



December 13, 2024

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

We have audited the financial statements of the Oakland Unified School District (District) as of and for the year ended June 30, 2024, and have issued our report thereon dated December 13, 2024. 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 May 7, 2024, 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 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 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 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 District's major federal program compliance, is to express an opinion on the compliance for each of District's 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 District's internal control over compliance.

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

We have provided our comments regarding internal controls during our audit in our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December 13, 2024. 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 December 13, 2024.

### **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.

### **Significant Risks Identified**

As stated in our auditor’s report, professional standards require us to design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by fraud or error. In designing our audit procedures, professional standards require us to evaluate the financial statements and assess the risk that a material misstatement could occur. Areas that are potentially more susceptible to misstatements, and thereby require special audit considerations, are designated as “significant risks.” We have identified the following as significant risks.

*Management Override of Controls* – professional standards require auditors to address the possibility of management overriding controls. Accordingly, we considered the possibility that management of the organization may have the ability to override controls that the organization has implemented. Management may override the organization’s controls in order to modify the financial records with the intent of manipulating the financial statements to overstate the organization’s financial performance or with the intent of concealing fraudulent transactions. We are pleased to report that no such matters were identified during our audit.

*Improper Revenue Recognition* – professional standards require auditors to presume that revenue recognition is a fraud risk. Therefore, improper revenue recognition was identified as a fraud risk due to possibility that revenue is not recorded in the proper period, in the incorrect amount, etc. either due to error or fraud. We are pleased to report that no actual instances were identified during our audit.

*Estimates* – Generally Accepted Auditing Standards require a presumed risk of management bias when assumptions are used to calculate significant account balances, which for the District applies to pension and claims.

## **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 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 the fiscal year. 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 as follows:

Management's estimate of the aggregate net pension liability, related deferred outflows of resources, deferred inflows of resources, and pension expense is based on the District's proportionate share of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) estimated net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, which were actuarially determined, utilizing projections of future contributions and future earnings, actuarial assumptions such as inflation, salary increases, mortality rates, and investment rate of return and discount rates in the determination of the final balances reported in the CalSTRS and CalPERS audited financial statements. The District's proportionate share was determined by calculating the District's share of contributions to the pension plan relative to the contributions of all participating entities in the plan.

Management's estimate of the claims liability is based on a historical data for workers' compensation claims. Estimates related to claims liabilities involve significant assumptions about events that will determine future claims costs, including the amount and severity of future claims, changes in discount and inflation rates, as well as the outcomes of future administrative proceedings and potential litigation

We evaluated the key factors and assumptions used to develop the significant accounting estimates 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 the District's financial statements relate to:

- **Note 1** summarizes the District's significant accounting policies.
- **Note 6** describes the District's long-term debt activities including required principal and interest payments for debt service.
- **Note 9** describes the valuation of the District's net pension liability and related deferred outflows and inflows of resources. Such amounts are sensitive to the underlying actuarial assumptions used including, but not limited to, the investment rate of return and discount rate. As disclosed, a one percent increase or decrease in the discount rate has a material effect on the District's net pension liability.

### **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. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

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.

	Debit (Credit)			Expenditures/ Expenses
	Assets	Liabilities	Revenues	
<b>GENERAL FUND:</b>				
Lottery Revenue Projection versus actual	\$ 665,079	\$ -	\$ (665,079)	\$ -
SBITA omission for convince	868,604	-	-	-
Finding 2024-001	-	(801,632)	-	801,632
A/R write-off during 2025	(1,087,060)		1,087,060	-
Total general fund	<u>\$ 446,623</u>	<u>\$ (801,632)</u>	<u>\$ 421,981</u>	<u>\$ 801,632</u>
<b>Building Fund</b>				
Legal settlement expensed when paid	\$ -	\$ (700,000)	\$ -	\$ 700,000
<b>Bond Interest and Redemption Fund</b>				
Receivables recorded in following year	\$ 1,044,794	\$ -	\$ (1,044,794)	\$ -
<b>AGGREGATE REMAINING FUNDS</b>				
Diff. between actuarial valuation and the claims liability	\$ -	\$ (356,202)	\$ -	\$ 356,202
<b>Government-Wide: Governmental Activities</b>				
Lottery Revenue	\$ 665,079		\$ (665,079)	
SBITA	868,604			
A/R write-off during 2025	(1,087,060)		1,087,060	
Legal settlement expensed when paid		(700,000)		700,000
Diff. between actuarial valuation and the claims liability		(356,202)		356,202
Finding 2024-001	-	(801,632)	-	801,632
Receivables recorded in following year	1,044,794		(1,044,794)	
Total, Government-Wide: Governmental Activities	<u>\$ 1,491,417</u>	<u>\$ (1,857,834)</u>	<u>\$ (622,813)</u>	<u>\$ 1,857,834</u>

The effect of these uncorrected misstatements as of and for the year ended June 30, 2024, is an understatement of the fund balance of the governmental funds of \$335 thousand, and an understatement of the governmental funds net position of \$336 thousand. Other fund as noted above.

### 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.

### Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. Our Independent Auditor's Report on State Compliance and on Internal Control Over State Compliance is modified for the following matter:

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the 2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, and which are described in the accompanying schedule of findings and responses as items 2024-001 through 2024-006. Our opinion on State compliance is not modified with respect to these this matter.

### **Representations Requested from Management**

We have requested certain written representations from management which are included in the management representation letter dated December 13, 2024.

### **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 the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, 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 the District's auditors.

### **Other Information Included in Annual Reports**

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

This report is intended solely for the information and use of the District's 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.



Menlo Park, California