

ANNUAL FINANCIAL REPORT OF CALIFORNIA K-12 SCHOOLS

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

For the Period of July 1, 2015, through June 30, 2016



BETTY T. YEE
California State Controller

June 2017



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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 fiscal year (FY) 2015-16. The report summarizes the financial and program compliance status of the state's school districts, county offices of education, and charter schools for FY 2015-16, unless otherwise specified. For FY 2015-16, there were a total of 2,227 local education agencies (LEAs), which included 946 school districts, 58 county offices of education, and 1,223 charter schools.

For FY 2015-16, California LEA revenues exceeded expenditures by \$4.813 billion. The number of LEAs engaged in multi-year deficit spending decreased from 303 to 92. The number of school districts and county offices of education filing negative or qualified first- or second-interim certifications for FY 2016-17 increased from 25 to 54. The filing of negative or qualified certifications occurred because of deficit spending and changes in operating expenditures, operating revenues, contributions, reserves, and the Local Control Funding Formula.

State and federal compliance findings noted in the independent auditors' reports of LEAs increased over the prior year. Auditors reported 932 compliance findings in FY 2015-16, a 5 percent increase over the 891 reported in FY 2014-15. Moreover, 14 percent of the compliance findings were related to deficiencies in average daily attendance accounting, which is the primary basis for the allocation of state funding. Also, auditors reported 220 audit findings pertaining to the Unduplicated Local Control Funding Formula Pupil Counts compliance requirement.

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

Sincerely,

Original signed by

BETTY T. YEE

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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 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (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) 2015-16. Additional data was taken from interim financial report certifications submitted by LEAs for FY 2016-17. Information related to the emergency loan apportionments was obtained from various sources, including the California Infrastructure and Economic Development Bank (I-Bank).

This FY 2015-16 report contains the following key findings:

- The number of LEAs engaged in multi-year deficit spending decreased from 303 to 92. 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 increased from 25 in FY 2015-16 to 54 in FY 2016-17. In the second reporting period of FY 2016-17, 40 LEAs filed qualified interim financial reports and 2 LEAs filed negative interim financial reports. Financial difficulties may have a negative impact on these LEAs' educational programs.
- Debt issuance increased by \$822 million to a total of \$11.914 billion, a 7 percent increase over the \$11.092 billion issued 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 14 percent of the compliance findings for FY 2015-16 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 220 audit findings pertaining to the Unduplicated Local Control Funding Formula Pupil Counts compliance requirement.
- The number of rejected audit reports increased by 102, from 408 to 510.

Introduction

The 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 LEAs (school districts, charter schools, and county offices of education). Beginning with FY 2005-06, California Education Code (EC) section 47634.2(d) rendered charter schools subject to audits, pursuant to EC section 41020. Audits must be conducted in accordance with Title 5, *California Code of Regulations*, section 19810 et seq., which requires that the K-12 Audit Guide must be followed.

Each section of this report specifies the type of 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 (DOF), the California Department of Education (CDE), 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 K-12 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.
- 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.

¹ EC section 14502.1(a) states, in part, "The Controller, in consultation with CDE, DOF, 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 EC section 14501 provides that compliance audits are conducted to determine whether state and federal program funds are expended in accordance with the applicable program laws and regulations.

- 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 CDE.

Financial Indicators

Overview

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

Key financial indicators representing the financial health of LEAs are presented in this section of the report. Data has been taken from interim financial report certifications submitted by school districts for FY 2016-17.

Interim Reporting

School districts in California are required to file interim reports certifying their financial health to the governing board of the district and COE. 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 (SSPI) and be based on Standards and Criteria for Fiscal Stability adopted by the State Board of Education pursuant to EC 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 COE when certifying the district's fiscal stability on the interim report.

Positive: A school district or COE that will meet its financial obligations for the current fiscal year and subsequent two fiscal years.

Qualified: A school district or COE that may not meet its financial obligations for the current fiscal year or subsequent two fiscal years.

Negative: A school district or COE 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 (SCO) and to the SSPI.

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

For FY 2016-17, a total of 33 of the 1,004 LEAs required to file interim reports filed a qualified or negative certification for the first-period interim report (30 were qualified and three were negative). Of these 33 LEAs, 18 filed a qualified second-period interim report, three filed a negative second-period interim report, and 12 LEAs were able to take corrective action. However, an additional 21 LEAs that had filed a positive first-interim certification subsequently filed qualified second-period interim reports, and one LEA that had filed a negative first-period interim certification subsequently filed a qualified second-period interim report, resulting in a total of 40 qualified and two negative certifications for the second-interim reporting period (Figure 1). Thus, 54 LEAs reported qualified or negative certifications for at least one of the two periods (Appendix A), and seven 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 SCO through continuous contact with CDE.

