



April 12, 2021

Board of Education and
Citizens' Bond Oversight Committee
Oakland Unified School District
Oakland, California

We have audited the financial statements of Oakland Unified School District (District) 2006 Measure B and 2012 Measure J General Obligation Bond Program (Bond Program) as of and for the year ended June 30, 2020 and have issued our report thereon dated April 12, 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 *Government Auditing Standards*

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. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

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. No such significant accounting estimates were identified.

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 and each applicable opinion unit.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management: Measure J \$283 thousand timing difference, increase in expenditures and accounts payable.

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: Understatement of unrealized investment income from the GASB 31 fair market value adjustment of Measure B \$381 thousand, and Measure J \$2 million

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 District’s 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 April 12, 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 and regulatory conditions affecting the entity, and operational 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.

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



Menlo Park, California



Financial Audits
2006 Measure B Fund
June 30, 2020

Oakland Unified School District

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Financial Audit
2006 Measure B Fund
June 30, 2020

Oakland Unified School District



Independent Auditor's Report

Board of Education and
Citizens' Bond Oversight Committee
Oakland Unified School District
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the November 6, 2006 School Facilities Improvement Bond of 2006 (Measure B) of the Oakland Unified School District, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Measure B'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 an opinion 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 of 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 financial statements, whether due to error or fraud. 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 principles 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 2006 Measure B Fund of 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.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Building Fund specific to Measure B are intended to present the financial position and the changes in financial position attributable to the transactions of that Fund. They do not purport to, and do not, present fairly the financial position of Oakland Unified School District as of June 30, 2020, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2021, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund'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 Fund's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Menlo Park, California
April 12, 2021

Oakland Unified School District
2006 Measure B Fund
Balance Sheets
June 30, 2020

Assets	
Deposits and investments	\$ 21,655,436
Interest receivable	94,504
Total assets	<u>\$ 21,749,940</u>
Liabilities and Fund Balances	
Liabilities	
Trade accounts payable	\$ 1,323,055
Total liabilities	<u>1,323,055</u>
Fund Balance	
Restricted for Measure B	<u>20,426,885</u>
Total Liabilities and fund balance	<u>\$ 21,749,940</u>

Oakland Unified School District
 2006 Measure B Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Year Ended June 30, 2020

Revenues		
Interest		\$ 477,900
Refund		11,221
Total revenues		<u>489,121</u>
Expenditures		
Capital outlay		
Salaries		5,069
Employee benefits		795
Equipment		657,790
Services and operating expenditures		29,725
Construction		4,693,626
Total expenditures		<u>5,387,005</u>
Excess of expenditures over revenues		<u>(4,897,884)</u>
Net change in fund balance		<u>(4,897,884)</u>
Fund Balance, beginning of the year		<u>25,324,769</u>
Fund Balance, ending of the year		<u>\$ 20,426,885</u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the 2006 Measure B Fund (Fund) of Oakland Unified School District (District) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Financial Reporting Entity

The Measure B General Obligation Bond Fund was established to account for the expenditures of general obligation bonds issued under the June 6, 2006 School Facilities Improvement Bond of 2006 (Measure B) of the Oakland Unified School District. Approval of measure B authorized the District to issue \$435,000,000 of general obligation bonds for construction or modernization of school facilities. The following table shows bonds issued under Measure B as of June 30, 2020.

Series Name	Issue Date	Initial Principal Amount
Series 2006	August 1, 2006	\$ 130,000,000
Series 2009A	August 12, 2009	87,885,000
Series 2009B	August 12, 2009	70,795,000
Series 2009C	August 12, 2009	26,320,000
Series 2012A	March 21, 2012	31,040,000
Series 2012B	March 21, 2012	23,960,000
Series 2016A	August 17, 2016	65,000,000
		\$ 435,000,000

These financial statements are not intended to present the financial position and results of operations of the Oakland Unified School District as a whole, in accordance with accounting principles generally accepted in the United States of America.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements of the Fund are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Using this measurement focus, only current assets and current liabilities are included in the balance sheet. Expenditures are not capitalized or depreciated in these financial statements. Long-term debt is not included as a liability of the Fund. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred.

Investment

Investments held at June 30, 2020, 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.

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 Bond Fund 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.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Investments

Policies and General Authorization

The Fund 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 the county treasurer (Education Code Section 41001). The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis. The Fund's investment in the pool is reported in the financial statements at the Fund's pro-rata share of amortized cost which approximates fair value. Amortized cost and fair value are provided by the county treasurer for the entire portfolio.

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 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's investment in the County Pool is not rated as of June 30, 2020.

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.

Uncategorized – The District's investments in the Alameda County Investment Pool are not measured using the input levels described above because transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

Note 3 - Contingencies and Commitments

Performance Audit and Other Reports

The Alameda County Grand Jury Report and the Measure B Construction Bond Funds Performance Audit Report for the Fiscal Year Ended June 30, 2020 contain information that may be relevant to readers of the Fund financial statements. Management has determined that no conditions exist that require a loss contingency accrual, and no such estimate of an amount can be made based on facts and circumstances to date.

