2,048,367	$ 2,496,286	$ 4,807,838	$ 5,807,070	$ 9,057,565	$ 1,225,325	$ 25,442,451

See Notes to Supplementary Information

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Nonmajor Governmental Funds
Revenues							
Federal sources	$ 209,860	$ 673,505	$ -	$ -	$ -	$ -	$ 883,365
Other State sources	2,723,103	14,344,149	-	-	-	-	17,067,252
Other local sources	145,857	404,953	79,995	3,878,241	244,525	266,103	5,019,674
Total revenues	3,078,820	15,422,607	79,995	3,878,241	244,525	266,103	22,970,291
Expenditures							
Current							
Instruction	2,150,247	9,912,310	-	-	-	-	12,062,557
Instruction-related activities							
Supervision of instruction	20,907	2,199,873	-	-	-	-	2,220,780
Instructional library, media, and technology	101,947	-	-	-	-	-	101,947
School site administration	907,782	2,084,812	-	-	-	-	2,992,594
Administration							
All other administration	87,774	423,874	-	-	-	-	511,648
Plant services	-	176,692	-	-	39,123	-	215,815
Capital outlay	-	-	210,000	16,476,910	97,590	634,985	17,419,485
Total expenditures	3,268,657	14,797,561	210,000	16,476,910	136,713	634,985	35,524,826
Excess (Deficiency) of Revenues Over Expenditures	(189,837)	625,046	(130,005)	(12,598,669)	107,812	(368,882)	(12,554,535)
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	-	886,044	886,044
Transfers out	-	(57,224)	-	-	-	-	(57,224)
Net Financing Sources (Uses)	-	(57,224)	-	-	-	886,044	828,820
Net Change in Fund Balances	(189,837)	567,822	(130,005)	(12,598,669)	107,812	517,162	(11,725,715)
Fund Balance - Beginning	2,100,072	1,678,134	4,727,843	18,063,469	8,933,074	695,791	36,198,383
Fund Balance - Ending	$ 1,910,235	$ 2,245,956	$ 4,597,838	$ 5,464,800	$ 9,040,886	$ 1,212,953	$ 24,472,668

	Unrestricted	Restricted	Total General Fund
Assets			
Deposits and investments	$ 34,248,889	$ 26,111,916	$ 60,360,805
Receivables	4,484,462	1,775,933	6,260,395
Due from other funds	121,616	-	121,616
Due from Grantor Government	49,069,168	22,464,948	71,534,116
Total Assets	$ 87,924,135	$ 50,352,797	$ 138,276,932
Liabilities and Fund Balances			
Liabilities			
Payables	$ 53,726,240	$ 12,985,782	$ 66,712,022
Due to other funds	1,154,076	-	1,154,076
Unearned revenue	-	2,840,635	2,840,635
Total Liabilities	54,880,316	15,826,417	70,706,733
Fund Balances			
Nonspendable	150,000	-	150,000
Restricted	-	34,526,380	34,526,380
Assigned	7,205,400	-	7,205,400
Unassigned	25,688,419	-	25,688,419
Total Fund Balances	33,043,819	34,526,380	67,570,199
Total Liabilities and Fund Balances	$ 87,924,135	$ 50,352,797	$ 138,276,932

	Unrestricted	Restricted	Total General Fund
Revenues			
Local control funding formula	$ 379,587,970	$ 3,420,929	$ 383,008,899
Federal sources	-	45,910,978	45,910,978
Other state sources	11,512,604	62,626,248	74,138,852
Other local sources	7,145,418	73,625,516	80,770,934
Total Revenues	398,245,992	185,583,671	583,829,663
Expenditures			
Current			
Instruction	178,896,428	154,928,623	333,825,051
Instruction related activities	60,472,157	34,797,256	95,269,413
Pupil services	20,541,814	29,772,035	50,313,849
General administration	26,284,139	4,016,144	30,300,283
Plant services	35,573,261	20,399,308	55,972,569
Ancilliary services	1,372,873	11,306,603	12,679,476
Community services	430,246	-	430,246
Other outgo	96,350	5,503,343	5,599,693
Capital outlay	49,463	-	49,463
Debt service			
Principal	5,420,579	-	5,420,579
Interest	507,955	-	507,955
Total Expenditures	329,645,265	260,723,312	590,368,577
Excess (Deficiency) of revenues over expenditures	68,600,727	(75,139,641)	(6,538,914)
Other Financing Sources (Uses):			
Interfund transfers in	264,067	-	264,067
Interfund transfers out	-	(886,044)	(886,044)
Intrafund transfers	(69,868,069)	69,868,069	-
Net Financing Uses	(69,604,002)	68,982,025	(621,977)
Net Change in Fund Balances	(1,003,275)	(6,157,616)	(7,160,891)
Fund Balance - Beginning	34,047,094	40,683,996	74,731,090
Fund Balance - Ending	$ 33,043,819	$ 34,526,380	$ 67,570,199

Note 1 - Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of the Oakland Unified School District (District) under programs of the federal government for the year ended June 30, 2020. The information 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). Because the schedule presents only a selected portion of the operations of the Oakland Unified School District, it is not intended to and does not present the financial position, changes in net assets (or net position or fund balance), or cash flows of Oakland Unified School District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed.

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.

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 54 days due to the pandemic. As a result, the District received credit for these 54 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

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.

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
June 30, 2020

Oakland Unified School District

EideBailly

CPAs & BUSINESS ADVISORS

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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oakland Unified School District, (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 8, 2021. 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) as a basis for designing 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 Oakland Unified School District'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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, 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 questioned costs as items 2020-001, 2020-003, and 2020-005 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 questioned costs as items 2020-002, 2020-004, and 2020-006 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oakland Unified School 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2020-007 through 2020-015.

The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Menlo Park, California
March 8, 2021

EideBailly

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Independent Auditor's Report on Compliance for Each Major Federal Program; Report 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, 2020. 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 opinions 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	Compliance Requirement
2020-007	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)	Activities, Costs
2020-008	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)	Procurement
2020-009	U.S. Department of Agriculture, California Department of Education: Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)	Eligibility
2020-011	U.S. Department of Education, California Department of Education: Special Education (84.027, 84.027A, 84.173, 84.173A)	Matching, Level of Effort, Earmarking

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

Qualified Opinion on Each Major Federal Program
In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended June 30, 2020.

Other Matters
The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying

schedule of findings and questioned costs as item 2020-010. Our opinion on the major federal program is not modified with respect to that matter.

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.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-007 through 2020-009 and 2020-11 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-010 to be a significant deficiency.

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

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

Eide Bailly LLP

Menlo Park, California
March 8, 2021

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on State Compliance

Board of Education
Oakland Unified School District
Oakland, California

Report on State Compliance
We have audited Oakland Unified School District's (District) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility
Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility
Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. 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 audit requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on Attendance, School Accountability Report Card, 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 Attendance (2020-012) School Accountability Report Card (2020-013 and 2020-014), and Unduplicated Local Control Funding Formula Pupil Counts (2020-015). Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

Qualified Opinion on Attendance, School Accountability Report Card, 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 Attendance, School Accountability Report Card, and Unduplicated Local Control Funding Formula Pupil Counts for the year ended June 30, 2020.

