

ANNUAL FINANCIAL REPORT OF CALIFORNIA K-12 SCHOOLS

**Report to the State
Superintendent of Public Instruction**

For the Period of July 1, 2013, through June 30, 2014



Betty T. Yee
California State Controller

July 2015



BETTY T. YEE
California State Controller

July 14, 2015

The Honorable Tom Torlakson
State Superintendent of Public Instruction
California Department of Education
P.O. Box 944272
Sacramento, CA 94244-2720

Dear Superintendent Torlakson:

I am pleased to present the Annual Financial Report of California K-12 Schools for the fiscal year (FY) 2013-14. The report summarizes the financial and program compliance status of the State's school districts, county offices of education, and charter schools for fiscal year FY 2013-14, unless otherwise specified. For FY 2013-14, there were a total of 2,120 local education agencies (LEAs), including 949 school districts, 58 county offices of education, and 1,113 charter schools.

For FY 2013-14, California LEA revenues exceeded expenditures by \$783 million. The number of LEAs engaged in multi-year deficit spending decreased from 299 to 282. The number of districts and county offices of education filing negative or qualified first- or second-interim certifications for FY 2014-15 decreased from 53 to 50. The primary reasons for filing negative or qualified certifications were projected operating expenditure changes, projected operating revenue changes, contributions changes, deficit spending, and inadequate reserves.

State and federal compliance findings noted in the independent auditors' reports of LEAs increased over the prior year. Auditors reported 848 compliance findings in FY 2013-14, a 28% increase over the 664 reported in FY 2012-13. Moreover, 16% of the compliance findings were related to deficiencies in average daily attendance (ADA) accounting, which is the primary basis for the allocation of State funding. Also, auditors also reported 212 audit findings pertaining to a new compliance requirement—Unduplicated Local Control Funding Pupil Counts.

I hope the report will be useful to you and the Legislature in planning California's future education needs. Please direct any comments regarding the content of the report to George Lolas, Chief Operating Officer, State Controller's Office, at (916) 552-8080.

Sincerely,

Original signed by

BETTY T. YEE

Contents

Executive Summary	1
Introduction	3
Financial Indicators	
Overview	5
Interim Reporting	5
Deficit Spending	7
Emergency Apportionments	7
General Fund Revenues and Expenditures	9
Debt Issuance	9
Lottery Revenues	11
Program Compliance	
Overview	12
Compliance Findings	12
County Offices of Education Audit Resolution Processes	13
Quality Control	
Overview	15
Audit Report Certifications	15
Reporting Deficiencies	16
On-Time Submissions	16
Average Audit Cost per ADA	17
Quality Control Reviews	18
Appendices	
Appendix A—Audit Report and Interim Report Disclosures of Impending Financial Problems	A-1
Appendix B—Local Education Agencies Filing Qualified or Negative Interim Reports ..	B-1
Appendix C—Summary of Audit Report Compliance Findings	C-1
Appendix D—Summary of Audit Report Deficiencies	D-1

Executive Summary

The State Controller has broad authority to oversee state and federal funding of California's public schools from kindergarten through the 12th grade (K-12). The State Controller's goal is to promote greater fiscal accountability by local education agencies (school districts, county offices of education, and charter schools) and to function as the independent protector of taxpayer dollars.

This oversight responsibility includes reviewing annual local education agency (LEA) audit reports, maintaining a database with financial and statistical data on LEA audit reports, reviewing and certifying the audit reports submitted by independent auditors, tracking financially troubled school districts identified by the interim reporting process, developing and submitting the content of the *Standards and Procedures for Audits of California K-12 Local Education Agencies* (K-12 Audit Guide) to the Education Audit Appeals Panel, and conducting financial and compliance audits of various LEAs.

Most of the information used to prepare this report is compiled from annual audit reports prepared for individual LEAs by independent certified public accountants for fiscal year (FY) 2013-14. Additional data was taken from interim financial report certifications submitted by LEAs for FY 2014-15. Information related to the emergency loan apportionments was obtained from various sources, including the California Infrastructure and Economic Development Bank (I-Bank).

This FY 2013-14 report contains the following key findings:

- The number of LEAs engaged in multi-year deficit spending decreased from 299 to 282. Although some LEAs legitimately may need to engage in multi-year deficit spending (such as for building projects), this practice often is an indication that a district is facing financial difficulties.
- The number of LEAs filing negative or qualified certifications during at least one of the two reporting periods decreased from 53 in FY 2013-14 to 50 in FY 2014-15. In the second reporting period of FY 2014-15, qualified interim financial reports were filed by 27 LEAs, and 4 LEAs filed negative interim financial reports. Financial difficulties may have a negative impact on these LEAs' educational programs.
- Debt issuance decreased by \$1.028 billion to a total of \$6.822 billion, a 13% decrease from the \$7.850 billion reported in the prior year. Generally, LEAs issue debt to fund capital improvements, refinance existing debt, or buy land for future use.

- The number of state and federal compliance findings contained in the audit reports of LEAs increased over the prior year. Approximately 16% of the compliance findings for FY 2013-14 are related to deficiencies in average daily attendance (ADA) accounting, which is the primary factor in determining the amount of funding an LEA receives from the State.
- The LEAs' annual audit reports disclosed 212 audit findings pertaining to the Unduplicated Local Control Funding Counts, a new compliance requirement that was added for FY 2013-14.
- The number of rejected audit reports decreased by 124, from 452 to 328.

Introduction

The State Controller's oversight role in the K-12 fiscal process is administered by the State Controller's, Division of Audits. Oversight activities focus primarily on three areas: financial indicators, program compliance, and quality control.

The State Controller also is responsible for financial oversight of local education agencies (school districts, charter schools, and county offices of education). Beginning with fiscal year (FY) 2005-06, California Education Code section 47634.2(d) rendered charter schools subject to audits, pursuant to California Education Code section 41020. Audits must be conducted in accordance with Title 5, *California Code of Regulations*, section 19810 et seq., which requires that *Standards and Procedures for Audits of California K-12 Local Education Agencies* (K-12 Audit Guide), must be followed.

Each section of this report specifies the type of local education agency (LEA) being reported on, and the fiscal year for which the data was obtained.

In accordance with California law, the State Controller's responsibilities include:

- Develop, in consultation with the California Department of Finance, the California Department of Education, and other school representatives, an annual audit guide that prescribes financial statements and other information that should be included in each LEA's audit report. The audit guide provides guidance to independent auditors who conduct LEA audits.¹
- Review each LEA's audit report submitted to the State and perform the associated follow-up actions, including compliance audits.²
- Track notifications from the school districts that identify substantial fiscal problems at interim reporting periods.

¹ *Standards and Procedures for Audits of California K-12 Local Education Agencies* (K-12 Audit Guide). The California Education Code provides that the Controller, in consultation with the California Department of Education, the California Department of Finance, representatives of the California School Boards Association, the California Association of School Business Officials, the California County Superintendents Educational Services Association, the California Teachers Association, and the California Society of Certified Public Accountants, shall recommend the statements and other information to be included in the audit reports filed with the State and shall propose an audit guide to carry out the purposes of this chapter. A supplement to the audit guide may be suggested during the audit year, to address issues resulting from new legislation in that year that changes the conditions of apportionment. The proposed content of the audit guide and any supplement to the audit guide shall be submitted by the Controller to the Education Audit Appeals Panel for review and possible amendment.

² Compliance audits are conducted to determine whether categorical state and federal program funds are expended in accordance with the applicable program laws and regulations.

- Conduct annual financial and compliance audits of school districts receiving emergency state apportionment loans.
- Ensure that satisfactory arrangements for an annual audit have been made for each LEA.
- Perform quality control reviews of independent auditors who conduct annual audits of LEAs.
- Compile pertinent data and report annually to the California State Legislature and the California Department of Education.

Financial Indicators

Overview

The California Education Code places school district finances under the control of county offices of education and the California Department of Education. The law protects the public's interest in education by giving county offices of education specific responsibility for fiscal oversight of school districts within their jurisdictions.

Key financial indicators representing the financial health of local education agencies (LEAs) are presented in this section of the report. Data has been taken from interim financial report certifications submitted by school districts for fiscal year (FY) 2014-15.

Interim Reporting

School districts in California are required to file interim reports certifying their financial health to the governing board of the district and to the county office of education. These interim reports must be completed twice per year by every school district (to cover the periods of July 1 through October 31, and November 1 through January 31) and must be reviewed by the appropriate county superintendent of schools. The interim reports must be in a format or on forms prescribed by the State Superintendent of Public Instruction and be based on Standards and Criteria for Fiscal Stability adopted by the State Board of Education pursuant to California Education Code section 33127. Charter schools are not required to file interim reports.

One of the following three certifications must be designated by the school district or county office of education when certifying the district's fiscal stability on the interim report.

Positive: A school district or county office of education that **will** meet its financial obligations for the **current fiscal year and subsequent two fiscal years**.