The most common causes of fiscal problems cited in the 54 qualified or negative certifications (Appendix B) were:

- Deficit Spending: 50 LEAs (93 percent)
- Other Expenditures (projected operating expenditure changes): 47 LEAs (87 percent)
- Other Revenues (projected operating revenue changes): 45 LEAs (83 percent)
- 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 percent for any of the current or two subsequent fiscal years): 42 LEAs (78 percent)
- Available reserves (e.g., reserve for economic uncertainties, unassigned/unappropriated amounts) did not meet minimum requirements for the current and two subsequent fiscal years: 41 LEAs (76 percent)

An analysis of the 21 LEAs that changed from a positive first-period interim certification to a negative or qualified second-period interim certification revealed three of the same top five common causes listed above.

Figure 1

Second-Period Interim Report Certifications					
Five-Year History (Fiscal Year)					
Fiscal Year	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Positive	924	982	976	989	962
Qualified	84	23	27	14	40
Negative	8	7	4	2	2
Totals	<u>1,016</u>	<u>1,012</u>	<u>1,007</u>	<u>1,005</u>	<u>1,004</u>

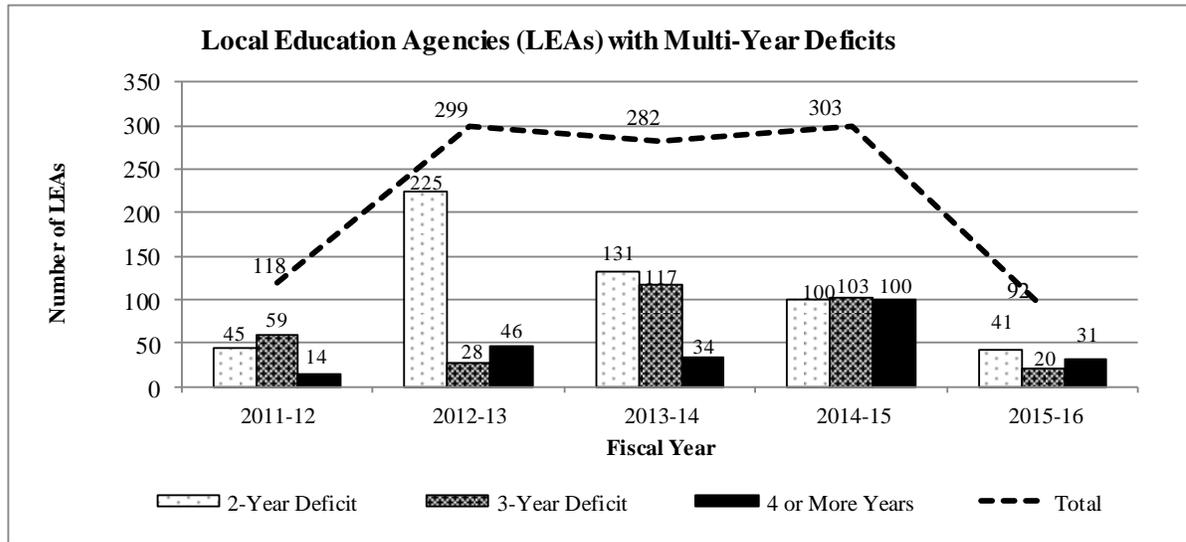
Additional information regarding LEAs that filed qualified or negative interim reports for FY 2016-17 is provided in Appendices A and B.

Deficit Spending

LEA multi-year deficit spending decreased

For FY 2015-16, the overall number of LEAs relying on multi-year deficit spending decreased from 303 to 92 (Figure 2). Deficit spending patterns are monitored closely by COEs and CDE to determine whether 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 SSPI 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. EC sections 41329.50 through 41329.54 and 41329.56 specify the requirements for emergency apportionment financing.

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 FY 2012-13 to authorize the Inglewood Unified School District, through CDE, to request cash flow loans from the General Fund for a total of \$55 million. The total loan balance is \$25,522,897 as of June 30, 2017.

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, 2017, the outstanding General Fund loan balances for Oakland Unified School District, Vallejo City Unified School District, and Inglewood Unified School District ranged from \$15.3 million to \$25.5 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 General Fund for all or a portion of the emergency apportionment loans made to these school districts. The West Contra Costa Unified School District principal bond balance was redeemed on August 17, 2015. The principal payments for Vallejo City Unified School District, Oakland Unified School District, and King City Joint Union High School District (JUHSD) bonds are payable annually on August 15. As of June 30, 2017, the outstanding Lease Revenue Bonds balances ranged from \$11.3 million to \$32.2 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
2002-03	Oakland Unified	100.0	17.3	6/29/2026	59.6	32.2	8/15/2023
2003-04	Vallejo City Unified	60.0	15.3	8/14/2024	21.2	11.4	8/15/2024
2009-10	King City JUHSD ³	2.0	—	4/14/2010	14.4	11.3	8/15/2029
2012-13	Inglewood Unified	29.0	25.5	11/1/2033	—	—	—

¹ Initial loan General Fund balance information was obtained from the SCO'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 JUHSD effective July 1, 2011.

General Fund Revenues and Expenditures

For FY 2015-16, LEA General Fund revenues exceeded expenditures by \$4.813 billion (Figure 4).