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, 2020.

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.

Compliance Requirements Tested
In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with 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

	Procedures Performed
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
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
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-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.



Menlo Park, California
March 8, 2021

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared ina ccordance with GAAP:	Qualified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Title I Grants to Local Educational Agencies	84.010
Supporting Effective Instruction State Grants	84.367
School Improvement Grant	84.377
Special Education - IDEA Cluster	84.027, 84.027A, 84.173, 84.173A
Twenty-First Century Community Learning Centers	84.287
Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559
Child and Adult Care Food Program	10.558

Dollar threshold used to distinguish between type A and type B programs:	$ 2,117,580
Auditee qualified as low-risk auditee?	No

State Compliance

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

Name of Program
Attendance
School Accountability Report Card
Unduplicated Local Control Funding Formula Pupil Counts

The following findings are 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

2020-001 Financial Statement Presentation of Fiduciary Funds (ASB)
Code 30000

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. Management of the District estimates that approximately $650 thousand of ASB funds are deposited in District controlled 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 has not completed implementing the procedures to accumulate the data necessary to present the associated student body fund financial information.

Identification as a Repeat Finding
See finding 2019-001.

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
In the Summer of 2020, the District resumed a previous attempt to address the lack of ASB Funds and management. Communication was sent to sites in July 2020 communicating the District's strategy, plan and the expectation of sites to submit bank information and preparation for training with the District's chosen ASB system, ASB Works. As of January 2021, there are 20 ASB Schools, 19 Bank Accounts using four (4) Banking institutions, 18 bank accounts totaling $650 thousand, 14 are now on ASB Works, 13 have been set up to use ASB Works and 11 are trained to use ASB Works. The District is also preparing an ASB Training for all sites and all related training staff in February 2021.

2020-002 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 is 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.

Context
Expenditures for wages and benefits of $428.6 million are approximately 77% of general fund expenditures. The condition applies to 67 items from our total sample of 89.

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 2019-002.

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
The District has identified this area as a key concern and the alignment between payroll, human resources, business services, and risk management has been critical to address this issue. The District is identifying that not only are the internal procedures fragmented, but the District has also identified critical system needs as post correction from its 2018-19 transition to the Escape System. Though there were challenges in its use of the former IFAS system and record keeping, the Alameda County Office of Education has supported and hosted meetings in support of correcting the system needs to provide more accurate reporting. This activity has been focused and ongoing since September 2020.

The District leadership team is actively working to identify, train, and focus on the critical areas to make sure that the position management, attachment, employee compensation alignment, and reporting are accurate and reliable. This is an intense area of focus with a desire to make significant strides for improvement in 2020-21.

2020-003 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 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, payroll expenditures reported are fairly stated based on the amounts actually paid upon separation. However, we cannot conclude if the District has a complete and accurate accounting of vacation balances of which to base payments upon separation.

Context
Expenditures for wages and benefits of $446.4 million are approximately 76% of general fund expenditures. Vacation payouts during the year were $1.0 million, of the $14 million total estimated accrued vacation liability.

Effect
Although the accounting records reflect actual expense paid, there is a higher risk that employee vacation is not reported, and the liability and eventual payout may be in excess of what was earned.

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 2019-003.

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
Similar to what was stated above in finding 2020-002, the District's inability to validate compensation records and transactions to include leave taken, reported, and recorded is another key area of focus and the appropriate assignments to lead this project has been done upon the selection and hiring of the Directors of Payroll and Budget and Finance. The leadership team and assigned staff will also develop a revised standard operating procedure to share with all departments and sites to ensure that leave procedures are understood and followed, which includes monthly reconciliation by department and site and the use of the Frontline System designed to capture the information.

2020-004 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, excluding construction contractors, was $160.6 million for the fiscal year. The above condition applies to 2 of 6 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 2019-005.

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
The District is in the process of developing and adopting new purchasing procedures which may include the recommendation of updating board policies. This process will include more robust procedures that will be implemented district-wide. The District is using the LAUSD model as a guide. These procedures are being built under a new management team and organizational structure that began in 2020-21.

2020-005 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.

Context
Health and welfare expenditures were $63 million for the year ending June 30, 2020.

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, 2020.

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 2019-006.

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
The negotiations process is in progress with HBGB and the objective to negotiate a formula that is clearer and minimizes the risk of interpretation for future operational failure is the goal of the District.

2020-006 Audit Adjustments
Code 30000

Criteria
Management of the District must account for all transactions in accordance with generally accepted accounting principles.

Condition
Significant deficiency in internal control.

Audit adjustments were necessary for the financial statements to be presented conform with generally accepted accounting principals.

Context
One transaction in the building fund of $275 thousand was recorded into the accounting records of fiscal year 2020-21, although it should have been recorded into the accounting records of fiscal year 2019-20.

Effect
Audit adjustments were necessary for the financial statements to be presented in accordance with GAAP. Furthermore, because the condition was identified by the audit, there is a higher risk that other errors may exist that were not detected by the audit procedures.

Cause
This specific invoice was presented to the District after the fiscal year 2019-20 closing process was completed.

Identification as a Repeat Finding
This is not reported as a prior year audit finding.

Recommendation
We recommend that accounting personnel inventory all invoices received after the “accounts payable cut-off date” if such invoices should have otherwise been accrued. This listing will create a basis for the District to determine if an adjustment is necessary for the financial statements to be complete in all material respects.

Views of Responsible Officials and Planned Corrective Actions
The appropriate accounting controls and procedures will be part of the training and development of the staff as well as those responsible for management approval.

Federal Compliance Findings

2020-007 Documenting Activities and Costs Charged to Federal Grants
Material weakness in internal control and noncompliance about allowable activities and costs
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. 2 CFR section 200.200 specifies the standards for documenting that direct charges to federal awards are for allowable costs.

Condition
The District did not provide sufficient documentation for us to conclude that it has implemented effective internal controls over federal compliance, as required by the Uniform Guidance.

Questioned Costs
Known and likely questioned costs by program are as follows:

CFDA	Known	Likely
84.010, 84.367	$8,149	$770,781
84.287	$27,773	$123,307
10.553, 10.555, 10.559, 10.558	$131,874	$2,202,490

Context
The Uniform Guidance specifies documentation standards when charging activities and costs to federal grants. The District was unable to provide supporting documentation for certain expenditures.

The following table shows the number of deviations in relation to the audit sample per program:

Grant Name	CFDA	Sample Size	Compliance Exception	Control Exception
Title I and Title II	84.010, 84.367	80	2	29
School Improvement Grant	84.377	80	-	39
Special Education Cluster	84.027, 84.174	40	-	40
21 Century	84.287	80	3	35
Child Nutrition and Child and Adult Care Food Program	10.553, 10.555, 10.556, 10.558, 10.559	89	13	56
Total		369	18	199
Payroll related		204	4	185
Vendor related		165	14	14
		369	18	199

Effect
The District is unable to provide support that all costs charged to a given program are supported, and consequently, allowable.