Qualified: A school district or county office of education that **may not** meet its financial obligations for the **current fiscal year or subsequent two fiscal years**.

Negative: A school district or county office of education that **will not be able to** meet its financial obligations for the **current fiscal year or subsequent fiscal year**.

School districts that file qualified or negative interim reports work with their county school superintendent to implement corrective action. Copies of the qualified or negative certifications are forwarded to the State Controller's Office and to the State Superintendent of Public Instruction.

Decrease in the number of LEAs that filed qualified or negative certifications

For fiscal year (FY) 2014-15, a total of 43 of the 1,007 LEAs required to file interim reports filed a qualified or negative certification for the first-period interim report (38 were qualified, and 5 were negative). Of these 43 LEAs, 21 filed a qualified second-period interim report, 3 filed a negative second-period interim report, and 19 LEAs were able to take corrective action. However, an additional 6 LEAs that had filed a positive first-interim certification subsequently filed qualified second-period interim reports, and 1 LEA that had filed a positive first-period interim certification subsequently filed a negative second-period interim report, resulting in a total of 27 qualified and 4 negative certifications for the second-interim reporting period (Figure 1). Thus, 50 LEAs reported qualified or negative certifications for at least one of the two periods (Appendix A), and 17 LEAs remained on the list from the prior year. LEAs that file qualified or negative interim reports for two or more years are monitored closely by the State Controller's Office through continuous contact with the California Department of Education.

The most common causes of fiscal problems cited by 45 of 50 LEAs, as summarized in Appendix B were:

- Other Expenditures (projected operating expenditure changes): 43 LEAs (96%)
- Other Revenues (projected operating revenue changes): 41 LEAs (91%)
- Contributions (contributions from unrestricted to restricted resources, or transfers to or from the General Fund to cover operating deficits, changed since budget adoption or first-interim report by more than \$20,000 and more than 5% for any of the current or two subsequent fiscal years): 38 LEAs (84%)
- Deficit Spending: 38 LEAs (84%)
- Reserves (inadequate reserves): 35 LEAs (78%)

An analysis of the data on key indicators for financial difficulties submitted by 6 of the 7 LEAs that changed from a positive first-period interim certification to a negative or qualified second-period interim certification, revealed four of the same top five common causes listed above.

Figure 1

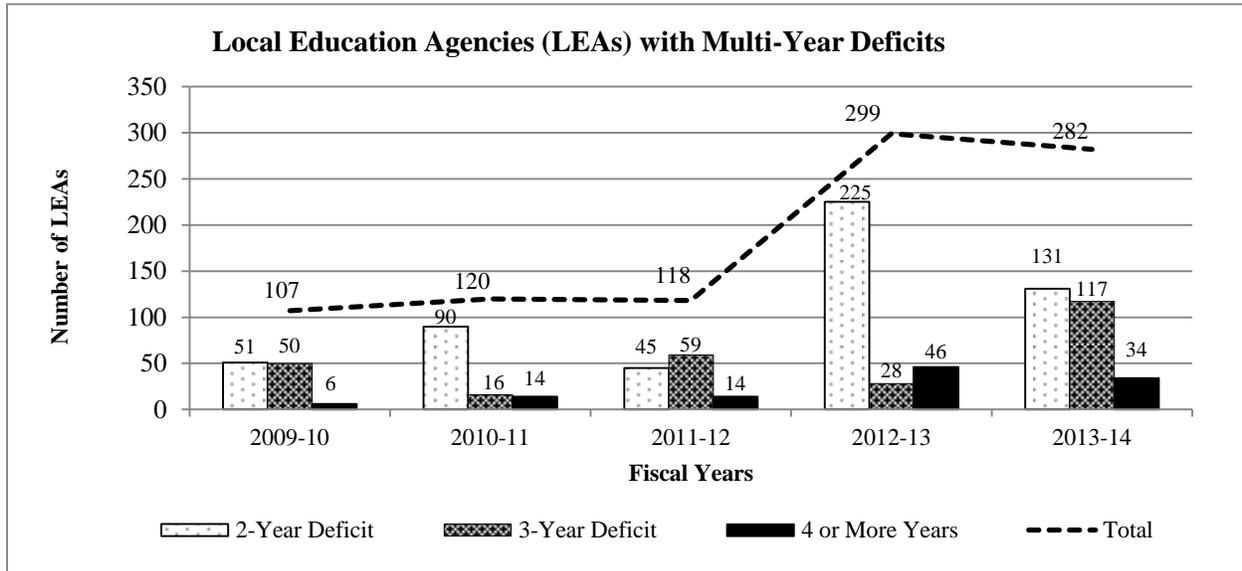
Second-Period Interim Report Certifications					
Five-Year History (Fiscal Year)					
Fiscal Year	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Positive	881	835	924	982	976
Qualified	127	172	84	23	27
Negative	<u>13</u>	<u>13</u>	<u>8</u>	<u>7</u>	<u>4</u>
Totals	<u>1,021</u>	<u>1,020</u>	<u>1,016</u>	<u>1,012</u>	<u>1,007</u>
Additional information regarding LEAs that filed qualified or negative interim reports for fiscal year 2014-15 is provided in Appendices A and B.					

Deficit Spending

LEA multi-year deficit spending decreased

For FY 2013-14, the overall number of LEAs relying on multi-year deficit spending decreased from 299 to 282 (Figure 2). Deficit spending patterns are monitored closely by the county offices of education and the California Department of Education to determine whether the LEAs are facing serious financial problems.

Figure 2



Emergency Apportionments

When the governing board of a school district determines that the district’s revenues are not sufficient to meet its current year obligations, it may request, through legislation, an emergency apportionment loan. As a condition of acceptance of the loan, the State Superintendent of Public Instruction appoints an administrator or trustee to control, monitor, and review the operation of the district. The administrator or trustee helps the district develop a five-year recovery plan.

The emergency loans are designed to provide an advance of apportionments owed to the districts from the State School Fund. California Education Code sections 41329.50 through 41329.54 and 41329.56 specify the requirements for emergency apportionment financing.

West Contra Costa Unified School District, Oakland Unified School District, and King City Joint Union High School District (renamed South Monterey County Joint Union High School District) are required to use lease financing to repay the emergency apportionments made from the State’s General Fund. The emergency apportionment made to the Vallejo City Unified School District is considered an interim loan and must be repaid with the proceeds from lease financing.

Inglewood Unified School District received a General Fund emergency loan in November 2012. Subsequently, Senate Bill 86, Chapter 48 was enacted during the 2012-13 fiscal year to authorize the Inglewood

Unified School District, through the California Department of Education, to request cash flow loans from the General Fund for a total of \$55 million. The total loan balance is \$27,925,771 as of June 30, 2015.

Annual payment on the initial emergency loan for the Oakland Unified School District is due in June. Vallejo City Unified School District received two emergency loans from the General Fund, with payments due in June and August. As of June 30, 2015, the outstanding General Fund loan balances for Oakland Unified School District, Vallejo City Unified School District, and Inglewood Unified School District ranged from \$19.3 million to \$27.9 million, as shown in Figure 3.

The lease financing is made available by I-Bank and the term cannot exceed 20 years. I-Bank issues bonds to reimburse the State General Fund for all or a portion of the emergency apportionment loans made to these school districts. The principal payments for Vallejo City Unified School District, West Contra Costa Unified School District, Oakland Unified School District, and King City Joint Union High School District bonds are payable annually on August 15. As of June 30, 2015, the outstanding Lease Revenue Bonds balances ranged from \$6.2 million to \$39.8 million, as identified in Figure 3.

Figure 3

School Districts with Outstanding Loans (in \$Millions)							
Fiscal Year	School District	Initial Loan (General Fund) ¹			Lease Revenue Bonds (I-Bank) ²		
		Loan Amount	Out-standing Balance	Final Repayment Date	Amount Issued	Out-standing Balance	Final Repayment Date
1990-91	West Contra Costa	28.5	\$ —	12/8/2005	15.7	6.2	8/15/2018
2002-03	Oakland Unified	100.0	20.8	6/29/2026	59.6	39.8	8/15/2023
2003-04	Vallejo City Unified	60.0	19.3	8/14/2024	21.2	13.7	8/15/2024
2009-10	King City JUHSD ³	2.0	—	4/14/2010	14.4	12.5	8/15/2029
2012-13	Inglewood Unified	29.0	27.9	11/1/2033	—	—	—

¹ Initial loan General Fund balance information was obtained from the State Controller's Division of Accounting and Reporting.

² Lease revenue bonds information was obtained from the California Infrastructure and Economic Development Bank (I-Bank).

³ King City JUHSD was renamed South Monterey County Joint Union High School District effective July 1, 2011.

General Fund Revenues and Expenditures

For FY 2013-14, LEA General Fund revenues exceeded expenditures by \$0.783 billion (Figure 4).