Figure 4

LEA General Fund Revenues and Expenditures by Fiscal Year (In \$Billions)					
Fiscal Year	2011-12	2012-13	2013-14	2014-15	2015-16
Revenues	\$54.879	\$54.421	\$57.902	\$56.893	\$73.890
Expenditures	(54.460)	(54.489)	(57.119)	(56.553)	(69.077)
Surplus/(Deficit)	<u>\$0.419</u>	<u>(\$0.068)</u>	<u>\$0.783</u>	<u>\$0.340</u>	<u>\$4.813</u>

The fund balance or surplus for all LEAs combined totaled \$17.063 billion at the end of FY 2015-16, an increase of \$4.978 billion over the prior year's total of \$12.085 billion. Federal revenues increased by \$0.755 billion from the prior fiscal year (\$3.815 billion in FY 2014-15, compared to \$4.570 billion in FY 2015-16). As part of the total fund balance, LEAs are required to maintain reserves as a defense against economic uncertainties. CDE issues guidelines regarding the amount of reserves each district should maintain based on its total 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.

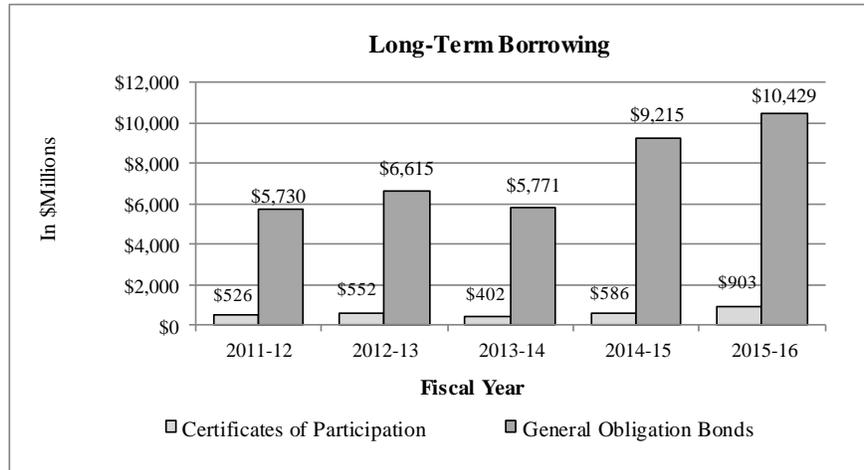
LEA debt issuance increase

During FY 2015-16, LEAs issued \$11.914 billion in debt, an increase of \$822 million (7 percent) over \$11.092 billion issued in the prior year. In FY 2015-16, the total number of LEAs that issued debt decreased by 10 percent from the prior fiscal year. LEAs issued the following types of debt:

- **General Obligation Bonds (\$10.429 billion, or 87 percent)**—Bonds secured by the full faith and credit of the LEA. These long-term obligations are generally 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 (\$903 million, or 8 percent)**—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 (\$582 million, or 5 percent)**—A financing technique that provides long-term financing of capital projects. The bonds are repaid from incremental taxes on property in a redevelopment area.

LEAs issued \$11.332 billion in Certificates of Participation and General Obligation Bonds during FY 2015-16, an increase of \$1.531 billion (16 percent) over \$9.801 billion issued in the prior fiscal year (Figure 5).

Figure 5



LEA financing through Certificates of Participation increased by \$0.317 billion, and financing through General Obligation Bonds increased by \$1.214 billion over the prior year.

General Obligation Bonds accounted for 87 percent of LEA debt issuance in FY 2015-16, an increase of 4 percent over the prior year. In comparison, Certificates of Participation accounted for 8 percent of debt issuance in FY 2015-16, a 3 percent increase over the prior year.

Lottery Revenues

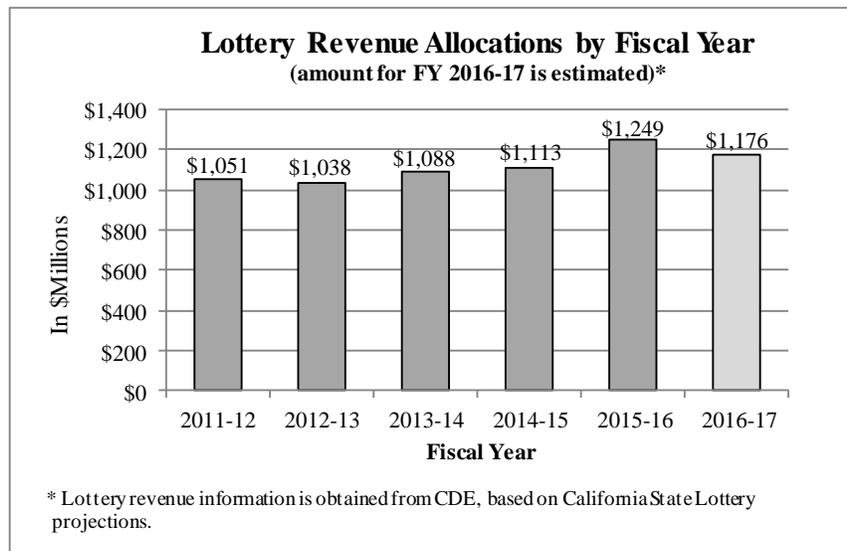
The allocation of Lottery revenues to K-12 schools is based on a percentage of total Lottery sales for the year. Under state law, California State Lottery Act of 1984, a minimum of 34 percent of Lottery sales must be distributed to school districts, community colleges, and other educational agencies.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