Cause
The District is continuing to work towards full implementation of its policies and procedures surrounding federal compliance. The District's revised time and effort documentation policies became effective during the fiscal year end June 30, 2020.

Identification as a Repeat Finding
See finding 2019-008.

Recommendation
We recommend management of the District to continue implementation of its newly developed policies about time and effort documentation.

Views of responsible Officials/Corrective Action Plan
As of January 2021, the District has initiated proper procedures to ensure that allocations to Federal Programs are managed compliantly. There are several areas to this work to include programmatic and compliance work and training led by the Strategic Resource & Planning department in conjunction with Business Services improving the infrastructure of the financial management of the District. This places the District in a prime position to alleviate repeat findings.

2020-008 Procurement funded by Federal grants
Material weakness in internal control and noncompliance about procurement
Code 50000

Federal Program Affected
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
Sections 200.318 through 200.326 of the Uniform Guidance specifies the procurement requirements applicable to Federal grants.

Condition
Material weakness in internal control over compliance and noncompliance because the District could not provide evidence that vendors were selected pursuant to the criteria specified above.

Questioned Costs
We were not provided sufficient documentation to calculate questioned costs.

Context
The amount charged to grants of which the Federal procurement requirements apply is $7.2 million during the current year. We selected three procurements for testing and the condition applies to two.

Cause
There is no specific person accountable to ensure compliance with this requirement.

Identification as a Repeat Finding
This was not identified as a 2019 compliance finding.

Recommendation
We recommend that personnel responsible for Federal compliance review contracts funded by Federal grants to verify that procurements were selected per the Uniform Guidance.

Views of Responsible Officials/Corrective Action Plan
The District is revamping its procedures that are currently decentralized and independent from one site/department to another. This places the District at risk for triggering compliance errors that range from the method of vendor review to the selection based on qualifications and exceeding bid thresholds. The District also has a significant missed opportunity to participate in cooperative purchasing contracts and or piggyback contracts as applicable.

The District has re-assigned this critical area of focus in the assignment of the Director of Transportation and Purchasing, under the direction of the Chief Business Officer to providing the proper training and provide and secure subject matter expertise to ensure compliance and mitigate these findings.

2020-009 Eligibility for Free and Reduced Priced Meals

Material weakness in internal control and noncompliance about eligibility for free and reduced-priced meals
Code 50000

Federal Program Affected

U.S. Department of Agriculture, California Department of Education: Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559).

Criteria

The District is reimbursed for meals served to students eligible for free or reduced pricing. The reimbursement rates depend on how the student is classified. (7 CFR sections 245.2, 245.3, and 245.6; section 9(b)(1) of the NSLA (42 USC 1758 (b)(1)); sections 3(a)(6) and 4(e) of the CNA (42 USC 1772(a)(6) and 1773(e))).

A child's eligibility for free or reduced price meals under a Child Nutrition Cluster program may be established by the submission of an annual application. Children belonging to households meeting income eligibility requirements may receive meals at no charge or at reduced price. Children who have been determined ineligible for free or reduced price school meals pay the full price, set by the District, for their meals. (7 CFR sections 225.15(f), 245.1(a), and 245.3(c); definition of "subsidized lunch (paid lunch)" at 7 CFR section 210.2).

Condition

Material weakness in internal control over compliance and noncompliance because students are classified as eligible for free or reduced price meals, although the District did not provide a supporting application in all instances.

Questioned Costs

Questioned costs associated with this condition are $628, which is an estimate of excess reimbursement received by the District that is associated with the unsupported audit samples. Likely questioned costs are $270 thousand.

Context

We selected a sample of 60 and this condition applies to two. In one case the District classified a student as eligible for reduced-price meals. The other student was classified as eligible for free meals. In both cases, the students should have been classified as "paid" because the District did not provide the applications to support the audit.

Cause

The District did not have adequate processes to review all income verification forms to ensure they meet the income eligibility requirements and retain them to support an audit.

Identification as a Repeat Finding

This was not identified as a 2019 compliance finding.

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.

Views of Responsible Officials/Corrective Action Plan
The Technology Staff will work closely with the Child Nutrition department to ensure complete documentation is in place and periodic review and reconciliation are completed for CALPADS certification.

2020-010 Twenty-First Century Attendance Reporting
Significant deficiency in internal control about attendance reporting
Code 50000.

Federal Program Affected
U.S. Department of Agriculture, California Department of Education: 21 Century (84.287).

Criteria
The California Department of Education (CDE) administers California's 21st Century Community Learning Centers CCLC) program. Education Code sections 8484.7 - 8484.9 further define California's 21st CCLC Program. This state-administered, federally funded program provides five-year grant funding to establish or expand before and after school programs that provide disadvantaged kindergarten through twelfth-grade students with academic enrichment opportunities and supportive services to help the students meet state and local standards in core content areas.

The District evidences student participation by reporting attendance to the CDE. The daily attendance shall be recorded for all the students attending the after school program on each school day the program operates.

Condition
Significant deficiency in internal control over compliance because attendance reported to the CDE was overstated by insignificant amounts.

Questioned Costs
Not applicable.

Context
The District operates a 21 Century Program at over 60 schools. We selected a sample of five schools, and the condition applies to two of the sampled schools. For one school, the District's monthly records support 11,483 days of attendance, however the amount reported was 11,898, which is a difference of 415 or four percent. For the other school, the District's monthly records support 27,087 days of attendance, however the amount reported was 27,370, which is a difference of 283 or one percent.

Cause
After the District reported the attendance number to CDE, lead agencies were able to enter new attendance without notifying the District.

Identification as a Repeat Finding
This was not identified as a 2019 compliance finding.

Recommendation
Any changes to attendance records after the cut-off period should require manual override by responsible District officials.

Views of Responsible Officials/Corrective Action Plan
The State and Federal Compliance Department will develop procedures to ensure compliance with federal grants. These trainings will include the appropriate method to report, retain, and validate attendance timely.

2020-011 Special Education Early Intervention Services
Material weakness in internal control and noncompliance
Code 50000

Federal Program Affected
U.S. Department of Education, California Department of Education: Special Education (84.027, 84.027A, 84.173, 84.173A)

Criteria
An LEA can use not more than 15 percent of the amount of federal Special Education Part B funds the LEA receives for any fiscal year, in combination with other funds, to develop and implement, early intervening services for children in kindergarten through grade 12 who have not been identified under IDEA but need additional academic and behavioral support to succeed in the general education environment (20 USC 1413(f); 34 CFR section 300.226).

Condition
Material weakness in internal control and noncompliance because the District did not separately track expenditures for early intervention services from other federal special education expenditures.