Figure 4

LEA General Fund Revenues and Expenditures by Fiscal Year (in \$Billions)					
Fiscal Year	2009-10	2010-11	2011-12	2012-13	2013-14
Revenues	\$56.132	\$57.665	\$54.879	\$54.421	\$57.902
Expenditures	<u>(56.387)</u>	<u>(55.890)</u>	<u>(54.460)</u>	<u>(54.489)</u>	<u>(57.119)</u>
Surplus/(Deficit)	<u>(\$0.255)</u>	<u>\$1.775</u>	<u>\$0.419</u>	<u>(\$0.068)</u>	<u>\$0.783</u>

The fund balance or surplus for all LEAs combined totaled \$12.819 billion at the end of FY 2013-14, an increase of \$441 million over the prior year’s total of \$12.378 billion. Federal revenues decreased by \$0.547 billion from the prior fiscal year (\$4.849 billion in FY 2012-13, compared with \$4.302 billion in FY 2013-14). As part of the total fund balance, the LEAs are required to maintain reserves as a defense against economic uncertainties. The California Department of Education issues guidelines regarding the amount of reserves each district should maintain based on its total average daily attendance (ADA).

Debt Issuance

Generally, LEAs issue debt to fund the purchase, construction, or lease of buildings and equipment; refinance existing debt; or buy land for future use. In the past, it was not uncommon for financially troubled LEAs to issue debt in order to finance current operations.

LEA debt issuance decreased

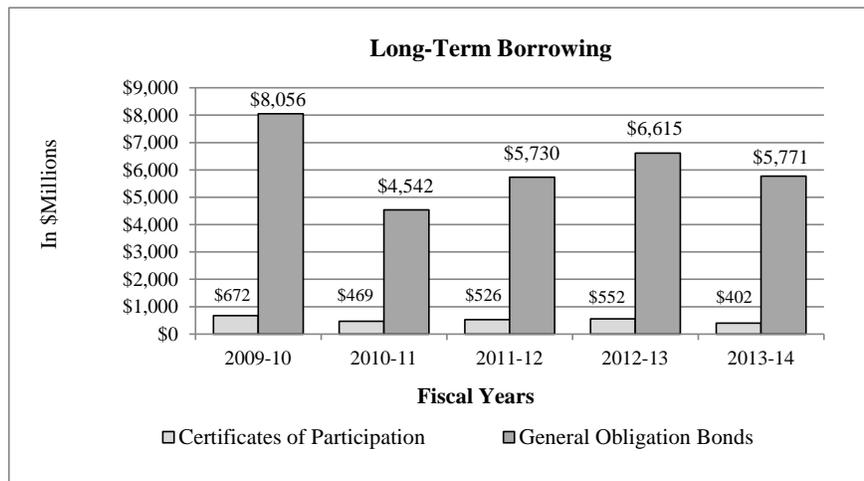
During FY 2013-14, LEAs issued \$6.822 billion in debt, a decrease of \$1.028 billion (13%) from the prior year. In FY 2013-14, the total number of LEAs that issued debt decreased by 28% from the prior fiscal year. LEAs issued the following types of debt:

- **General Obligation Bonds (\$5.771 billion, or 84%)**—Bonds secured by the full faith and credit of the LEA. These long-term obligations generally are issued at more favorable rates than are other types of debt because of their preferred status; that is, they are secured by the taxing authority of the LEA.
- **Certificates of Participation (\$402 million, or 6%)**—A financing technique that provides long-term financing through leasing of school facilities, such as buildings, with either an option to purchase or a conditional sales agreement.
- **Limited Tax Obligation Bonds (\$399 million, or 6%)**—A financing technique that provides long-term financing of capital projects. The bonds are repaid from incremental taxes on property in a redevelopment area.

- **Bond Anticipation Notes (\$109 million, or 2%)**—A financing technique that provides short-term financing for construction, equipment, furnishings, and improvements for school facilities.
- **Public Lease Revenue Bonds (\$74 million, or 1%)**—Bonds issued by a public entity or on behalf of a public entity that provide a means to finance capital improvements to be leased to a public agency.
- **Other Debt Instruments (\$67 million, or 1%)**—Debt instruments that do not fall into any of the categories listed above.

LEAs issued \$6.173 billion in Certificates of Participation and General Obligation Bonds during FY 2013-14, a decrease of \$994 million (14%) from \$7.167 billion issued in the prior fiscal year (Figure 5).

Figure 5



LEA financing through Certificates of Participation decreased by \$150 million, and financing through General Obligation Bonds decreased by \$844 million from the prior year.

General Obligation Bonds accounted for 84% of LEA debt issuance in FY 2013-14; no change from the prior year. In comparison, Certificates of Participation accounted for 6% of debt issuance in FY 2013-14, a 1% decrease from the prior year.

Lottery Revenues

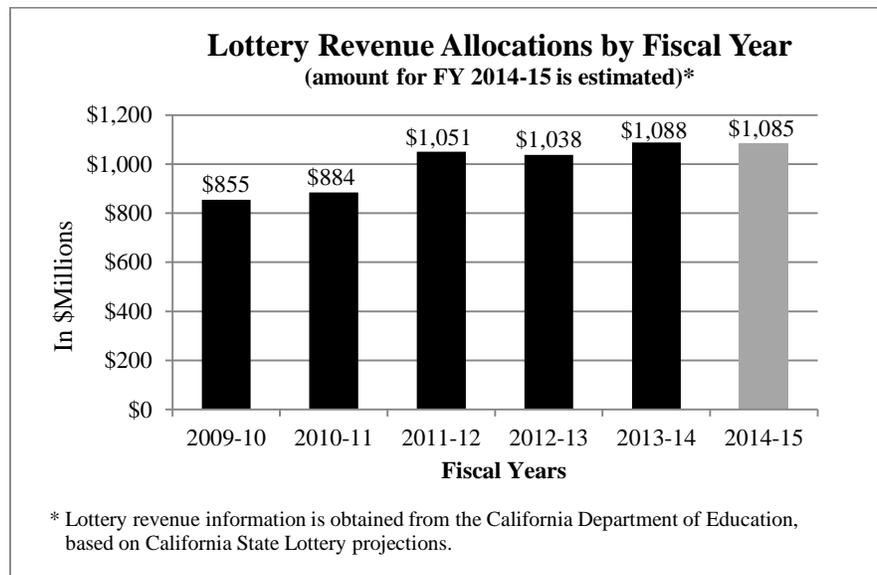
The allocation of Lottery revenues to K-12 schools is based on a percentage of total Lottery sales for the year. Under state law (Proposition 37, California State Lottery Act of 1984), a minimum of 34% of Lottery sales must be distributed to school districts, community colleges, and other educational agencies. The distribution of this 34% between K-12 school districts and community colleges fluctuates annually.

The amount is distributed to each district based on its K-12 average daily attendance. The data regarding sales and allocations are maintained by the State Controller’s Office and the California State Lottery.

***Lottery revenue
projected to decrease***

Lottery revenue is projected to decrease 0.28%, down from \$1,088 in FY 2013-14 to \$1,085 million estimated for FY 2014-15 (Figure 6).¹

Figure 6



¹ In the 2012-13 Annual K-12 Report, the figure for FY 2012-13 was reported incorrectly as \$1,027 (in \$ millions).

Program Compliance

Overview

The annual audit reports by Certified Public Accountants (CPAs) are the primary source of information regarding local education agency (LEA) compliance with state and federal requirements. The State Controller's Office reports on program compliance issues as part of its review of annual audit reports, the overall certification process, and associated follow-up actions. In addition, the State Controller's Office may conduct compliance audits, if resources permit.

Compliance Findings

Independent auditors determine whether the LEAs, including joint powers entities, have complied with state and federal laws and regulations that may have a material effect on the financial position and operations of the organization or program(s) under audit. The joint powers entities are formed to provide a joint service to a group of districts; the entities are governed by a board consisting of a representative from each member district. When an LEA is not in compliance with applicable laws and regulations, the findings are communicated by the independent auditors in the audit report.

The number of compliance findings reported in the fiscal year (FY) 2013-14 LEA audit reports submitted by CPAs increased over the prior year. There were 848 compliance findings in FY 2013-14, a 28% increase over the 664 compliance findings reported in FY 2012-13 (Appendix C).

Some of the problems identified in the compliance findings may have a fiscal impact on LEA operations, as they may result in a loss of state and federal funding. Of the 848 audit findings, 744 (88%) pertained to state programs and requirements and 104 (12%) pertained to federal programs and requirements (Figure 7).

The Unduplicated Local Control Funding Pupil Counts is a new compliance requirement that was added for FY 2013-14. The LEAs' audit reports disclosed 212 audit findings, with the majority (189 findings, or 89%) related to the following issues:

- Free and Reduced-Price Meal students missing eligibility documentation;
- Free and Reduced-Price Meal and/or English Learner pupil counts overstated; and
- English Learner students missing eligibility documentation.