***Lottery revenue
projected to decrease***

Lottery revenue is projected to decrease 5.84 percent, from \$1,249 million in FY 2015-16 to \$1,176 million estimated for FY 2016-17 (Figure 6).¹

Figure 6



¹ In the 2012-13 Annual Financial Report of California K-12 Schools, the figure for FY 2012-13 was reported incorrectly as \$1,027 million.

Program Compliance

Overview

The annual audit reports by Certified Public Accountants (CPAs) are the primary source of information regarding LEA compliance with state and federal requirements. SCO 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, SCO may conduct compliance audits, if resources permit.

Compliance Findings

Independent auditors determine whether 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 FY 2015-16 LEA audit reports submitted by CPAs increased over the prior year. There were 932 compliance findings in FY 2015-16, a 5 percent increase over the 891 compliance findings in FY 2014-15 (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 932 audit findings, 828 (89 percent) pertained to state programs and requirements and 104 (11 percent) pertained to federal programs and requirements (Figure 7).

The Unduplicated Local Control Funding Formula Pupil Counts compliance requirement accounted for 24 percent of all compliance findings in FY 2015-16. The LEAs' audit reports disclosed 220 Unduplicated Local Control Funding Formula Pupil Counts findings, with the majority (206 findings, or 94 percent) related to the following issues:

- Free and Reduced-Price Meal and/or English Learner pupil counts overstated;
- Free and Reduced-Price Meal pupils missing eligibility documentation;
- Free and Reduced Price Meal and English Learner pupils missing eligibility documentation for at least one designation; and
- English Learner pupils missing eligibility documentation.

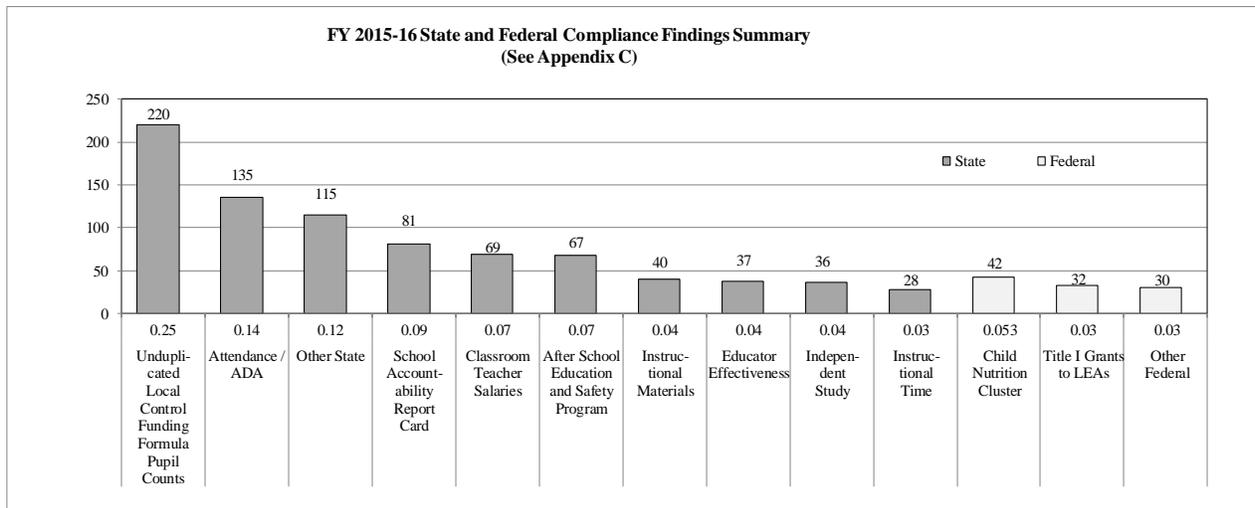
There were 135 attendance-related findings, which accounted for 14 percent of all compliance findings. The majority of the attendance findings (100, or 74 percent) were related to the following issues:

- ADA was misstated;
- Attendance registers/Scantron forms were not signed by teachers;
- Attendance reports did not reconcile to supporting documentation; and
- Attendance reports were inaccurate and/or incomplete.

The audit reports also disclosed 81 findings pertaining to the School Accountability Report Card (SARC). The majority of findings (65, or 80 percent) pertained to:

- SARC information that was inconsistent with a Facility Inspection Tool (FIT) or local evaluation instrument; and
- A FIT that was either not prepared or missing.

Figure 7



County Offices of Education Audit Resolution Processes

EC section 41020(n) provides that the State Controller shall annually select a sample of 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 COE followed its audit resolution process, resolved all of the audit findings, followed up on the district’s corrective action plans, and notified the SSPI and the State Controller of the results.