Questioned Costs
Not applicable.

Context
15 percent of the fiscal year 2019-20 federal special education expenditures are $1.4 million. The District did not separately track expenditures for early intervention services.

Cause
The District was unaware of the requirement to separately track expenditures for early intervention services.

Identification as a Repeat Finding
This was not identified as a 2019 compliance finding.

Recommendation
The District should separately track expenditures for early intervention services from other special education services so that it may demonstrate compliance.

Views of Responsible Officials/Corrective Action Plan
The District did not separately track the IDEA Part B Funds in 2019-20 but has created the appropriate resources and set them aside in 2020-21.

State Compliance Findings

2020-012 Attendance Recording
Code 10000, 40000

Criteria
EDC §41601 requires reporting of average daily attendance (ADA) to the California Department of Education, which is the basis of state funding, and for other compliance reasons.

Condition
If not for audit adjustments, reported attendance, and by extension State funding that is based on ADA 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.

Furthermore, 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 regular ADA at P-2 was 33 thousand. A change of one ADA has approximately a $10,800 effect on the unrestricted general fund.

Effect
Although this was identified and corrected early in the year, there is a higher-than-normal risk to the District that decision could be based on incorrect ADA. 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 these errors. We recommend the District to appoint a specific person with the responsibility of implementing and enforcing the policies. Furthermore, we found instances where the "single period forms" were completed but necessary updates were not entered into Aeries, and there must be an emphasis on that follow through. Specifically, management should monitor secondary sites to ensure they are completing the "single period attendance reports" weekly.

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

Identification as a Repeat Finding
See finding 2019-010

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.

2020-013 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 the quarterly summaries described in the criteria paragraph.

Questioned Costs
There is no questioned cost associated with this condition.

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
See finding 2019-011.

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.

2020-014 School Accountability Report Card
Code 40000, 72000

Criteria
EDC §17002 and EDC §33126(b)(8) requires that an assessment of school facilities be included in the annual School Accountability Report Card (SARC). School Districts use a "Facility Inspection Tool (FIT)" or equivalent, as the documented basis of the conditions reported in the facilities section of the SARC.

Condition
The District could not provide the FIT, or equivalent, for us to compare with the information about facilities published in the SARC.

Questioned Costs
There is no questioned cost associated with this condition.

Context
We selected a sample of 18 schools and the condition applies to 11 of those schools.

Effect
Information contained in the SARC regarding school facilities may be incomplete or inaccurate.

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

Identification as a Repeat Finding
This was not reported as a prior year finding.

Views of Responsible Officials/Corrective Action Plan
The District has included this area of gap in staff assignment and will address the corrective action required.

2020-015 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 (EDC §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 (EDC §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 pupils incorrectly classified as eligible for free or reduced prices meals per the documentation provided by the District. We also found a pupil incorrectly classified as an "English learner" (EL) per the documentation provided by the District.

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 $80,814, per the California Department of Education Audit Finding Calculator.

Context
The total audit sample was 170 and the following describes the identified deviations:

> FRPM Eligibility - Of the students indicated as a "No" under the "Direct Certification" column, that are only free or reduced priced meal eligible (FRPM) identified under the "NSLP Program" column, we identified *two* deviations of *60* samples.
>
> EL Designation - Of the students that are only English Learner (EL) designate as identified under the "ELAS Designation" column, we identified *one* deviation of *50* samples.

CALPADS certified total enrollment count was 109,629, and the certified total unduplicated pupil count was 83,846.

Decreases to the unduplicated pupil count are as follows:

> FRPM eligibility - Decreases to the unduplicated pupil count based on FRPM eligibility and calculated by extrapolation of the known inappropriately reported pupil counts are 47.
>
> EL Designation - Decreases to the unduplicated pupil count based on English language designation and calculated by extrapolation of the known inappropriately reported pupil counts are 4.

The adjusted unduplicated pupil count based on extrapolation is 83,795. There is no change to enrollment count.

Effect
There may be errors in the unduplicated pupil count. 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
See finding 2019-013.

Views of Responsible Officials/Corrective Action Plan
The District will review the current assignments and reconciliation/data validation procedures to improve our data validation and reporting accuracy.

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

Financial Statement Findings

2019-001 - 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 develop procedures to identify the student body accounts at each of the school sites. Additionally, the District should adopt the procedures contained in the FCMAT ASB manual regarding custody and oversight of the student body funds.

Current Status
See finding 2020-001.

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

Finding
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.

Recommendation
Ensure that management in charge of these areas is held accountable. Management further should 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 2020-002.

2019-003 – Payroll Internal Control Process, Vacation

Finding

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.

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.

Current Status

See finding 2020-003.

2019-004 - 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

Resolved.

2019-005 - Contractor Selection Internal Controls

Finding
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.

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

Current Status
See finding 2020-004.

2019-006 - 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 2020-005.

2019-007 - Audit Adjustment to Correct Understatement of Fund Balance

Finding
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."

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

Current Status
Resolved

2019-008 - Documenting Activities and Costs Charged to Federal Grants

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 2020-007.

2019-009 - Title I Comparability

Finding
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.

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

Current Status
Resolved.

2019-010 - Attendance Recording

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

Recommendation
Appointment someone with the responsibility and authority to oversee the attendance taking process.

Current Status
See finding 2020-012

2019-011 - School Accountability Report Card

Finding
The District did not provide us with quarterly Williams complaint forms.

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

Current Status
See finding 2020-013

2019-012 - Instructional Minutes

Finding
The District did not offer the minimal number of annual instructional minutes in grades 4 and 5 at two schools.

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 unanswered for eight months. We recommend the District to appoint someone to be held accountable for compliance in this area.

Current Status
Resolved.

2019-013 - Unduplicated Local Control Funding Formula Pupil Counts

Finding
Pupils were incorrectly classified as “English learner” (EL) in CALPADS.

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

Current Status
See finding 2020-015

OUSD 2019-20 CORRECTIVE ACTON PLAN

Financial Statement Findings

2020-001 Financial Statement Presentation of Fiduciary Funds (ASB)

Code 30000

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. Management of the District estimates that approximately $650 thousand of ASB funds are deposited in District controlled 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 has not completed implementing the procedures to accumulate the data necessary to present the associated student body fund financial information.

Identification as a Repeat Finding
See finding 2019-001.
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.

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Views of Responsible Officials/Corrective Action Plan
In the Summer of 2020, the District resumed a previous attempt to address the lack of ASB Funds and management. Due to the Covid-19 pandemic, it has been challenging to obtain documentation required to implement corrective action. However, corrective action has been made steadily. Communication was sent to sites in July 2020 communicating the District's strategy, plan and the expectation of sites to submit bank information and preparation for training with the District's chosen ASB system, ASB Works. As of January 2021, there are 20 ASB Schools, 19 Bank Accounts using four (4) Banking institutions, 18 bank accounts totaling $650 thousand, 13 are now on ASB Works, 8 have been set up to use ASB Works and 11 are trained to use ASB Works. The District has provided ASB Training for 14 sites and responsible staff in February 2021. The District is working to centralize ASB banking so that Business Services can streamline ASB management/reporting.