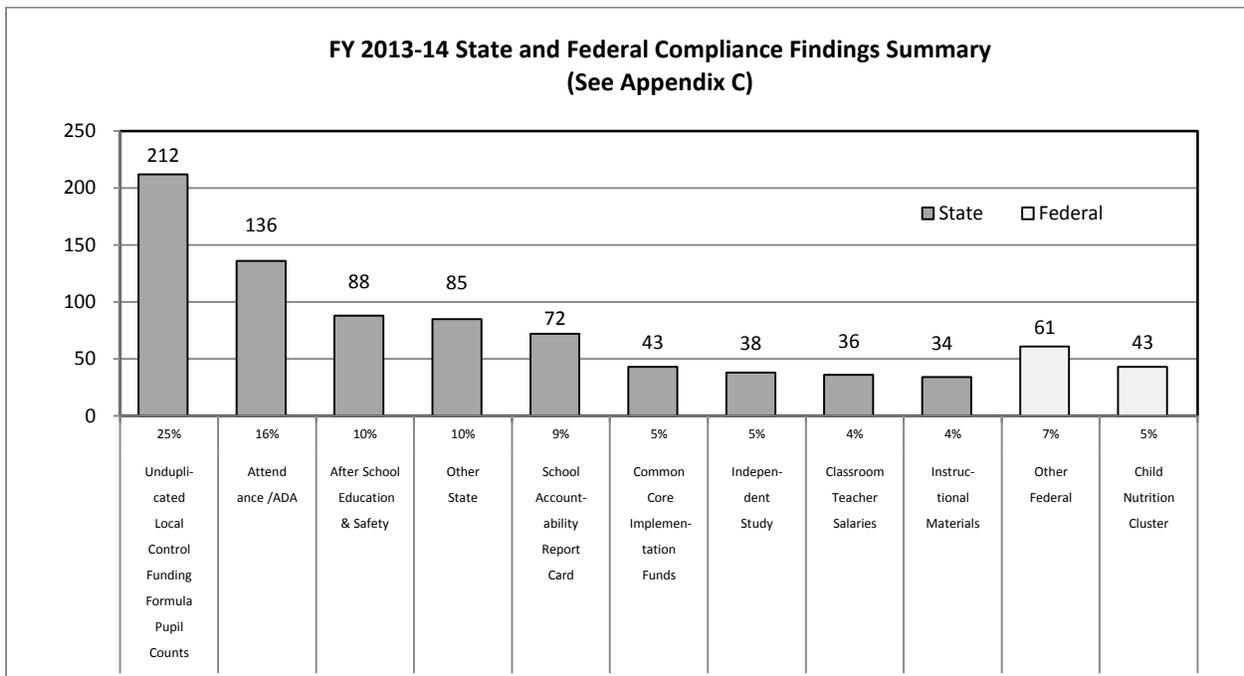
There were 136 attendance-related findings, which accounted for 16% of all compliance findings. The majority of the attendance findings (120, or 88%) were related to the following issues:

- Average daily attendance (ADA) was overstated or understated;
- Attendance reports did not reconcile to supporting documentation;
- Attendance registers/Scantron forms were not signed by teachers;
- Attendance reports were inaccurate and/or incomplete; and
- Absences were claimed for apportionment.

The LEAs’ audit reports also disclosed 88 findings pertaining to the After School Education and Safety Program. The majority of findings (73, or 83%) pertained to the following issues:

- The reported number of students served was not supported by written records or did not reconcile to supporting documents; and
- The reported number of students served was inconsistent with the early release policy.

Figure 7



County Offices of Education Audit Resolution Processes

California Education Code section 41020(n) provides that the State Controller shall annually select a sample of county offices of education (COEs) in order to perform a follow-up review of the audit resolution processes. The scope of the reviews is limited to determining whether each county office of education followed its audit resolution process, resolved all of the audit findings, followed up on the district’s corrective action plans, and notified the State Superintendent of Public Instruction and the State Controller of the results.

During FY 2014-15, the State Controller's Office performed reviews of the audit resolution processes of 19 COEs and found that 17 COEs followed their audit resolution processes for FY 2011-12 and FY 2012-13, except for the following:

- Three of the 17 COEs submitted late certifications of corrective action plans to the State Superintendent of Public Instruction and the State Controller's Office.
- One of the 17 COEs' certifications contained an incorrect list of school districts.

Two COEs did not follow their audit resolution process as follows:

- One COE did not follow its audit resolution process for FY 2011-12 and FY 2012-13.
- One COE did not follow its audit resolution process for FY 2012-13.
- Both of these COEs' letters to their LEAs contained an incorrect response date.

Quality Control

Overview

The State Controller's Office, by authority of California Education Code section 14504, reviews and certifies the annual independent audit reports submitted by each local education agency (school district, county office of education, and charter school) for compliance with audit guidelines set forth in the *Standards and Procedures for Audits of California K-12 Local Education Agencies* (K-12 Audit Guide).

Audit Report Certifications

The State Controller's Office determines whether audit reports conform to reporting provisions of the K-12 Audit Guide and notifies each local education agency (LEA), independent auditor, and the State Superintendent of Public Instruction whether a report has been accepted or rejected, based on conformity with those provisions.

For fiscal year (FY) 2013-14, the State Controller's Office accepted 82% of the audit reports submitted; the remaining 18% were rejected upon initial review. The State Controller's Office subsequently accepted the rejected audit reports after the independent auditors made the requested corrections. California Education Code section 14505 provides that LEAs withhold 10% of the audit fee until the State Controller certifies that the audit report conforms to the reporting provisions of California Education Code section 14503(a). In addition, if an independent auditor has had a report rejected (and has not subsequently corrected it) for the same LEA for two consecutive years, the State Controller's Office may refer the independent auditor to the California Board of Accountancy for professional review.

Decrease in number of rejected audit reports

Upon initial review, the State Controller's Office certified 1,464 (82%) of the 1,792 audit reports submitted by LEAs for FY 2013-14. The number of rejected reports decreased by 124, from 452 in the prior year to 328 in the current year (Figure 8).

Figure 8

Number and Percent of Rejected LEA Audit Reports by Fiscal Year			
<u>Fiscal Year</u>	<u>Reports Submitted</u>	<u>Reports Rejected</u>	<u>Percent Rejected</u>
2009-10	1,577	401	25%
2010-11	1,636	485	30%
2011-12	1,699	405	24%
2012-13	1,756	452	26%
2013-14	1,792	328	18%

Reporting Deficiencies

In FY 2013-14, the State Controller’s Office identified 920 reporting deficiencies in the independent auditors’ reports of LEAs, a decrease of 284 from 1,204 in the prior year (Figure 9).

Reporting deficiencies decreased

Figure 9

	Fiscal Years	
	2012-13	2013-14
Auditor’s Report on the Financial Statements	148	125
Management’s Discussion & Analysis	0	4
Basic Financial Statements	66	31
Notes to the Financial Statements	104	68
Required Supplementary Information	0	2
Supplementary Information Section	142	250
Schedule of Expenditures of Federal Awards	1	11
Government Auditing Standards Report	47	27
Single Audit Report	38	8
State Compliance Report	333	112
Findings and Recommendations Section	322	280
Other	<u>3</u>	<u>2</u>
Total Number of Reporting Deficiencies	<u>1,204</u>	<u>920</u>

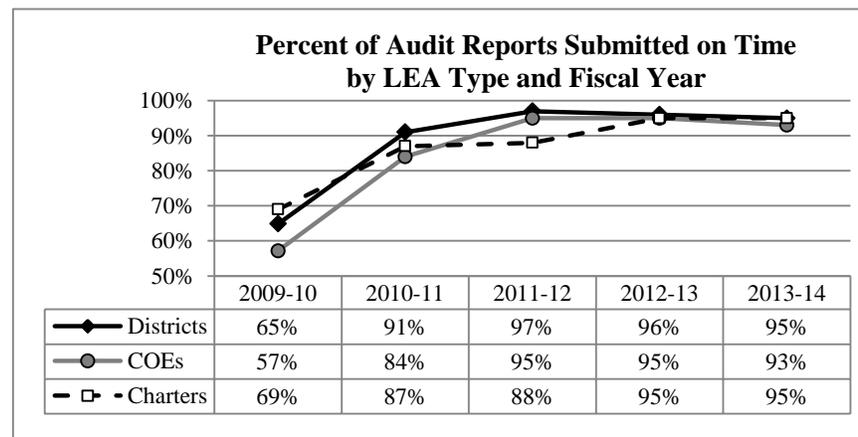
*See Appendix D.

The State Compliance Report and the Findings and Recommendations Sections of the independent audit reports of LEAs show the largest decreases in the number of reporting deficiencies.

On-Time Submissions

Audit reports for the preceding fiscal year must be filed with the State Controller’s Office, the California Department of Education, and the county superintendent of schools by December 15 of each year. Filing deadline extensions may be granted, but only under extraordinary circumstances.