During FY 2016-17, SCO performed reviews of the audit resolution processes of nine COEs and found that five COEs followed their audit resolution processes for FY 2013-14 and FY 2014-15. The following exceptions were noted in one or more of the COEs:

- One COE did not maintain documentation to support that it reviewed the corrective action response it requested from one or more districts.
- One COE did not follow its audit resolution process.
- Three COEs submitted their Certification of Corrective Action form late.

Quality Control

Overview

SCO reviews and certifies the annual independent audit reports submitted by each LEA for compliance with audit guidelines set forth in the K-12 Audit Guide. This authority is provided by EC section 14504.

Audit Report Certifications

SCO determines whether audit reports conform to reporting provisions of the K-12 Audit Guide and notifies each LEA, independent auditor, and the SSPI whether a report has been accepted or rejected, based on conformity with those provisions.

For FY 2015-16, SCO accepted 73 percent of the audit reports submitted; the remaining 27 percent were rejected upon initial review. EC section 14505 provides that LEAs withhold 10 percent of the audit fee until the State Controller certifies that the audit report conforms to the reporting provisions of EC 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, SCO may refer the independent auditor to the California Board of Accountancy for professional review.

Increase in number of rejected audit reports

Upon initial review, SCO certified 1,375 (73 percent) of the 1,885 audit reports submitted by LEAs for FY 2015-16. The number of rejected reports increased by 102, from 408 in the prior year to 510 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>
2011-12	1,699	405	24%
2012-13	1,756	452	26%
2013-14	1,792	328	18%
2014-15	1,841	408	22%
2015-16	1,885	510	27%

Reporting Deficiencies

In FY 2015-16, SCO identified 1,039 reporting deficiencies in the independent auditors' reports of LEAs, an increase of 229 over the prior year (Figure 9).

Reporting deficiencies increased

Figure 9

	Fiscal Year	
	2014-15	2015-16
Auditor's Report on the Financial Statements	82	103
Management's Discussion & Analysis	0	1
Basic Financial Statements	46	36
Notes to the Financial Statements	83	239
Required Supplementary Information	44	30
Supplementary Information Section	119	183
Schedule of Expenditures of Federal Awards	6	67
Government Auditing Standards Report	14	33
Single Audit Report	17	53
State Compliance Report	155	59
Findings and Recommendations Section	243	233
Other	1	2
Total Number of Reporting Deficiencies	810	1,039

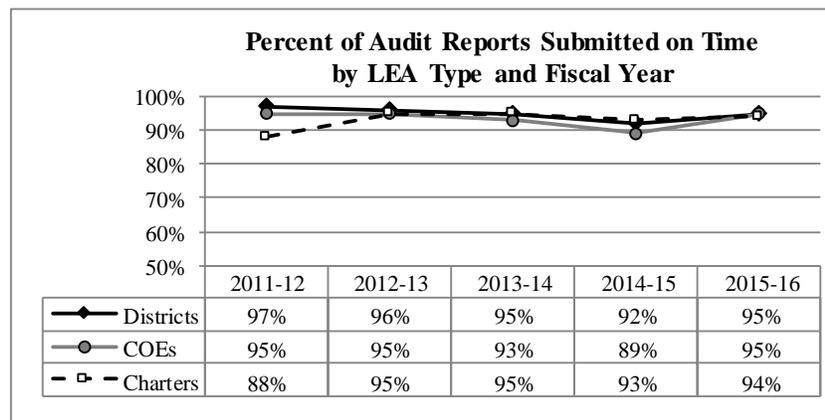
*See Appendix D.

The Supplementary Information, Notes to the Basic Financial Statements, and the Schedule of Expenditures of Federal Awards sections of the independent audit reports of LEAs show the largest increases in the number of reporting deficiencies.

On-Time Submissions

Audit reports for the preceding fiscal year must be filed with SCO, CDE, 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