Name of the contact person responsible for corrective action for finding 2020-001
Lisa Grant-dawson, Chief Business Official
Ryan Nguyen, Controller

Anticipated completion date
June 30, 2022

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2020-002 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 is 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.

Context
Expenditures for wages and benefits of $428.6 million are approximately 77% of general fund expenditures.
The condition applies to 67 items from our total sample of 89.
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 2019-002.

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

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followed in accordance with District policies.

Views of Responsible Officials and Planned Corrective Actions
The District has identified this area as a key concern and the alignment between payroll, human resources, business services, and risk management has been critical to address this issue. The District is identifying that not only are the internal procedures fragmented, but the District has also identified critical system needs as post correction from its 2018-19 transition to the Escape System. Though there were challenges in its use of the former IFAS system and record keeping, the Alameda County Office of Education has supported and hosted meetings in support of correcting the system needs to provide more accurate reporting. This activity has been focused and ongoing since September 2020.

The District leadership team is actively working to identify, train, and focus on the critical areas to make sure that the position management, attachment, employee compensation alignment, and reporting are accurate and reliable. This is an intense area of focus with a desire to make significant strides for improvement in 2020-21.

Name of the contact person responsible for corrective action for finding 2020-002
Nicole Caldwell, Payroll Director
Lisa Grant-dawson, Chief Business Official

Anticipated completion date
June 30, 2022

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2020-003 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 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, payroll expenditures reported are fairly stated based on the amounts actually paid upon separation. However, we cannot conclude if the District has a complete and accurate accounting of vacation balances of which to base payments upon separation.

Context
Expenditures for wages and benefits of $446.4 million are approximately 76% of general fund expenditures. Vacation payouts during the year were $1.0 million, of the $14 million total estimated accrued vacation liability.

Effect
Although the accounting records reflect actual expenses paid, there is a higher risk that employee vacation is not reported, and the liability and eventual payout may be in excess of what was earned.

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.

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Identification as a Repeat Finding
See finding 2019-003.

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
Similar to what was stated above in finding 2020-002, the District's inability to validate compensation records and transactions to include leave taken, reported, and recorded is another key area of focus and the appropriate assignments to lead this project has been done upon the selection and hiring of the Directors of Payroll and Budget and Finance. The leadership team and assigned staff will also develop a revised standard operating procedure to share with all departments and sites to ensure that leave procedures are understood and followed, which includes monthly reconciliation by department and site and the use of the Frontline System designed to capture the information.

Name of the contact person responsible for corrective action for finding 2020-003
Nicole Caldwell, Payroll Director
Lisa Grant-dawson, Chief Business Official

Anticipated completion date
June 30, 2022

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2020-004 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, excluding construction contractors, was $160.6 million for the fiscal year. The above condition applies to 2 of 6 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 2019-005.

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
The District is in the process of developing and adopting new purchasing procedures which may include the recommendation of updating board policies. This process will include more robust procedures that will be implemented district-wide. The District is using the LAUSD model as a guide. These procedures are being built under a new management team and organizational structure that began in 2020-21.

Name of the contact person responsible for corrective action for finding 2020-004
Kimberly Raney, Operations Officer

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Lisa Grant-dawson, Chief Business Official

Anticipated completion date
June 30, 2021

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2020-005 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.

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Context
Health and welfare expenditures were $63 million for the year ending June 30, 2020.

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, 2020.

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 2019-006.

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
The negotiations process is in progress with HBGB and the objective to negotiate a formula that is clearer and minimizes the risk of interpretation for future operational failure is the goal of the District.

Name of the contact person responsible for corrective action for finding 2020-005
Jenine Lindsey, Executive Director of Labor Relations & ADR
Lisa Grant-dawson, Chief Business Official
Joshua Daniels, General Counsel

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Anticipated completion date
June 30, 2021

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2020-006 Audit Adjustments

Code 30000

Criteria
Management of the District must account for all transactions in accordance with generally accepted accounting principles.

Condition
Significant deficiency in internal control.

Audit adjustments were necessary for the financial statements to be presented conform with generally accepted accounting principles.

Context
One transaction in the building fund of $275 thousand was recorded into the accounting records of fiscal year 2020-21, although it should have been recorded into the accounting records of fiscal year 2019-20.

Effect
Audit adjustments were necessary for the financial statements to be presented in accordance with GAAP. Furthermore, because the condition was identified by the audit, there is a higher risk that other errors may exist that were not detected by the audit procedures.

Cause
This specific invoice was presented to the District after the fiscal year 2019-20 closing process was completed.

Identification as a Repeat Finding
This is not reported as a prior year audit finding.

Recommendation
We recommend that accounting personnel inventory all invoices received after the "accounts payable cut-off date" if such invoices should have otherwise been accrued. This listing will create a basis for the District to determine if an adjustment is necessary for the financial statements to be complete in all material respects.

Views of Responsible Officials and Planned Corrective Actions
The appropriate accounting controls and procedures will be part of the training and development of the staff as well as those responsible for management approval.

Name of the contact person responsible for corrective action for finding 2020-006
Ryan Nguyen, Controller

Anticipated completion date

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Federal Compliance Findings

2020-007 Documenting Activities and Costs Charged to Federal Grants

Material weakness in internal control and noncompliance about allowable activities and costs 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. 2 CFR section 200.200 specifies the standards for documenting that direct charges to federal awards are for allowable costs.

Condition
The District did not provide sufficient documentation for us to conclude that it has implemented effective internal controls over federal compliance, as required by the Uniform Guidance.

Questioned Costs
Known and likely questioned costs by program are as follows:

Context
The Uniform Guidance specifies documentation standards when charging activities and costs to federal grants. The District was unable to provide supporting documentation for certain expenditures.

The following table shows the number of deviations in relation to the audit sample per program:

Effect
The District is unable to provide support that all costs charged to a given program are supported, and consequently, allowable.

Cause
The District is continuing to work towards full implementation of its policies and procedures surrounding federal compliance. The District's revised time and effort documentation policies became effective during the fiscal year end June 30, 2020.

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Identification as a Repeat Finding
See finding 2019-008.

Recommendation
We recommend management of the District to continue implementation of its newly developed policies about time and effort documentation.

Views of responsible Officials/Corrective Action Plan
As of January 2021, the District has initiated proper procedures to ensure that allocations to Federal Programs are managed compliantly . There are several areas to this work to include programmatic and compliance work and training led by the Strategic Resource & Planning department in conjunction with Business Services improving the infrastructure of the financial management of the District. This places the District in a prime position to alleviate repeat findings.