Figure 10



Annual audit reports submitted on time decreased

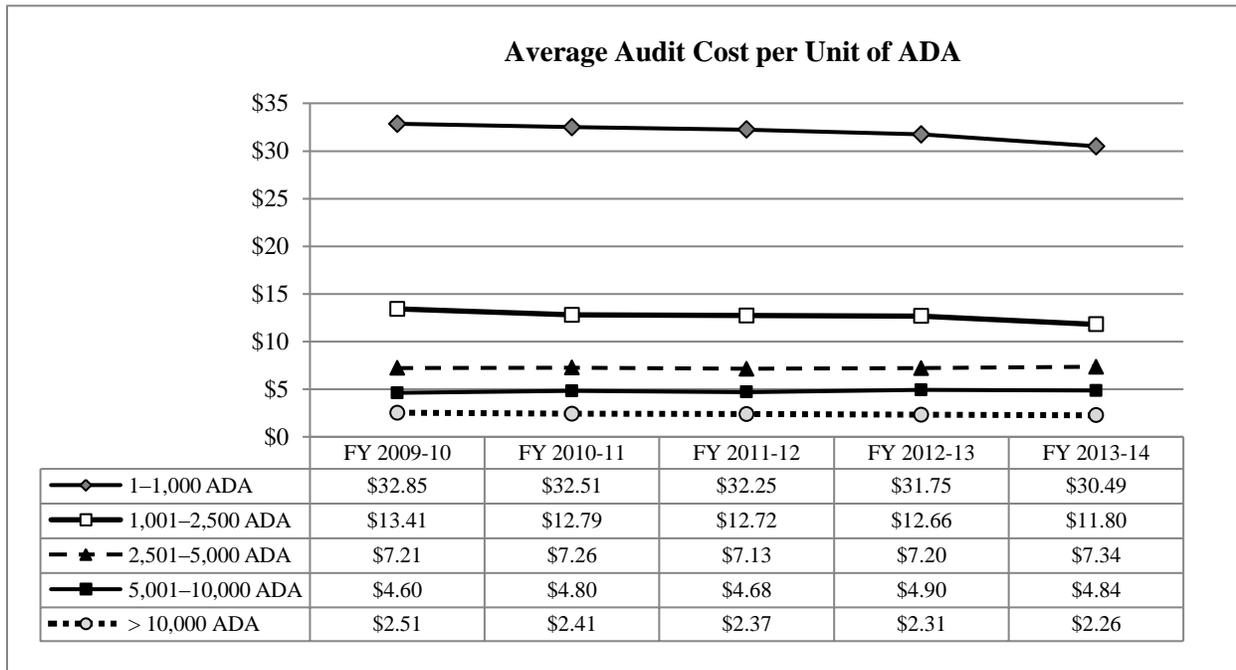
The percentage of school district and COE annual audit reports submitted by the deadline decreased from for the prior year (Figure 10). A total of 1,711, or 95%, of the 1,808⁴ required LEA reports were received by the December 15, 2014 deadline.

⁴ For FY 2013-14, there were 2,120 LEAs. Some of the LEAs, primarily charter schools, were combined for reporting purposes, resulting in 1,808 required LEA reports.

Average Audit Cost per ADA

The State Controller’s Office maintains a database of information pertaining to audit contracts between LEAs and independent auditors. From that database, the State Controller’s Office determined the total audit costs and the cost per unit of ADA for LEA annual audits. Audit costs for FY 2013-14 totaled \$31.5 million, a decrease of \$408,646, or 1%, less than total audit costs of \$31.9 million for FY 2012-13.

Figure 11



Quality Control Reviews

California Education Code section 14504.2 expanded the State Controller's quality control review function to include LEAs that have received a negative interim report certification and school districts that have a going concern issue, as determined by the county superintendent of schools.

California Education Code section 41020(f)(1) requires the State Controller's Office (SCO) to publish a directory of Certified Public Accountants deemed qualified to conduct audits of LEAs. This directory is published by December 31 of each year.

Quality control reviews are necessary to ensure that independent auditors are following generally accepted auditing standards and government auditing standards, and are reporting findings regarding financial statement issues and compliance with state and federal laws in their annual independent auditor's reports.

The general objective of the quality control reviews is to determine whether the independent auditors are conducting the annual financial audits of LEAs in accordance with:

- Generally Accepted Government Auditing Standards (GAGAS);
- Generally Accepted Auditing Standards (GAAS);
- *Standards and Procedures for Audits of California Local Education Agencies (K-12 Audit Guide)*;
- Office of Management and Budget (OMB) Circular A-133, if applicable; and
- The California Business and Professions Code.

The SCO's opinion regarding the quality of the audits is classified in one of the following categories, based on whether the independent auditor performed the audit in accordance with auditing standards and state and federal requirements:

- If the audit was performed in accordance with the standards and requirements, the SCO's conclusion is that the independent auditor complied with auditing standards and state and federal requirements.
- If the audit was performed in accordance with the majority of the standards and requirements, the SCO's conclusion is that the independent auditor complied with the majority of auditing standards and state and federal requirements.
- If the audit was performed in accordance with some elements of the standards and requirements, but the majority of standards and requirements were not met, the SCO's conclusion is that the independent auditor complied with some elements of the standards and requirements, but that the majority of auditing standards and federal and state requirements were not met.

- If the audit was not performed in accordance with the standards and requirements, the SCO's conclusion is that the independent auditor did not comply with auditing standards and state and federal requirements. Such a conclusion may result in a referral of the independent auditor to the California Board of Accountancy.

In FY 2014-15, the State Controller's Office issued seven quality control review reports related to LEAs. The quality control reviews found deficiencies in the following areas:

Board of Accountancy Regulations and California Education Code Requirements:

- Peer review not performed on firm
- Unregistered firm name
- Insufficient continuing professional education
- Performance of audit engagement exceeded six-year limit

GAAS and GAGAS Requirements:

- Deficiencies in identifying potential litigation, claims, and assessments
- Inadequate documentation and disclosure of related-party transactions
- Inadequate documentation related to subsequent events
- Inadequate planning and evaluation of internal controls
- Management representation letter deficiencies
- Engagement letter deficiencies
- Continuance of client relationship not documented
- Inadequate overall audit strategy and audit plan
- Deficiencies in determining materiality
- Deficiencies related to consideration of fraud in a financial statement audit
- Audit documentation and audit evidence deficiencies
- Deficiencies in the performance of analytical procedures
- Deficiencies in the evaluation of misstatements identified during the audit
- Deficiencies related to understanding the entity and its environment and assessing risk of material misstatement
- Deficiencies in the response to assessed risk and the evaluation of the audit evidence

Reporting Requirements:

- The Report on Internal Control over Financial Reporting and on Compliance and Other Matters was deficient
- The Report on State Compliance was deficient
- Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133 was deficient
- The Schedule of Average Daily Attendance was deficient

State Compliance Requirements:

- No documentation of audit work performed for some state compliance requirements
- Noncompliance with K-12 Audit Guide requirements

Federal Compliance:

- Noncompliance with OMB Circular A-133 requirements

Appendix A— Audit Report and Interim Report Disclosures of Impending Financial Problems

County School District/County Office of Education	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2013-14 Average Daily Attendance	2014-15		2013-14 Interim Report Second
				<u>Interim Report</u> First	Second	
Alameda County						
1. Emery Unified	No	Yes	697	P	Q	P
2. Newark Unified	No	Yes	6,137	Q	P	P
3. Oakland Unified	N/A	N/A	N/A	Q	Q	Q
Butte County						
4. Bangor Union Elementary	No	Yes	107	Q	Q	P
5. Golden Feather Union Elementary	No	Yes	98	Q	P	P
6. Pioneer Union Elementary	No	Yes	61	Q	Q	P
Calaveras County						
7. Calaveras Unified	No	Yes ¹	2,997	Q	Q	Q
El Dorado County						
8. Black Oak Mine Unified	No	Yes ¹	1,313	Q	Q	P
Glenn County						
9. Stony Creek Joint Unified	No	Yes	92	Q	Q	P
Kern County						
10. Lost Hills Union Elementary	No	Yes	544	Q	P	Q
Los Angeles County						
11. Bassett Unified	No	Yes	3,974	Q ²	P	P
12. Castaic Union	Yes	Yes ¹	2,566	N	N	P
13. Glendale Unified	No	Yes	25,178	P	Q	P
14. Inglewood Unified	N/A	N/A	N/A	N	N	N
15. Los Angeles Unified	No	Yes	528,598	Q	Q	Q
16. Lowell Joint Elementary	No	Yes	3,135	Q	P	P
17. Norwalk-La Mirada Unified	No	Yes	18,550	Q	P	P
Madera County						
18. Chawanakee Unified	No	Yes ³	1,058	Q	Q	Q
19. Yosemite Unified	No	Yes	1,638	Q	Q	P
Marin County						
20. Lagunitas Elementary	No	Yes ¹	288	Q	Q	P
Mendocino County						
21. Ukiah Unified	No	Yes	5,383	Q	P	P
Nevada County						
22. Penn Valley Union Elementary	N/A	N/A	N/A	Q ²	Q	P
Orange County						
23. Ocean View Elementary	No	Yes	9,014	Q	Q	P