Litigation

The Fund 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 Fund at June 30, 2020.

Construction Commitments

The Fund had contractual obligations of \$3,057,651 on June 30, 2020 for Measure B capital improvement projects.



Independent Auditor's Report
June 30, 2020

Oakland Unified School District



**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 and
Citizens' Board Oversight Committee
Oakland Unified School District
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Oakland Unified School District (District) 2006 Measure B Fund (the Fund), as of and for the year ended June 30, 2020, and the related notes of the financial statements, and have issued our report thereon dated April 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund'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 the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

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 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. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fund'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's Response to Findings

Management's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

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

Menlo Park, California
April 12, 2021

SUMMARY OF AUDITORS RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiency identified?	<u>None Reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

None reported.

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

2019-001, Audit Adjustments – Material Weakness in Internal Control Over Financial Reporting

Finding

Expenditures were not classified in accordance with generally accepted accounting principal on the internal management reports. The expenditures were understated ended June 30, 2019. The audit adjustment did not change the ending fund balance but modified how the accounting records were classified on the income statement. The adjustment was necessary because Measure B paid for vendor expenses that were budgeted to be paid from Measure J in the August 2018 Spending Plan. Both Measures are permissible funding sources.

Recommendation

We recommend the District’s Controller review the year-end closing entries to ensure they are presented per GAAP.

Current Status

Resolved.

2019-002, Stale Dated Warrants – Material Weakness in Internal Control Over Financial Reporting

Finding

The building fund of the Oakland Unified School District includes cash as of June 30, 2019, that needs to be distributed between the separate Measure J and Measure B bond funds. The balance of cash as of June 30, 2019, of the separate bond fund financial statements, does not include these amounts.

Recommendation

We recommend management to refund Measure B for its share of the cancelled expenses. Going forward, management should ensure that refunds are credit to the account concurrently with the underlying transaction.

Current Status

Resolved.



Financial Audits
2012 Measure J Fund
June 30, 2020

Oakland Unified School District

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Financial Audit
2012 Measure J Fund
June 30, 2020

Oakland Unified School District



Independent Auditor's Report

Board of Education and
Citizens' Bond Oversight Committee
Oakland Unified School District
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the November 6, 2012 School Facilities Improvement Bond of 2012 (Measure J) of the Oakland Unified School District, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Measure J'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 an opinion 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 of 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 financial statements, whether due to error or fraud. 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 principles 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 2012 Measure J fund of Oakland Unified School District as of June 30, 2020, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Fund specific to the Measure J Bond Fund, and are not intended to present fairly the financial position and results of operations of Oakland Unified School District in accordance with accounting principles generally accepted in the United States of America.

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2021, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund'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 Fund's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Menlo Park, California
April 12, 2021

Oakland Unified School District

2012 Measure J Fund

Balance Sheets

June 30, 2020

Assets	
Cash and investments	\$ 113,767,523
Interest receivable	524,890
Dues from District general fund	30,036
Total assets	<u>\$ 114,322,449</u>
Liabilities and Fund Balances	
Liabilities	
Trade accounts payable	\$ 10,772,653
Payable to District capital facilities fund	75,103
Total liabilities	<u>10,847,756</u>
Fund Balance	
Restricted for Measure J	103,474,693
Total fund balance	<u>103,474,693</u>
Total liabilities and fund balance	<u>\$ 114,322,449</u>

Oakland Unified School District
 2012 Measure J Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Year Ended June 30, 2020

Revenues		
Interest		\$ 2,729,670
Refund		424,060
Proceeds from sale of bonds		175,000,000
Total revenues		<u>178,153,730</u>
Expenditures		
Capital outlay		
Salaries		2,240,500
Employee benefits		1,006,237
Supplies and equipment		1,391,936
Services and operating expenditures		1,342,194
Construction		73,235,026
Total expenditures		<u>79,215,893</u>
Excess of expenditures over revenues		98,937,837
Net change in fund balance		98,937,837
Fund balance, beginning of the year		<u>4,536,856</u>
Fund balance, ending of the year		<u><u>\$ 103,474,693</u></u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the 2012 Measure J Fund (the Fund) of Oakland Unified School District (the District) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Financial Reporting Entity

The Measure J General Obligation Bond Fund was established to account for the expenditures of general obligation bonds issued under the November 6, 2012 School Facilities Improvement Bond of 2012 (Measure J) of the Oakland Unified School District. Approval of Measure J authorized the District to issue \$475,000,000 of general obligation bonds for construction or modernization of school facilities. The following table shows bonds issued under Measure J as of June 30, 2020.