Name of the contact person responsible for corrective action for finding 2020-007
Lisa Spielman, Strategic Resource Planning, Director

Anticipated completion date
June 30, 2021

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2020-008 Procurement funded by Federal grants

Material weakness in internal control and noncompliance about procurement Code 50000

Federal Program Affected
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
Sections 200.318 through 200.326 of the Uniform Guidance specifies the procurement requirements applicable to Federal grants.

Condition
Material weakness in internal control over compliance and noncompliance because the District could not provide evidence that vendors were selected pursuant to the criteria specified above.

Questioned Costs
We were not provided sufficient documentation to calculate questioned costs.

Context
The amount charged to grants of which the Federal procurement requirements apply is $7.2 million during the current year. We selected three procurements for testing and the condition applies to two.

Cause
There is no specific person accountable to ensure compliance with this requirement.

Identification as a Repeat Finding
This was not identified as a 2019 compliance finding.

Recommendation
We recommend that personnel responsible for Federal compliance review contracts funded by Federal grants to verify that procurements were selected per the Uniform Guidance.

Views of Responsible Officials/Corrective Action Plan
The District is revamping its procedures that are currently decentralized and independent from one site/department to another. This places the District at risk for triggering compliance errors that range from the method of vendor review to the selection based on qualifications and exceeding bid thresholds. The District also has a significant missed opportunity to participate in cooperative purchasing contracts and or piggyback contracts as applicable.

The District has re-assigned this critical area of focus in the assignment of the Director of Transportation and Purchasing, under the direction of the Chief Business Official to provide the proper training and provide and

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secure subject matter expertise to ensure compliance and mitigate these findings.

Name of the contact person responsible for corrective action for finding 2020-008
Kimberly Raney, Director of Transportation
Rosaura Altamirano, Sr Mgr Supply Chain & Logistics
Lisa Grant-dawson, Chief Business Official

Anticipated completion date
June 30, 2021

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2020-009 Eligibility for Free and Reduced Priced Meals

Code 50000

Material weakness in internal control and noncompliance about eligibility for free and reduced- priced meals

Federal Program Affected
U.S. Department of Agriculture, California Department of Education: Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559).

Criteria
The District is reimbursed for meals served to students eligible for free or reduced pricing. The reimbursement rates depend on how the student is classified. (7 CFR sections 245.2, 245.3, and 245.6; section 9{b){l) of the NSLA {42 USC 1758 (b){l)); sections 3{a){6) and 4{e) of the CNA {42 USC 1772{a){6) and 1773{e))).
A child's eligibility for free or reduced price meals under a Child Nutrition Cluster program may be established by the submission of an annual application. Children belonging to households meeting income eligibility requirements may receive meals at no charge or at reduced price. Children who have been determined ineligible for free or reduced price school meals pay the full price, set by the District, for their meals. (7 CFR sections 225.15(f), 245.l(a), and 245.3(c); definition of "subsidized lunch (paid lunch)" at 7 CFR section 210.2).

Condition
Material weakness in internal control over compliance and noncompliance because students are classified as eligible for free or reduced price meals, although the District did not provide a supporting application in all instances.

Questioned Costs
Questioned costs associated with this condition are $628, which is an estimate of excess reimbursement received by the District that is associated with the unsupported audit samples. Likely questioned costs are $270 thousand.

Context
We selected a sample of 60 and this condition applies to two. In one case the District classified a student as eligible for reduced-price meals. The other student was classified as eligible for free meals. In both cases, the students should have been classified as "paid" because the District did not provide the applications to support the audit.

Cause
The District did not have adequate processes to review all income verification forms to ensure they meet the income eligibility requirements and retain them to support an audit.

Identification as a Repeat Finding
This was not identified as a 2019 compliance finding.

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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.

Views of Responsible Officials/Corrective Action Plan
The Technology Staff will work closely with the Child Nutrition department to ensure complete documentation is in place and periodic review and reconciliation are completed for CALPADS certification.

Name of the contact person responsible for corrective action for finding 2020-009
Irene Reynolds, Exec Dir Nutrition Services Food Services
Susan Beltz, Technology Information Officer

Anticipated completion date
June 30, 2021

DRAFT

2020-010 Twenty-First Century Attendance Reporting

Code 50000.
Significant deficiency in internal control about attendance reporting

Federal Program Affected
U.S. Department of Agriculture, California Department of Education: 21 Century (84.287).

Criteria
The California Department of Education (CDE) administers California's 21st Century Community Learning Centers CCLC) program. Education Code sections 8484.7 - 8484.9 further define California's 21st CCLC Program. This state-administered, federally funded program provides five-year grant funding to establish or expand before and after school programs that provide disadvantaged kindergarten through twelfth-grade students with academic enrichment opportunities and supportive services to help the students meet state and local standards in core content areas.

The District evidences student participation by reporting attendance to the CDE. The daily attendance shall be recorded for all the students attending the after school program on each school day the program operates.

Condition
Significant deficiency in internal control over compliance because attendance reported to the CDE was overstated by insignificant amounts.

Questioned Costs
Not applicable.

Context
The District operates a 21 Century Program at over 60 schools. We selected a sample of five schools, and the condition applies to two of the sampled schools. For one school, the District's monthly records support 11,483 days of attendance, however the amount reported was 11,898, which is a difference of 415 or four percent. For the other school, the District's monthly records support 27,087 days of attendance, however the amount reported was 27,370, which is a difference of 283 or one percent.

Cause
After the District reported the attendance number to CDE, lead agencies were able to enter new attendance without notifying the District.

Identification as a Repeat Finding
This was not identified as a 2019 compliance finding.

Recommendation
Any changes to attendance records after the cut-off period should require manual override by responsible

DRAFT

District officials.

Views of Responsible Officials/Corrective Action Plan
The State and Federal Compliance Department will develop procedures to ensure compliance with federal grants. These training will include the appropriate method to report, retain, and validate attendance timely.

Name of the contact person responsible for corrective action for finding 2020-010
Lisa Spielman, Strategic Resource Planning, Director
Susan Beltz, Chief Technology Officer

Anticipated completion date
June 30, 2021

DRAFT

2020-011 Special Education Early Intervention Services

Code 50000

Material weakness in internal control and noncompliance

Federal Program Affected
U.S. Department of Education, California Department of Education: Special Education (84.027, 84.027A, 84.173, 84.173A)

Criteria
An LEA can use not more than 15 percent of the amount of federal Special Education Part B funds the LEA receives for any fiscal year, in combination with other funds, to develop and implement, early intervening services for children in kindergarten through grade 12 who have not been identified under IDEA but need additional academic and behavioral support to succeed in the general education environment (20 USC 1413(f); 34 CFR section 300.226).

Condition
Material weakness in internal control and noncompliance because the District did not separately track expenditures for early intervention services from other federal special education expenditures.

Questioned Costs
Not applicable.

Context
15 percent of the fiscal year 2019-20 federal special education expenditures are $1.4 million. The District did not separately track expenditures for early intervention services.

Cause
The District was unaware of the requirement to separately track expenditures for early intervention services.

Identification as a Repeat Finding
This was not identified as a 2019 compliance finding.