Appendix A (continued)

Placer County						
24. Placer Hills Union Elementary	No	Yes	775	Q	Q	Q
Riverside County						
25. Banning Unified	No	Yes ³	4,210	Q	P	P
26. Lake Elsinore Unified	Yes	Yes ¹	20,563	N	N	P
San Benito County						
27. Bitterwater-Tully Union Elementary	No	Yes	25	P	Q	P
28. Panoche Elementary	No	Yes	3	P	Q	P
29. Southside Elementary	No	Yes	230	P	Q	P
San Bernardino County						
30. Adelanto Elementary	No	Yes	7,643	Q ²	Q	P
31. Rim of the World Unified	No	Yes	3,650	Q	P	Q
San Diego County						
32. Borrego Springs Unified	No	Yes	401	Q	P	P
33. Coronado Unified	No	Yes	3,026	Q	Q	P
34. Ramona Unified	No	Yes	5,477	Q	P	Q
35. San Diego Unified	No	Yes	106,098	Q	Q	Q
36. San Ysidro Elementary	Yes	Yes ¹	4,861	N	P	N
37. Warner Unified	No	Yes	204	Q	Q	P
San Luis Obispo County						
38. Coast Unified	No	Yes	705	Q	P	P
39. Shandon Joint Unified	No	Yes	267	P	Q	Q
San Mateo County						
40. San Bruno Park Elementary	No	Yes	2,690	Q	Q	P
41. San Carlos Elementary	No	Yes	2,945	Q	P	P
Santa Cruz County						
42. Pajaro Valley Unified	No	Yes	18,818	N	Q	P
Shasta County						
43. Junction Elementary	Yes	Yes ¹	234	Q	Q	Q
Sonoma County						
44. Cotati-Rohnert Park Unified	No	Yes	5,532	Q ²	Q	Q ²
45. Kashia Elementary	No	Yes ¹	7	P	N	P
46. West Sonoma County Union High	No	Yes	1,986	Q	P	P
47. Windsor Unified	No	Yes	5,106	Q	P	N
Tehama County						
48. Corning Union High	No	Yes	901	Q	P	P
Tulare County						
49. Allensworth Elementary	No	Yes	77	Q	P	P
Tuolumne County						
50. Curtis Creek Elementary	No	Yes	461	Q ²	P	P

¹ Disclosed in the Schedule of Findings and Questioned Costs.

² County office of education changed certification.

³ Included in management letter by auditor.

Legend: P=Positive Q=Qualified N=Negative N/A=Not Available

Appendix B— Local Education Agencies Filing Qualified or Negative Interim Reports

Analysis of Key Indicators for Financial Difficulties										
County School District/ County Office of Education	1st/2nd Certification	Other Expenditures 1	Other Revenues 2	Contributions 3	Deficit Spending 4	Reserves 5	Local Control Funding Formula (LCFF) 6	Status of Labor Agreements 7	Long-term Commitments 8	Change of CBO or Superintendent 9
Alameda County:										
1. Emery Unified ¹⁰	P / Q									
2. Newark Unified	Q / P	✓	✓	✓	✓	✓	✓		✓	✓
3. Oakland Unified	Q / Q	✓	✓	✓				✓	✓	✓
Butte County:										
4. Bangor Union Elementary	Q / Q	✓	✓		✓	✓	✓	✓	✓	
5. Golden Feather Union Elem.	Q / P	✓	✓	✓	✓	✓	✓			
6. Pioneer Union Elementary	Q / Q	✓	✓		✓	✓	✓	✓		✓
Calaveras County:										
7. Calaveras Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
El Dorado County:										
8. Black Oak Mine Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	
Glenn County:										
9. Stony Creek Joint Unified ¹⁰	Q / Q									
Kern County:										
10. Lost Hills Union Elementary	Q / P	✓	✓	✓	✓	✓	✓			
Los Angeles County:										
11. Bassett Unified	Q / P	✓	✓	✓			✓	✓	✓	✓
12. Castaic Union	N / N	✓	✓	✓	✓	✓	✓	✓	✓	
13. Glendale Unified	P / Q	✓	✓	✓	✓	✓			✓	✓
14. Inglewood Unified	N / N	✓	✓	✓	✓			✓	✓	
15. Los Angeles Unified	Q / Q	✓	✓	✓			✓	✓	✓	✓
16. Lowell Joint Elementary	Q / P	✓	✓	✓	✓	✓				✓
17. Norwalk-La Mirada Unified	Q / P	✓	✓	✓	✓	✓		✓	✓	✓

Appendix B (continued)

Analysis of Key Indicators for Financial Difficulties										
County School District/ County Office of Education	1st/2nd Certification	Other Expenditures 1	Other Revenues 2	Contributions 3	Deficit Spending 4	Reserves 5	Local Control Funding Formula (LCFF) 6	Status of Labor Agreements 7	Long-term Commitments 8	Change of CBO or Superintendent 9
Madera County:										
18. Chawanakee Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	
19. Yosemite Unified	Q / Q	✓	✓	✓	✓	✓	✓		✓	
Marin County:										
20. Lagunitas Elementary	Q / Q	✓	✓	✓	✓	✓		✓		✓
Mendocino County:										
21. Ukiah Unified	Q / P	✓	✓	✓	✓	✓		✓	✓	✓
Nevada County:										
22. Penn Valley Union Elementary	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
Orange County:										
23. Ocean View Elementary	Q / Q	✓	✓		✓	✓	✓	✓	✓	✓
Placer County:										
24. Placer Hills Union Elementary	Q / Q	✓	✓		✓		✓	✓		✓
Riverside County:										
25. Banning Unified	Q / P	✓	✓	✓	✓	✓		✓	✓	
26. Lake Elsinore Unified	N / N		✓	✓		✓	✓			
San Benito County:										
27. Bitterwater-Tully Union Elem.	P / Q	✓	✓	✓		✓	✓	✓		✓
28. Panoche Elementary	P / Q	✓			✓		✓	✓		✓
29. Southside Elementary	P / Q	✓	✓				✓			✓
San Bernardino County:										
30. Adelanto Elementary	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
31. Rim of the World Unified	Q / P	✓	✓	✓	✓	✓	✓	✓		

Appendix B (continued)

Analysis of Key Indicators for Financial Difficulties										
County School District/ County Office of Education	1st/2nd Certification	Other Expenditures 1	Other Revenues 2	Contributions 3	Deficit Spending 4	Reserves 5	Local Control Funding Formula (LCFF) 6	Status of Labor Agreements 7	Long-term Commitments 8	Change of CBO or Superintendent 9
San Diego County:										
32. Borrego Springs Unified	Q / P	✓		✓	✓	✓	✓	✓		
33. Coronado Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	
34. Ramona Unified	Q / P	✓	✓	✓	✓	✓	✓		✓	
35. San Diego Unified	Q / Q	✓	✓	✓	✓			✓	✓	
36. San Ysidro Elementary	N / P	✓	✓	✓	✓	✓	✓		✓	✓
37. Warner Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		✓
San Luis Obispo County:										
38. Coast Unified ¹⁰	Q / P									
39. Shandon Joint Unified ¹⁰	P / Q									
San Mateo County:										
40. San Bruno Park Elementary	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
41. San Carlos Elementary	Q / P	✓		✓	✓	✓	✓	✓	✓	
Santa Cruz County:										
42. Pajaro Valley Unified ¹⁰	N / Q									
Shasta County:										
43. Junction Elementary	Q / Q	✓	✓	✓	✓		✓	✓		✓
Sonoma County:										
44. Cotati-Rohnert Park Unified	Q / Q	✓	✓	✓		✓	✓	✓	✓	
45. Kashia Elementary	P / N	✓	✓		✓	✓		✓		✓
46. West Sonoma Co. Union High	Q / P	✓		✓	✓	✓		✓	✓	
47. Windsor Unified	Q / P	✓	✓	✓	✓	✓	✓			✓
Tehama County:										
48. Corning Union High	Q / P		✓	✓	✓	✓	✓	✓	✓	

Appendix B (continued)

County School District/ County Office of Education	Analysis of Key Indicators for Financial Difficulties									
	1st/2nd Certification	Other Expenditures 1	Other Revenues 2	Contributions 3	Deficit Spending 4	Reserves 5	Local Control Funding Formula (LCFF) 6	Status of Labor Agreements 7	Long-term Commitments 8	Change of CBO or Superintendent 9
Tulare County:										
49. Allensworth Elementary	Q / P	✓	✓	✓	✓	✓	✓	✓		✓
Tuolumne County:										
50. Curtis Creek Elementary	Q / P	✓	✓	✓	✓		✓			✓

¹ Projected operating expenditures (e.g., books and supplies) for the current and two subsequent fiscal years changed by more than 5% since budget adoption or first interim.

