



CPAs & BUSINESS ADVISORS

OAKLAND UNIFIED SCHOOL DISTRICT

Review of the 2020 Financial Report and Auditor's Reports – February 2021

AUDIT SCOPE

Multiple audits that behave as one:

Audit	Authority
Federal Compliance	Uniform Guidance
State Compliance	State of California Audit Guide for California K-12 School Districts
Financial Statements	Government Audit Standards and AICPA Professional Audit Standards

- Reporting if the District's internal controls are effective is *not* within the scope of the audit.
- However, GAS requires the auditor to report internal control deficiencies that are found during the audit.



COMPLIANCE SECTION

FINDINGS

- All findings are significant to *someone*.
- Findings that pose a *higher risk* to the District's financial position are those with
 - an actual or *potential* impact to the unrestricted general fund
 - More difficult to find the "answer"
 - substantive issues *other* than lack of documentation (because lack of documentation is easier to overcome)

FINDINGS INDEX

- 1 - Financial Statement Presentation of Fiduciary Funds (ASB)
- 2 - Human Resources/Payroll Internal Control Process, Pension
- 3 - **Payroll Internal Control Process, Vacation**
- 4 - Contractor Selection Internal Controls
- 5 - **Health Benefits Governing Board**
- 6 - **Audit Adjustments**
- 7 - Documenting Activities and Costs Charged to Federal Grants
- 8 - Procurement funded by federal grants
- 9 - **FRMP eligibility**
- 10 - Twenty-First Century Attendance Reporting
- 11 - Special Education Early Intervention Services
- 12 - **Attendance recording**
- 13 and 14 – SARC
- 15 - **Unduplicated LCFF Pupil Count**

FINDINGS INDEX – HIGHER RISK

- 3 - Payroll Internal Control Process, Vacation
- 5 - Health Benefits Governing Board
- 9 - FRMP eligibility
- 12 - Attendance recording
- 15 - Unduplicated LCFF Pupil Count

2020-003, VACATION (PAGE 98)

Condition: 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.

Effect: 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.

2020-005 – HBGB (PAGE 101)

Condition: The formula to calculate the District's health and welfare obligations is not clear and has been interpreted differently with substantially varying outcomes.

Effect: Unknown.

2020-009 AND 2020-015 (PAGE 108 AND 114)

Condition:

- 1) Students were classified as eligible for free or reduced-price meals, although the District did not provide a supporting application in all instances.
- 2) We identified a pupil incorrectly classified as an English Learner.

Effect: Identification and correction of any errors could result in considerable questioned costs.

2020-012 - ATTENDANCE RECORDING (111)

Condition: Material weakness in internal control because If not for audit adjustments, reported attendance, and by extension State funding would have been overstated.

Effect: Higher than “normal” risk that ADA reports may contain errors.

FINDINGS INDEX

- 1 - Financial Statement Presentation of Fiduciary Funds (ASB)
 - ASB accounts are not presented
- 2 - Human Resources/Payroll Internal Control Process, Pension
 - unable to supply documentation that census information reported to pension providers is complete and accurate
- 4 and 8- Contractor Selection Internal Controls and Procurement funded by federal grants
 - unable to provide documentation to show us that vendors were selected pursuant to District purchasing policy
- 7 - Documenting Activities and Costs Charged to Federal Grants
- Unable to provide all documentation required by the UG. Primarily A/P, which was not an issue last year.
- 10 - Twenty-First Century Attendance Reporting
 - Immaterial errors with attendance reporting
- 11 - Special Education Early Intervention Services
 - did not separately track expenditures for early intervention services from other federal special education expenditures.
- 13 and 14 – SARC
 - Quarterly Williams summaries, FIT

2020-006 – AUDIT ADJUSTMENTS

	<u>Building Fund</u>
Fund Balance	
Balance, June 30, 2020, unaudited actuals	\$ 124,217,259
Change in fund balance from:	
Timing difference of expenditure recognition	(275,158)
Actuarially calculated claims liability	-
Net pension liability and related deferrals	-
	<u> </u>
Balance, June 30, 2020, audited GAAP basis financial statements	<u><u>\$ 123,942,101</u></u>

FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Adult Education Fund
Unaudited actuals	\$ 25,533,197	\$ 128,438,168	\$ 9,790,633	\$ 71,301,295	\$ 458,657
Changes from					
Investments	(312,107)	72,409	53,542	51,580	459
Accounts receivable	1,074,416	-	-	-	(407)
Accounts payable	1,113,574	212,247	(3,654)	-	24,041
Current loans	(44,489)	-	-	-	-
Fund balance per audited financial statements	<u>\$ 27,364,591</u>	<u>\$ 128,722,824</u>	<u>\$ 9,840,521</u>	<u>\$ 71,352,875</u>	<u>\$ 482,750</u>
					Special Reserve
	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Capital Outlay Fund
Unaudited actuals	\$ 1,722	\$ 209,029	\$ 2,795,816	\$ 3,553,057	\$ 1,479,441
Changes from					
Investments	1,957	1,273	757	(10,987)	(7,662)
Accounts receivable	-	(49,660)	-	-	-
Accounts payable	324	(263,890)	-	10,000	-
Interfund payables	-	239,149	-	-	-
Fund balance per audited financial statements	<u>\$ 4,003</u>	<u>\$ 135,901</u>	<u>\$ 2,796,573</u>	<u>\$ 3,552,070</u>	<u>\$ 1,471,779</u>