Recommendation
The District should separately track expenditures for early intervention services from other special education services so that it may demonstrate compliance.

Views of Responsible Officials/Corrective Action Plan
The District did not separately track the IDEA Part B Funds in 2019-20 but has created the appropriate resources and set them aside in 2020-21.
Name of the contact person responsible for corrective action for finding 2020-011

DRAFT

Jennifer Blake, Executive Director, PEC Special Education
Lisa Grant-Dawson, Chief Business Official

Anticipated completion date
Completed

DRAFT

State Compliance Findings

2020-012 Attendance Recording

Code 10000, 40000

Criteria
EDC §41601 requires reporting of average daily attendance (ADA) to the California Department of Education, which is the basis of state funding, and for other compliance reasons.

Condition
If not for audit adjustments, reported attendance, and by extension State funding that is based on ADA 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.

Furthermore, 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 regular ADA at P-2 was 33 thousand. A change of one ADA has approximately a $10,800 effect on the unrestricted general fund.

Effect
Although this was identified and corrected early in the year, there is a higher-than-normal risk to the District that the decision could be based on incorrect ADA. 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 these errors. We recommend the District to appoint a specific person with the responsibility of implementing and enforcing the policies. Furthermore, we found instances where the "single period forms" were completed but necessary updates were not entered into

DRAFT

Aeries, and there must be an emphasis on that follow through. Specifically, management should monitor secondary sites to ensure they are completing the "single period attendance reports" weekly.

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

Identification as a Repeat Finding
See finding 2019-010

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.

Name of the contact person responsible for corrective action for finding 2020-012
Susan Beltz, Technology Information Officer

Anticipated completion date
June 30, 2021

DRAFT

2020-013 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 the quarterly summaries described in the criteria paragraph.

Questioned Costs
There is no questioned cost associated with this condition.

Context
The condition is not specific to any single site.

Effect
Information contained in the SARC regarding complaints related to teacher mis-assignments 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
See finding 2019-011.

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 school report cards and quarterly Williams complaint summaries comply with State law.

Name of the contact person responsible for corrective action for finding 2020-013
Lisa Grant-dawson, Chief Business Official
Lisa Spielman, Strategic Resource Planning, Director
Joshua Daniels, General Counsel

Anticipated completion date
June 30, 2021

DRAFT

2020-014 School Accountability Report Card

Code 40000, 72000

Criteria
EDC §17002 and EDC §33126(b)(8) requires that an assessment of school facilities be included in the annual School Accountability Report Card (SARC). School Districts use a "Facility Inspection Tool (FIT)" or equivalent, as the documented basis of the conditions reported in the facilities section of the SARC.

Condition
The District could not provide the FIT, or equivalent, for us to compare with the information about facilities published in the SARC.

Questioned Costs
There is no questioned cost associated with this condition.

Context
We selected a sample of 18 schools and the condition applies to 11 of those schools .

Effect
Information contained in the SARC regarding school facilities may be incomplete or inaccurate.

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

Identification as a Repeat Finding
This was not reported as a prior year finding.

Views of Responsible Officials/Corrective Action Plan
The District has included this area of gap in staff assignment and will address the corrective action required.

Name of the contact person responsible for corrective action for finding 2020-014
Lisa Grant-dawson, Chief Business Official
Lisa Spielman, Strategic Resource Planning, Director

Anticipated completion date
June 30, 2021

DRAFT

2020-015 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 (EDC §2574(b)(l) 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 (EDC §2574(b) (2) and 42238.02(b)(l)).

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 pupils incorrectly classified as eligible for free or reduced prices meals per the documentation provided by the District. We also found a pupil incorrectly classified as an "English learner" (EL) per the documentation provided by the District.

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 $80,814, per the California Department of Education Audit Finding Calculator.

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Context
The total audit sample was 170 and the following describes the identified deviations:

FRPM Eligibility - Of the students indicated as a "No" under the "Direct Certification" column, that are only free or reduced priced meal eligible (FRPM) identified under the "NSLP Program" column, we identified two deviations of 60 samples.

EL Designation - Of the students that are only English Learner (EL) designated as identified under the "ELAS Designation" column, we identified one deviation of 50 samples.

CALPADS certified total enrollment count was 109,629, and the certified total unduplicated pupil count was 83,846.

Decreases to the unduplicated pupil count are as follows:

FRPM eligibility - Decreases to the unduplicated pupil count based on FRPM eligibility and calculated by extrapolation of the known inappropriately reported pupil counts are 47.

EL Designation - Decreases to the unduplicated pupil count based on English language designation and calculated by extrapolation of the known inappropriately reported pupil counts are 4.

The adjusted unduplicated pupil count based on extrapolation is 83,795. There is no change to enrollment count.

Effect
There may be errors in the unduplicated pupil count. 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
See finding 2019-013.

Views of Responsible Officials/Corrective Action Plan
The District will review the current assignments and reconciliation/data validation procedures to improve our data validation and reporting accuracy.

Name of the contact person responsible for corrective action for finding 2020-0015
Nicole Knight, Executive Director, ELLMA
Alanna Lim, Director Student Assignment

DRAFT

Susan Beltz, CTO, Free/Reduced-Nutrition-Services, EL-Enrollment & Testing
Jennifer Tam, Program Manager Foster Youth, Foster
Trish Anderson, Spec Homeless Youth Prog, Homeless

Anticipated completion date
June 30, 2022

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

2018-2019 Financial Statement Findings

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

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

The District is unable to present the fiduciary activity in the financial statements. Furthermore, the District is unable to exercise its fiduciary responsibility over custody of these funds on behalf of the student body. The District did not have procedures in place to accumulate the data necessary to present the associated student body fund financial information.

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
The District adopted FCMAT ASB Manual to address this finding. The District purchased the ASB Accounting Software to be housed on District's Server and is in the process of set up ASB accounts for sites that have ASB activities. Staff will receive training on the ASB policies and procedures and how to use the new accounting software. Ongoing training and support will be provided to ensure policies and procedures are followed. The District will present ASB account balances in auditable format for fiscal year 2020-21.

Name of the contact person responsible for corrective action for finding 2019-001
Ryan Nguyen, Controller

Anticipated completion date
June 30, 2020

DRAFT

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

Significant deficiency in internal control - 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.

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.

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
Written procedures will be provided to employees in key positions. The District will establish a standing committee comprised of key staff members from Human Resources, Payroll, and Finance divisions to develop an ongoing system of monitoring to ensure the policies and consistently followed. Finally, staff will ensure formal record retention policy that supports the fact that controls are being followed in accordance with District policies is updated and communicated.

Name of the contact person responsible for corrective action for finding 2019-002
Vida Branner, Payroll Director

Anticipated completion date
June 30, 2020

DRAFT

Finding 2019-003, Payroll Internal Controls, Vacation

Material weakness in internal control - 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 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.

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.