² Projected operating revenues (e.g., federal, other state, other local) for the current and two subsequent fiscal years changed by more than 5% since budget adoption or first interim.

³ Contributions from unrestricted to restricted resources, or transfers to or from the General Fund to cover operating deficits, changed since budget adoption by more than \$20,000 and more than 5% for any of the current or two subsequent fiscal years.

⁴ Unrestricted deficit spending has exceeded the standard in any of the current or two subsequent fiscal years.

⁵ Available reserves (e.g., reserve for economic uncertainties, unassigned/unappropriated amounts) did not meet minimum requirements for the current and two subsequent fiscal years.

⁶ Projected Local Control Funding Formula (LCFF) for any of the current or two subsequent fiscal years changed by more than 2% since budget adoption or first interim.

⁷ Salary and benefit negotiations still unsettled as of first or second interim projections for certificated, classified and management/supervisor/confidential.

⁸ Long-term (multi-year) commitments or debt agreements annual payments for the current or two subsequent fiscal years increased over prior year's annual payment and funding sources used to pay decrease, or expire prior to the end of the commitment period, or they are one-time sources.

⁹ There have been personnel changes in the superintendent or chief business official (CBO) positions within the last 12 months.

¹⁰ Key indicators for financial difficulties data were not submitted.

Legend: P=Positive Q=Qualified N=Negative

Appendix C— Summary of Audit Report Compliance Findings

<u>Program</u>	<u>Description of Problem</u>	<u>Number of Findings</u>
STATE		
Attendance Requirements		
	Average daily attendance (ADA) overstated by 0–5 ADA	14
	ADA overstated by 10–20 ADA	2
	ADA overstated by more than 20 ADA	2
	ADA understated by 0–5 ADA	13
	ADA understated by 10–20 ADA	3
	ADA understated by 5–10 ADA	2
	ADA understated by more than 20 ADA	1
	Absences were claimed for apportionment	15
	Attendance accounting system not approved by CDE	1
	Attendance registers/Scantron forms not signed by teachers	25
	Attendance report does not reconcile to supporting documentation	26
	Attendance report inaccurate/incomplete	17
	Excused absences – problems with verification procedures/documentation	8
	Lack of documentation/records	3
	Minimum day requirements not met	2
	Other finding	2
Community Day Schools		
	Attendance report inaccurate	2
Continuation Education		
	Attendance accounting deficiency	6
Independent Study		
	Attendance overstated	10
	Contract(s) did not include all required elements	23
	Ratio of pupils to teachers exceeded maximum allowable	1
	Work samples not maintained	2
	Other finding	2
Juvenile Court Schools		
	Attendance accounting deficiencies	2
Kindergarten Continuation		
	Kindergarten retention form did not include required elements	4
	Retention forms were not maintained and/or properly approved	15
After School Education and Safety Program		
	Administrative costs exceeded 15% of state funding	1
	Lack of documentation/records	6
	Noncompliance with matching	1
	Program did not operate a minimum of 15 hours per week	1
	Reported number of students served not supported by written records or did not reconcile to supporting documents	40
	Reported students served inconsistent with early release policy	33
	Reported students served inconsistent with late arrival policy	4
	Other finding	2
Annual Instructional Minutes		
	Classroom-based: instructional time requirements not met	3
California Clean Energy Jobs Act		
	Expenditure(s) made for non-qualifying purposes or not in accordance with law	7

Appendix C (continued)

<u>Program</u>	<u>Description of Problem</u>	<u>Number of Findings</u>
Classroom Teacher Salaries	District did not meet the current expense-of-education percentage required for payment of classroom teacher salaries	35
	Other finding	1
Common Core Implementation Funds	Expenditure(s) made for non-qualifying purposes	1
	Plan delineating how implementation funds will be spent was not developed and adopted	42
Early Retirement Incentive Program	Certification form not filed/incomplete/inaccurate	1
Education Protection Account	Funds not properly disbursed or expended as required by law	7
Instructional Materials	Board resolution did not address sufficiency of textbooks/instructional materials	3
	Notice of public hearing deficiency	17
	Public hearing on instructional materials not held or held after the required time period	13
	Other finding	1
Instructional Time	Instructional days requirements not met	2
	Instructional minutes requirements not met	7
	Other finding	2
Inventory of Equipment	Inventory of equipment not maintained	5
Local Control Funding Formula Certification	Written certification confirming awareness of the Local Control Funding Formula requirements was not available	6
Mode of Instruction	Teacher did not possess a valid teaching certification	1
Other State Program	Lack of documentation/records	1
	Other finding	3
School Accountability Report Card (SARC)	District did not follow uniform complaint process	3
	Facility Inspection Tool (FIT) not prepared or missing	8
	SARC information inconsistent with availability of sufficient textbooks and other instructional materials	2
	SARC information inconsistent with complaints related to teacher misassignments or vacancies	2
	SARC information inconsistent with complaints related to teacher misassignments or vacancies	1
	SARC information inconsistent with FIT or local evaluation instrument	48
	School accountability report card not published	8
Teacher Certification and Misassignments	Teacher did not possess a valid certification document (teaching credential)	5
	Teacher misassignment	2
	Teacher not authorized to instruct limited-English-proficient pupils	4

Appendix C (continued)

<u>Program</u>	<u>Description of Problem</u>	<u>Number of Findings</u>
Unduplicated Local Control Funding Formula Pupil Counts		
	English Learner students missing eligibility documentation	14
	Free and Reduced-Price Meal and/or English Learner pupil counts overstated	76
	Free and Reduced-Price Meal and/or English Learner pupil counts understated	9
	Free and Reduced-Price Meal students and English Learner students missing eligibility documentation for at least one designation	9
	Free and Reduced-Price Meal students missing eligibility documentation	99
	Other finding	5
TOTAL STATE FINDINGS		744
FEDERAL		
Child Nutrition Cluster		
	Activities allowed or unallowed	5
	Allowable costs/cost principles	11
	Eligibility	8
	Equipment and real property management	1
	Financial report inaccurate/not complete	7
	Procurement and suspension and debarment	1
	Special tests and provisions	3
	Other finding	7
English Language Acquisition Grants		
	Allowable costs/cost principles	1
	Special tests and provisions	1
Federal Programs		
	Allowable costs/cost principles	12
	Equipment and real property management	1
	Matching, level of effort, earmarking	1
	Reporting	2
	Other finding	2
Head Start		
	Allowable costs/cost principles	1
Medi-Cal Billing		
	Allowable costs/cost principles	3
Migrant Education		
	Special tests and provisions	1
National School Lunch Program		
	Activities allowed or unallowed	2
	Allowable costs/cost principles	1
	Eligibility	1
	Financial report inaccurate/not complete	1
	Special tests and provisions	2
	Other finding	2
Other Federal Program		
	Other finding	1
	Procurement and suspension and debarment	1
	Reporting	1
Special Education Cluster		
	Allowable costs/cost principles	1

Appendix C (continued)

<u>Program</u>	<u>Description of Problem</u>	<u>Number of Findings</u>
Title I Grants to LEAs	Allowable costs/cost principles	10
	Eligibility	1
	Lack of documentation/records	1
	Period of availability of federal funds	2
	Special tests and provisions	7
Twenty-First Century Community Learning Centers	Allowable costs/cost principles	1
Vocational Education	Allowable costs/cost principles	1
TOTAL FEDERAL FINDINGS		<u>104</u>
TOTAL STATE AND FEDERAL FINDINGS		<u>848</u>