Series Name	Issue Date	Initial Principal Amount
Series 2013	September 4, 2013	\$ 120,000,000
Series 2015A	August 20, 2015	173,500,000
Series 2015B-Taxable	August 20, 2015	6,500,000
Series 2019A	August 13, 2019	160,000,000
Series 2019B-Taxable	August 13, 2019	15,000,000
		\$ 475,000,000

These financial statements are not intended to present the financial position and results of operations of the Oakland Unified School District as a whole, in accordance with accounting principles generally accepted in the United States of America.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements of the Fund are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Using this measurement focus, only current assets and current liabilities are included in the balance sheet. Expenditures are not capitalized or depreciated in these financial statements. Long-term debt is not included as a liability of the Fund. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred.

Investment

Investments held at June 30, 2020, 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.

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 Bond Fund 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.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Investments

Policies and General Authorization

The Fund 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 the county treasurer (Education Code Section 41001). The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis. The Fund's investment in the pool is reported in the financial statements at the Fund's pro-rata share of amortized cost which approximates fair value. Amortized cost and fair value are provided by the county treasurer for the entire portfolio.

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 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's investment in the County Pool is not rated as of June 30, 2020.

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.

Uncategorized – The District's investments in the Alameda County Investment Pool are not measured using the input levels described above because transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

Note 3 - Interfund Transactions

Transfers out of \$75,103 to the Fund 25 Capital Facilities Fund of Oakland Unified School District are reimbursements for expenditures initially paid from those sources.

Note 4 - Contingencies and Commitments

Performance Audit and Other Reports

The Alameda County Grand Jury Report and the Measure J Construction Bond Funds Performance Audit Report for the Fiscal Year Ended June 30, 2020 contain information that may be relevant to readers of the Fund financial statements. Management has determined that no conditions exist that require a loss contingency accrual, and no such estimate of an amount can be made based on facts and circumstances to date.

Litigation

The Fund 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 Fund at June 30, 2020.

Construction Commitments

The Fund had contractual obligations of \$69,793,001 on June 30, 2020 for Measure J capital improvement projects.



Independent Auditor's Report
June 30, 2020

Oakland Unified School District



**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 and
Citizens' Board Oversight Committee
Oakland Unified School District
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the Oakland Unified School District (District) 2012 Measure J Fund (Fund), as of and for the year ended June 30, 2020, and the related notes of the financial statements, and have issued our report thereon dated April 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund'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 the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

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 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. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. During our audit we identify deficiencies in internal control, describe in the accompanying schedule of findings and responses as items 2020-001 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fund'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's Response to Findings

Management's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

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

Menlo Park, California
April 12, 2021

SUMMARY OF AUDITORS RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiency identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

The following finding represents a significant deficiency related to the financial statements that is required to be reported in accordance with Government Auditing Standards.

2020-001, Audit Adjustments – Significant Deficiency in Internal Control Over Financial Reporting

Criteria

Management of the District is responsible for ensuring that the financial statements of the bond funds are complete and accurate representations of the bond fund accounting records.

Condition

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

Context

The following table itemizes the audit adjustments:

	Beginning Fund Balance	Accounts Payables	Expenditures
Per District books	\$ 4,820,590	10,497,495	\$ 79,224,469
Audit adjustments			
Timing difference	-	275,158	275,158
Prior year audit adjustment	(283,734)		(283,734)
Total, net audit adjustments	(283,734)	275,158	(8,576)
Per audited financial statements	<u>\$ 4,536,856</u>	<u>\$ 10,772,653</u>	<u>\$ 79,215,893</u>

The audit adjustment did not significantly change the OUSD ending fund balance but modified how the accounting records were classified on the income statement. The adjustment was necessary because the expenditure of \$275,158 should be accrued in the fiscal year 2020.

Effect

Expenditures were not classified in accordance with generally accepted accounting principles on the internal management reports.

Cause

The State prescribed method of accounting does not always result in a GAAP basis presentation of financial statements.

Recommendation

We recommend the District's Controller review the year-end closing entries to ensure they are presented per GAAP.

Views of Responsible Officials

The Controller will review the fiscal year ending June 30, 2020 closing entries to ensure they are presented per GAAP.

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

2019-001, Audit Adjustments – Material Weakness in Internal Control Over Financial Reporting

Finding

Expenditures were not classified in accordance with generally accepted accounting principles on the internal management reports. Expenditure that was recorded by management into the fiscal year 2019-20 accounting records. The other audit adjustment did not change the ending fund balance but modified how the accounting records were classified on the income statement. The adjustment was necessary because Measure B paid for vendor expenses that were budgeted to be paid from Measure J in the August 2018 Spending Plan. Both Measures are permissible funding sources.

Recommendation

We recommend the District's Controller review the year-end closing entries to ensure they are presented per GAAP.

Current Status

Resolved.

2019-002, Stale Dated Warrants – Material Weakness in Internal Control Over Financial Reporting

Finding

The building fund of the Oakland Unified School District includes cash as of June 30, 2019, that needs to be distributed between the separate Measure J and Measure B bond funds. The balance of cash as of June 30, 2019, of the separate bond fund financial statements, does not include these amounts.

Recommendation

We recommend management to refund Measure J for its share of the cancelled expenses. Going forward, management should ensure that refunds are credit to the account concurrently with the underlying transaction.

Current Status

Resolved.