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
Written procedures will be provided to employees in key positions. The District will establish a standing committee comprised of key staff members from Human Resources, Payroll, Labor Relations, and Finance divisions to develop an ongoing system of monitoring to ensure the policies and consistently followed. Finally, staff will ensure formal record retention policy that supports the fact that controls are being followed in accordance with District policies is updated and communicated.

Name of the contact person responsible for corrective action for finding 2019-003
Vida Branner, Payroll Director

DRAFT

Anticipated completion date
June 30, 2020

DRAFT

Finding 2019-004, Classification of Workers

Significant deficiency in internal control - Management of the District is responsible to complying with board-approved policies about 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.

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. 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.

Views of responsible officials and planned corrective actions
Central office staff (a cross-departmental team comprised of Labor Relations, Operations, and Finance) will develop procedures to address this finding. Such procedures will include, but will not be limited to, training of District school site and department leaders, creation of standard procedures for requiring documentation, development of a workflow and approval process for agreements with independent contractors, and periodic testing/internal auditing to ensure compliance. Staff will conduct a review of all independent contractors to ensure compliance with District policy and develop processes to ensure the accounting records are complete, accurate, and that documentation is available to support the audit.

Name of the contact person responsible for corrective action for finding 2019-004
Jenine Lindsey, Executive Director of Labor Relations & ADR

Anticipated completion date
Corrective actions will start in FY19-20 with goal of reaching full implementation by December 2020.

DRAFT

Finding 2019-005, Contractor Selection Internal Controls

Significant deficiency in internal control - Management of the District is responsible for ensuring compliance with board approved policies about the selection of vendors.

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.

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. 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
Processes and Procedures are in place for contractor selection. We continue to monitor and update the routing process so the end user can use the desired vendor within the guidelines. Finance staff will work in cooperation with procurement staff to ensure the accounting records are complete, accurate, and that documentation is available to support the audit.

Name of the contact person responsible for corrective action for finding 2019-005
Michael Moore, Operations Officer

Anticipated completion date
June 30, 2020

DRAFT

Finding 2019-006, Health Benefits Governing Board

Material weakness in internal control - 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 greater 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.

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 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 actual 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.

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.

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 (a cross-departmental team comprised of Labor Relations, General Counsel, and Finance) is in negotiation with labor union representatives to arrive at an agreement on terms and conditions regarding Health and Welfare contribution and reserve.

Name of the contact person responsible for corrective action for finding 2019-006
Jenine Lindsey, Executive Director of Labor Relations & ADR

Anticipated completion date
Negotiation is underway but anticipated completion date is uncertain due to complexity of the issue.

DRAFT

Finding 2019-007, Audit Adjustment to Correct Understatement of Fund Balance

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.

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

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

Name of the contact person responsible for corrective action for finding 2019-007
Ryan Nguyen, Controller

Anticipated completion date
June 30, 2020

DRAFT

FEDERAL COMPLIANCE FINDINGS:

Finding 2019-008, Documenting Activities and Costs Charged to Federal Grants

Material weakness in internal control over compliance and noncompliance – 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.

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

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

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 and planned corrective actions
The Strategic Resource Planning staff has developed a systematic approach which includes updated policies and procedures, end user guide, improved time and effort certification forms, and training to end users. Tremendous improvement has been noted in the collection of time and effort documents with the provided training and implementation of electronic routing. For FY19-20, 95% of multi-funded time reports have been collected and we will ensure all reports will be collected by the end of the fiscal year.

Name of the contact person responsible for corrective action for finding 2019-008
Lisa Spielman, Strategic Resource Planning, Director

DRAFT

Anticipated completion date
Completed

DRAFT

Finding 2019-009, Title I Comparability

Significant deficiency in internal control over compliance and noncompliance - 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.

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.

No questioned costs are associated with this finding.

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 and planned corrective actions
The Strategic Resource Planning Department is developing a system to ensure compliance with Title I Grant legislation. Such system approach includes updated policies and procedures, end user guide, calculation tool, and end user training. We will ensure cross-department collaboration and collective ownership of the process.

Name of the contact person responsible for corrective action for finding 2019-009
Lisa Spielman, Strategic Resource Planning, Director

Anticipated completion date
June 30, 2020

DRAFT

STATE COMPLIANCE FINDINGS:

Finding 2019-010, Attendance Reporting

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. 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.

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

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.

Views of responsible officials and planned corrective actions
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. The District is providing continuous training to sites and performing quality check of the attendance records.

Name of the contact person responsible for corrective action for finding 2019-0010
Shelia White, Attendance Coordinator

Anticipated completion date
Completed

Finding 2019-011, School Accountability Report Card

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.

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.

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

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

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 to ensure that are school report cards and quarterly Williams complaint summaries comply with State law.

Name of the contact person responsible for corrective action for finding 2019-0011
Gabriel Valenzuela, Ombudsperson/Title IX Coordinator

Anticipated completion date
June 30, 2020

DRAFT

Finding 2019-012, Instructional Minutes

EDC §46201(b) requires the District to provide a minimum of 54,000 annual instructional minutes in grades 4 to 8, inclusive. The District did not offer the minimal number of annual instructional minutes in grades 4 and 5 at two schools.

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 7,760.83 ADA, and the derived value of grade 4-6 ADA was $9,558.08. The shortage was 540 instructional minutes. The instructional time penalty is $741,786.

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

Views of responsible officials and planned corrective actions
The Strategic Resource Planning Department has developed procedures to ensure compliance with state law. Specifically, staff developed end user guide, provided training, and reviewed the calculation of annual instructional minutes before the start of the school year. Staff also improved the Instructional Minutes Reporting Tool. The District is in the process of applying for a waiver with the California Department of Education to request corrective action in place of the financial penalty.

Name of the contact person responsible for corrective action for finding 2019-0012
Lisa Spielman, Strategic Resource Planning, Director

Anticipated completion date
Completed

DRAFT

Finding 2019-013, Unduplicated Local Control Funding Formula Pupil Counts

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). Our audit procedures identified one pupil incorrectly classified as "English learner" (EL) in CALPADS.

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 84,648. There is no change to enrollment count.

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. 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.

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

Views of responsible officials and planned corrective actions
The District has made considerable improvements to the intake process, including requiring the enrollment attendant to follow up with the outgoing school districts when a student transfers in. The timelines for CALPADs reporting are also closely monitored, to ensure that any discrepancies between the information in Aeries and in CALPADS are resolved prior to the deadline for submission. The District has one full time employee responsible for CALPADS submissions and a team of enrollment and attendance staff who follow up as needed to ensure accurate reporting. The District will review the English Learner (EL) pupil identification process, implement appropriate procedures and ensure adequate training is provided. We will continue to work towards full compliance with state law and that documents stored in a manner that enables timely retrieval to support the audit.

Name of the contact person responsible for corrective action for finding 2019-0013
Ramona Burton, Director, State and Local Assessments
Nicole Knight, Executive Director, ELLMA

Anticipated completion date
June 30, 2020

DRAFT