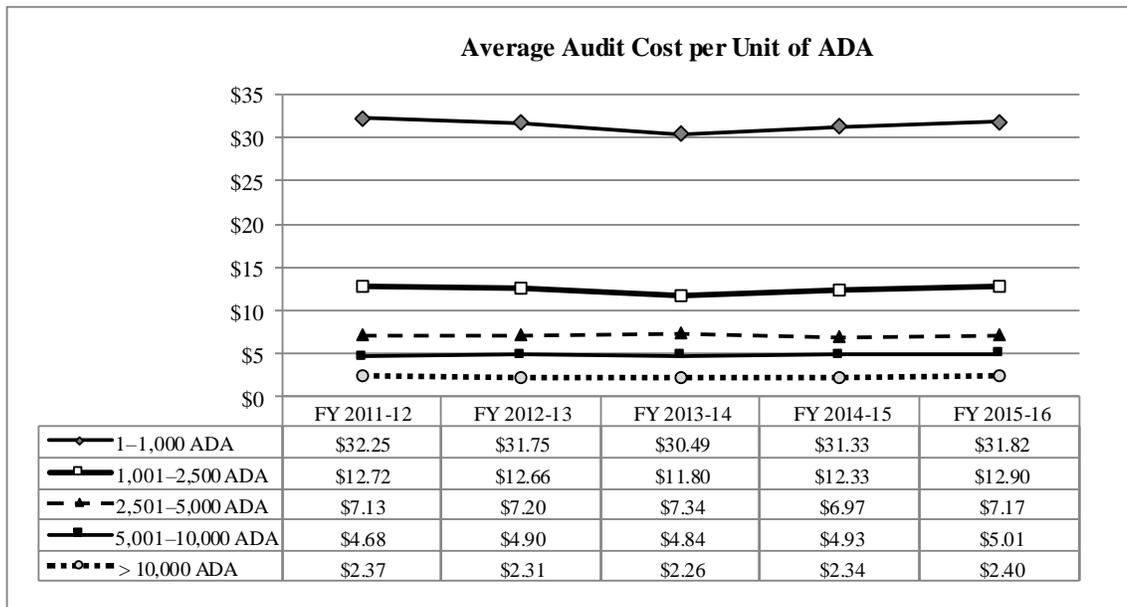
Annual audit reports submitted on time increased

The percentage of school district, COE, and charter annual audit reports submitted by the deadline increased over the prior year (Figure 10). A total of 1,788, or 94 percent, of the 1,898 required LEA reports were received by the December 15, 2016 deadline. For FY 2015-16, there were 2,227 LEAs. Some of the LEAs, primarily charter schools, were combined for reporting purposes, resulting in 1,898 required LEA reports.

Average Audit Cost per Average Daily Attendance

Each year SCO asks each COE to provide audit contract information for the COE and all LEAs under its jurisdiction. SCO maintains a database of information pertaining to audit contracts between LEAs and independent auditors. From that database, SCO determined the total audit costs and the cost per unit of ADA for LEA annual audits. The COEs provided FY 2015-16 audit contract information for 89 percent of the COE and LEAs. Based on information received, audit costs for FY 2015-16 totaled \$32.4 million, an increase of \$139,118, or 0.4 percent, over total audit costs of \$32.3 million for FY 2014-15.

Figure 11



Quality Control Reviews

EC 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.

EC section 41020(f)(1) requires SCO to publish a directory of CPAs 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);
- K-12 Audit Guide;
- Office of Management and Budget (OMB) Circular A-133; and/or Title 2 CFR Part 200 (Uniform Guidance), as applicable; and
- The California Business and Professions Code.

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, 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, 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, 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, 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 2016-17, SCO issued one quality control review report related to LEAs. The quality control review found deficiencies in the following area:

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	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2015-16 Average Daily Attendance	2016-17 Interim Report		2015-16 Interim Report Second
				----- First	Second	
Alameda County						
1. Newark Unified	N/A ²	N/A ²	5,819	Q	Q	P
2. Oakland Unified	N/A ²	N/A ²	35,484	Q ¹	Q	P
Butte County						
3. Bangor Union Elementary	N/A ²	N/A ²	103	Q	P	P
4. Feather Falls Union Elementary	N/A ²	N/A ²	10	Q	Q	P
Calaveras County						
5. Calaveras Unified	NO	NO	2,842	Q ¹	Q	Q
Contra Costa County						
6. John Swett Unified	N/A ²	N/A ²	1,647	P	Q	P
7. Knightsen Elementary	N/A ²	N/A ²	518	Q	P	P
El Dorado County						
8. Black Oak Mine Unified	NO	NO	1,169	Q	Q	Q
9. Gold Trail Union Elementary	N/A ²	N/A ²	613	Q ¹	Q	P
Fresno County						
10. Coalinga-Huron Unified	N/A ²	N/A ²	4,192	P	Q	P
Inyo County						
11. Lone Pine Unified	N/A ²	N/A ²	321	Q	P	P
Lake County						
12. Konocti Unified	N/A ²	N/A ²	2,966	P	Q	P
Los Angeles County						
13. Burbank Unified	N/A ²	N/A ²	14,628	P	Q	P
14. Covina-Valley Unified	N/A ²	N/A ²	11,640	Q	P	P
15. Inglewood Unified	N/A ³	N/A ³		Q	Q	Q
16. Los Angeles Unified	NO	NO	503,548	Q	Q	Q
17. Montebello Unified	N/A ²	N/A ²	26,872	Q	Q	P
18. San Gabriel Unified	N/A ²	N/A ²	5,150	P	Q	P
19. Torrance Unified	N/A ²	N/A ²	22,987	P	Q	P
20. Wilsona Elementary	N/A ²	N/A ²	1,259	P	Q	P
Madera County						
21. Yosemite Unified	N/A ²	N/A ²	1,585	Q	P	P
Marin County						
22. Lagunitas Elementary	N/A ²	N/A ²	271	P	Q	P
23. Sausalito Marin City Elementary	N/A ²	N/A ²	136	Q ¹	Q	P
24. Union Jt. Elementary	N/A ²	N/A ²	7	Q	Q	P
Napa County						
25. Napa Valley Unified	N/A ²	N/A ²	17,494	P	Q	P
Orange County						
26. Saddleback Valley Unified	N/A ²	N/A ²	27,631	Q	P	P
Placer County						
27. Colfax Elementary	N/A ²	N/A ²	311	N	Q	P