Appendix D— Summary of Audit Report Deficiencies

Description	Number of Deficiencies	
	FY 2012-13	FY 2013-14
<u>Auditor's Report on the Financial Statements</u>		
Report did not include a statement that an audit includes evaluating the appropriateness of accounting policies and reasonableness of significant accounting estimates.	13	26
Report did not state that the audit evidence obtained is sufficient and appropriate for the auditor's opinion.	6	23
Reference to a separate report on internal control over financial reporting and on compliance was deficient.	1	23
Report did not include a statement that the auditor does not express an opinion on the effectiveness of the entity's internal control.	6	22
Auditor's report did not include an opinion on supplementary information.	41	11
Auditor's report did not identify the supplementary information, including the Schedule of Expenditures of Federal Awards.	19	6
Reference to a separate report on internal control over financial reporting and on compliance was not included.	2	3
Auditor's report did not reference auditing standards generally accepted in the USA and Government Auditing Standards.	11	2
Independent Auditor's Report on the financial statements was not included.	1	1
Introductory paragraph of auditor's report did not clearly identify financial statements covered by auditor's opinion.	1	1
Report did not refer to the required supplementary information (RSI).	0	1
Report did not include a statement that the auditor performed audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements.	3	1
Report did not include a section with the heading "Qualified Opinion," "Adverse Opinion," or "Disclaimer of Opinion."	3	1
Report did not include a section with the heading "Other Matters."	7	1
Report did not state that the auditor obtained reasonable assurance about whether the financial statements are free from material misstatement.	6	1
Report did not include all of the elements in the RSI section.	1	1
Disclaimer of opinion due to an inability to obtain sufficient appropriate audit evidence: opinion paragraph was deficient.	0	1
Report did not include a section with the heading "Management's Responsibility for the Financial Statements."	4	0
Report did not include a section with the heading "Auditor's Responsibility."	4	0
Report did not state that management is responsible for the preparation of the financial statements in accordance with generally accepted accounting principles.	4	0
Report did not state that the responsibility of the auditor is to express an opinion on the financial statements based on the audit.	1	0
Report did not include a section with the heading "Other Reporting Required by Government Auditing Standards."	6	0
Report did not include a statement that the separate report on internal control over financial reporting and on compliance is an integral part of an audit performed in accordance with Government Auditing Standards.	1	0
Report did not include a section with the heading "Opinion."	3	0
Report did not include a paragraph describing the matter giving rise to the modified opinion.	1	0
Auditor's opinion did not state that the financial statements conform with accounting principles generally accepted in the USA.	3	0
Subtotal	148	125
<u>Management's Discussion and Analysis</u>		
Management's Discussion and Analysis was not included.	0	3
Management's Discussion and Analysis was not included and the Independent Auditor's Report did not include an explanatory paragraph.	0	1
Subtotal	0	4

Appendix D (continued)

Description	Number of Deficiencies	
	FY 2012-13	FY 2013-14
<u>Basic Financial Statements</u>		
Non-profit entity: Statement of Activities was not presented properly.	7	12
Governmental entity: Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to Statement of Activities was not presented properly.	12	5
Governmental entity: Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position was not presented properly.	12	3
Governmental entity: Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds was not presented properly.	2	2
Non-profit entity: Statement of Cash Flows was not presented properly.	1	2
Governmental entity: Statement of Activities was not presented properly.	8	2
Non-profit entity: Statement of Financial Position was not presented properly.	1	2
Governmental entity: Balance Sheet – Governmental Funds was not presented properly.	6	1
Governmental entity: Statement of Cash Flows – Proprietary Funds was not presented properly.	1	1
Governmental entity: Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds was not presented properly.	0	1
Governmental entity: Statement of Fiduciary Net Position – Fiduciary Funds was not presented properly.	3	0
Governmental entity: Statement of Changes in Fiduciary Net Position – Fiduciary Funds was not presented properly.	2	0
Governmental entity: Statement of Net Position was not presented properly.	10	0
Governmental entity: Statement of Fund Net Position – Proprietary Funds was not presented properly.	1	0
Subtotal	66	31
<u>Notes to the Financial Statements</u>		
Definition of cash and cash equivalents used in the Statement of Cash Flows was not included.	53	42
Summary of significant accounting policies did not include a description of the component units, their relationships to the primary government, and how to obtain separate financial statements for component units.	2	5
Notes did not disclose the policy regarding whether committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.	6	4
Notes did not include the basis for stating inventories, including the method of determining cost.	4	3
Notes did not disclose the policy regarding whether restricted or unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available.	7	3
Notes did not include adequate disclosure of long-term liabilities, including a schedule of changes in long-term debt and a statement of debt service requirements to maturity for outstanding long-term debt.	13	3
Notes did not include the summary of significant accounting policies.	1	2
Other post-employment benefits were not adequately disclosed.	1	2
Fund balance classification policies and procedures related to committed and assigned fund balances were not disclosed.	4	1
Material prior period restatements or adjustments were not adequately disclosed.	5	1
Notes did not include adequate disclosure of capital assets and depreciation, including the method used to compute depreciation.	0	1
Summary of Significant Accounting Policies did not include a description of the government-wide financial statements, noting the exclusion of fiduciary funds.	1	1
California State Teachers' Retirement System (CalSTRS) early retirement note was not included.	2	0
CalSTRS early retirement note did not include all of the required disclosures.	5	0
Subtotal	104	68

Appendix D (continued)

Description	Number of Deficiencies	
	FY 2012-13	FY 2013-14
<u>Required Supplementary Information</u>		
Schedule of Budgetary Comparison Data was not shown by object code.	0	1
Schedule of Budgetary Comparison Data for General Fund and major special revenue fund(s) were not included as RSI.	0	1
Subtotal	0	2
<u>Supplementary Information Section</u>		
A note to the Schedule that states whether the district participated in Longer Day incentives and whether the district met or exceeded its target funding was not included.	0	152
Schedule of Instructional Time did not contain all the required information.	92	45
Local Education Agency Organization Structure description was deficient.	0	20
Schedule of Average Daily Attendance (ADA) did not display final ADA after audit finding adjustment(s).	8	9
Schedule of Average Daily Attendance for charter school did not include classroom-based ADA.	5	8
Schedule of Charter Schools was deficient.	10	8
For a school district or county office of education that included a charter school(s) in the financial statements, the Schedule of Average Daily Attendance did not include the ADA detail for each charter school.	0	3
Schedule of Average Daily Attendance was deficient.	2	2
Schedule of Charter Schools was not included.	2	2
Local Education Agency Organization Structure description was not included.	0	1
Schedule of Average Daily Attendance was not included.	2	0
Schedule of Instructional Time was not included.	1	0
Local Education Agency Organization Structure description was not included or was deficient.	5	0
Schedule of Instructional Time did not state whether the district complied with the instructional minutes and days provisions.	8	0
Schedule of Instructional Time indicated noncompliance, but a finding was not included in the audit report.	1	0
Schedule of Financial Trends and Analysis: available reserves were below minimum required; and management's plans and/or going concern note were not included.	5	0
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements was not included.	1	0
Subtotal	142	250
<u>Schedule of Expenditures of Federal Awards</u>		
Schedule of Expenditures of Federal Awards was deficient.	1	11
Subtotal	1	11
<u>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters</u>		
Report on internal control over financial reporting was deficient.	25	17
Report on compliance and other matters did not include a statement regarding test results.	2	8
Report on compliance and other matters did not include a statement that the auditor performed tests of compliance.	0	1
Report on internal control and compliance (GAS) did not include an alert paragraph describing the purpose of the auditor's report.	20	1
Subtotal	47	27

Appendix D (continued)

Description	Number of Deficiencies	
	FY 2012-13	FY 2013-14
<u>Report on Major Federal Program Compliance and on Internal Control over Compliance (OMB Circular A-133)</u>		
Material weaknesses in internal control over compliance were not properly disclosed in the report.	2	2
Report on internal control over compliance was deficient.	10	2
Report on major federal program compliance and on internal control over compliance (OMB Circular A-133) was deficient.	7	1
Significant deficiencies in internal control over compliance were not properly disclosed in the report.	0	1
Report on major federal program compliance did not include an opinion on whether the entity complied, in all material respects, with the applicable compliance requirements.	9	1
Report on major federal program compliance and on internal control over compliance did not include an alert paragraph describing the purpose of the auditor's report.	6	1
Noncompliance that did not result in an opinion modification was not disclosed in the report.	3	0
Noncompliance that resulted in an opinion modification was not properly disclosed in the report.	1	0
Subtotal	38	8
<u>State Compliance Report</u>		
Independent Auditor's Report on State Compliance was deficient.	209	88
Independent Auditor's Report on State Compliance did not include an opinion on whether the entity complied, in all material respects, with the state compliance requirements.	123	23
Independent Auditor's Report on State Compliance was not included.	1	1
Subtotal	333	112
<u>Findings and Recommendation Section</u>		
State Program Finding(s): noncompliance was reported; however, the finding(s) did not include sufficient information.	80	102
Financial statement finding did not include the cause.	68	55
Financial statement finding did not include the effect or potential effect.	48	33
Financial statement finding did not include the criteria.	32	26
Audit finding was not coded with the correct five-digit number.	34	23
State compliance finding did not include a statement (which may include questioned costs) consistent with its basis of funding, for any inappropriately reported claim.	20	20
Federal Program Finding(s): noncompliance was reported; however, the finding(s) did not include sufficient information.	20	6
Schedule of Prior Audit Findings was not included.	3	5
Financial statement finding did not include the views of responsible officials and planned corrective actions.	0	3
Financial statement finding did not include the recommendation.	0	2
Attendance Finding: ADA inappropriately reported for apportionment not included.	5	1
Summary of Auditor's Results was deficient.	8	1
Federal Program Finding(s): questioned costs and/or how they were calculated not included.	1	1
Auditee's corrective action plan to eliminate noncompliance was not included.	0	1
Schedule of Findings and Questioned Costs was not included.	2	1
Major federal programs were not identified.	1	0
Subtotal	322	280
<u>Other</u>		
Auditor's reports did not include a manual or printed signature of the auditor's firm and date of the report.	3	2
Subtotal	3	2
Total number of deficiencies	1,204	920

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