FINANCIAL SECTION

ADJUSTMENTS, PAGE 77

Audit Adjustments

- Timing differences

Differences in basis of accounting

- Claims liability
- Pension

	Building Fund	Self Insurance Fund
	<u> </u>	<u> </u>
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)
	<u> </u>	<u> </u>
Balance, June 30, 2020, audited GAAP basis financial statements	<u><u>\$ 123,942,101</u></u>	<u><u>\$ (27,349,862)</u></u>

COMPONENTS OF ENDING FUND BALANCE

Page 46 – Snapshot of the District's financial position on June 30, 2020:

- *Restricted* – *Externally* imposed restrictions; District has no control, expenditures are linked to dedicate revenues.
- *Committed* – Restrictions are imposed by the BOE.
- *Assigned* – Amounts cropped out by *management* for a *specific* purpose.
- *Unassigned* – Amounts available for general operations, unplanned events, uncertainties...
- The "unassigned fund balance" is \$25.7 million



TRENDS - PAGE 78

	(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 ⁴	\$ 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



- Financial health continues a positive trend, as measured by available reserves.
- Caution about ADA trends.

TRENDS

	(Budget) 2020 ¹	2019	2018	2017
GENERAL FUND				
Revenues	\$ 571,056,865	\$ 606,101,494	\$ 557,452,856	\$ 538,680,771
Other sources and transfers in	564,067	185,645	207,817	4,772,512
Total revenues and other sources	571,620,932	606,287,139	557,660,673	543,453,283
Expenditures	570,752,569	575,812,737	533,219,289	545,926,788
Other uses and transfers out	2,676,044	5,726,382	1,722,460	5,157,909
Total expenditures and other uses	573,428,613	581,539,119	534,941,749	551,084,697
CHANGE IN FUND BALANCE	\$ (1,807,681)	\$ 24,748,020	\$ 22,718,924	\$ (7,631,414)
ENDING FUND BALANCE	\$ 72,923,409	\$ 74,731,090	\$ 49,983,070	\$ 27,264,146
AVAILABLE RESERVES ²	\$ 22,262,225	\$ 24,069,906	\$ 10,830,054	\$ 3,062,676
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.88%	4.14%	2.02%	0.56%

2020	General Fund
Nonspendable	
Revolving cash	\$ 150,000
Total nonspendable	<u>150,000</u>
Restricted	
Purpose of the grant, federal/s	2,522,418
Ongoing maintenance	502,658
Purpose of the local grant	7,301,614
Measure G1	12,675,811
Measure N	11,523,879
Food service	-
Capital projects	-
Debt services	-
Total restricted	<u>34,526,380</u>
Committed	
Deferred maintenance	-
Assigned	
Health & welfare	4,001,789
Charter Lease & Repair	2,283,187
Staled warrants	841,026
ECE Rental	79,398
Purpose of the fund	-
Total assigned	<u>7,205,400</u>
Unassigned	
Reserve for economic uncertainties	17,737,638
Remaining unassigned	7,950,781
Total unassigned	<u>25,688,419</u>
Total	<u>\$ 67,570,199</u>

2019	General Fund
Nonspendable	
Prepaid expenditures	\$ 139,029
Revolving cash	150,000
Total nonspendable	<u>289,029</u>
Restricted	
Adult education	-
Capital projects	-
Child development	-
Debt service	-
Local programs	13,268,485
Measure G1 programs	11,890,484
Measure N programs	10,462,747
Ongoing maintenance	1,392,662
State and federal programs	3,669,618
Total restricted	<u>40,683,996</u>
Committed	
Capital projects	-
Child nutrition	-
Educational programs	-
Total committed	<u>-</u>
Assigned	
Audit findings	898,510
ECE rental	32,254
Health and welfare	4,001,789
Prop 39 charter repairs	2,283,187
Routine maintenance	638,137
Special Ed outstanding accruals	246,022
State dated warrants	1,588,260
Total assigned	<u>9,688,159</u>
Unassigned	
Reserve for economic uncertainties	19,776,627
Unassigned	4,293,279
Total unassigned	<u>24,069,906</u>
Total fund balance	<u>\$ 74,731,090</u>

ONE FINAL METRIC

	<u>2019</u>	<u>2020</u>
Unrestricted expenditures and transfers	\$ 380,621,388	\$ 399,513,334
Available fund balance	\$ 24,069,906	\$ 25,688,419
Reserves as a percentage of unrestricted expenditures	6.3%	6.4%





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