Appendix A (continued)

County School District/County Office	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2015-16 Average Daily Attendance	2016-17 Interim Report		2015-16 Interim Report Second
				----- First	Second	
Riverside County						
28. Banning Unified	N/A ²	N/A ²	4,235	P	Q	P
29. Coachella Valley Unified	N/A ²	N/A ²	17,906	P	Q	P
30. Temecula Valley Unified	N/A ²	N/A ²	27,089	Q	Q	P
Sacramento County						
31. Galt Jt. Union High	N/A ²	N/A ²	2,101	Q	P	P
San Benito County						
32. Bitterwater-Tully Union Elementary	N/A ²	N/A ²	35	P	Q	P
San Bernardino County						
33. Baker Valley Unified	N/A ²	N/A ²	138	Q	P	P
34. Colton Jt. Unified	N/A ²	N/A ²	21,999	Q	Q	P
35. Rim of the World Unified	N/A ²	N/A ²	3,367	Q	Q	P
36. Upland Unified	N/A ²	N/A ²	10,682	P	Q	P
San Diego County						
37. Julian Union High	NO	NO	149	Q	P	N
38. Mountain Empire Unified	N/A ²	N/A ²	1,467	P	Q	P
39. Oceanside Unified	N/A ²	N/A ²	17,970	P	Q	P
40. San Diego Unified	NO	NO	102,237	Q	Q	Q
41. San Marcos Unified	N/A ²	N/A ²	19,997	P	Q	P
San Luis Obispo County						
42. San Miguel Jt. Union Elementary	NO	NO	598	N	N	N
San Mateo County						
43. San Bruno Park Elementary	YES	NO	2,611	N	N	P
Santa Barbara County						
44. Cuyama Jt. Unified	N/A ²	N/A ²	221	P	Q	P
45. Hope Elementary	N/A ²	N/A ²	980	Q	P	P
Santa Clara County						
46. Lakeside Jt. Elementary	N/A ²	N/A ²	85	Q	Q	P
Shasta County						
47. Oak Run Elementary	N/A ²	N/A ²	66	P	Q	P
48. Whitmore Union Elementary	N/A ²	N/A ²	22	P	Q ¹	P
Sonoma County						
49. Santa Rosa City Schools	N/A ²	N/A ²	11,490	Q	Q	P
50. West Sonoma Co. Union High	N/A ²	N/A ²	1,875	Q	Q	P
Trinity County						
51. Mountain Valley Unified	N/A ²	N/A ²	257	P	Q	P
Tuolumne County						
52. Curtis Creek Elementary	N/A ²	N/A ²	442	Q	P	P
53. Sonora Union High	N/A ²	N/A ²	939	Q	P	P
Ventura County						
54. Oxnard Union High	N/A ²	N/A ²	15,348	P	Q ¹	P

¹ COE changed certification

² LEA received positive certification in FY 2015-16 second interim.

³ LEA FY 2015-16 annual audit report not received.

Legend: P=Positive Q=Qualified N=Negative

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

Analysis of Key Indicators for Financial Difficulties										
	1st/2nd Certification	Deficit Spending ¹	Other Expenditures ²	Other Revenues ³	Contributions ⁴	Reserves ⁵	Local Control Funding Formula (LCFF) ⁶	Declining Enrollment ⁷	Status of Labor Agreements ⁸	Long-term Commitments ⁹
Alameda County:										
1. Newark Unified	Q/Q	√	√	√	√	√	√	√	√	
2. Oakland Unified	Q/Q		√	√	√		√	√	√	√
Butte County:										
3. Bangor Union Elementary	Q/P	√	√		√	√	√		√	
4. Feather Falls Union Elementary	Q/Q	√	√	√	√	√	√		√	
Calaveras County:										
5. Calaveras Unified	Q/Q	√	√	√	√		√	√	√	√
Contra Costa County:										
6. John Swett Unified	P/Q	√	√	√	√	√		√	√	√
7. Knightsen Elementary	Q/P	√	√	√	√	√	√		√	
El Dorado County:										
8. Black Oak Mine Unified	Q/Q	√	√	√	√	√		√	√	√
9. Gold Trail Union Elementary	Q/Q	√	√		√	√	√		√	√
Fresno County:										
10. Coalinga-Huron Unified	P/Q	√	√	√	√	√	√			√
Inyo County:										
11. Lone Pine Unified	Q/P	√	√	√	√		√	√	√	
Lake County:										
12. Konocti Unified	P/Q	√	√	√	√	√			√	√
Los Angeles County:										
13. Burbank Unified	P/Q	√	√		√	√			√	√
14. Covina-Valley Unified	Q/P	√	√	√	√	√	√	√		
15. Inglewood Unified	Q/Q	√	√	√				√		
16. Los Angeles Unified	Q/Q	√	√	√	√			√		
17. Montebello Unified	Q/Q	√	√		√			√		
18. San Gabriel Unified	P/Q	√	√		√	√	√	√	√	√
19. Torrance Unified	P/Q	√		√		√	√	√		√
20. Wilsona Elementary	P/Q	√		√		√	√	√		
Madera County:										
21. Yosemite Unified	Q/P	√	√	√	√	√			√	√
Marin County:										
22. Lagunitas Elementary	P/Q	√	√		√	√		√		
23. Sausalito Marin City Elementary	Q/Q	√	√	√	√	√	√		√	√
24. Union Joint Elementary	Q/Q	√	√	√		√				
Napa County:										
25. Napa Valley Unified	P/Q			√	√		√	√		√
Orange County:										
26. Saddleback Valley Unified	Q/P	√	√	√	√	√		√		
Placer County:										
27. Colfax Elementary	N/Q	√	√	√	√	√	√	√	√	√
Riverside County:										
28. Banning Unified	P/Q	√		√	√	√	√	√		√
29. Coachella Valley Unified	P/Q	√	√	√	√	√	√		√	√
30. Temecula Valley Unified	Q/Q	√	√	√	√	√	√	√	√	√
Sacramento County:										
31. Galt Joint Union High	Q/P	√	√	√	√	√		√		
San Benito County:										
32. Bitterwater-Tully Union	P/Q	√	√		√	√	√			
San Bernardino County:										
33. Baker Valley Unified	Q/P	√	√			√	√	√	√	√
34. Colton Joint Unified	Q/Q	√	√	√	√	√	√	√	√	√
35. Rim of the World Unified	Q/Q	√	√	√		√	√	√	√	√
36. Upland Unified	P/Q	√	√			√	√	√	√	√
San Diego County:										
37. Julian Union High	Q/P	√	√	√	√	√				√
38. Mountain Empire Unified	P/Q	√	√	√	√	√	√		√	
39. Oceanside Unified	P/Q	√					√	√	√	√
40. San Diego Unified	Q/Q	√	√	√	√	√	√	√	√	√
41. San Marcos Unified	P/Q	√	√	√	√	√	√	√	√	√
San Luis Obispo County:										
42. San Miguel Joint Union	N/N	√	√	√	√	√	√			√
San Mateo County:										
43. San Bruno Park Elementary	N/N	√	√	√	√	√	√	√	√	√

Appendix B (continued)

Analysis of Key Indicators for Financial Difficulties										
	1st/2nd Certification	Deficit Spending ¹	Other Expenditures ²	Other Revenues ³	Contributions ⁴	Reserves ⁵	Local Control Funding Formula (LCFF) ⁶	Declining Enrollment ⁷	Status of Labor Agreements ⁸	Long-term Commitments ⁹
Santa Barbara County:										
44. Cuyama Joint Unified	P/Q	√		√		√	√	√	√	√
45. Hope Elementary	Q/P		√	√	√	√		√		
Santa Clara County:										
46. Lakeside Joint Elementary	Q/Q	√	√	√	√	√	√		√	√
Shasta County:										
47. Oak Run Elementary	P/Q	√		√			√			
48. Whitmore Union Elementary	P/Q	√	√	√			√		√	
Sonoma County:										
49. Santa Rosa City Schools	Q/Q	√	√	√	√			√	√	
50. West Sonoma County Union	Q/Q	√	√	√	√	√	√	√	√	√
Trinity County:										
51. Mountain Valley Unified	P/Q		√	√	√		√	√		
Tuolumne County:										
52. Curtis Creek Elementary	Q/P	√	√	√	√	√			√	
53. Sonora Union High	Q/P	√	√	√	√	√	√		√	√
Ventura County:										
54. Oxnard Union High	P/Q	√	√	√		√	√			√

¹ Unrestricted deficit spending has exceeded the standard in any of the current or two subsequent fiscal years.

² Projected operating expenditures (e.g., books and supplies) for the current and two subsequent fiscal years changed by more than 5 percent since budget adoption or first interim.

³ Projected operating revenues (e.g., federal, other state, other local) for the current and two subsequent

⁴ Contributions from unrestricted to restricted resources, or transfers to or from the General Fund to cover operating deficits, changed by more than \$20,000 and more than 5 percent since budget adoption for 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 LCFF for any of the current or two subsequent fiscal years changed by more than 2 percent since budget adoption or first interim.

⁷ Enrollment decreased in both the prior and current fiscal years.

⁸ As of second interim projections; salary and benefit negotiations are still unsettled.

⁹ District has long term (multiyear) commitments and/or debt agreements.

Legend: P=Positive Q=Qualified N=Negative

Appendix C— Summary of Audit Report Compliance Findings

Program	Description of Problem	Number of Findings
STATE		
Attendance Requirements		
	ADA overstated by 0-5 ADA	29
	ADA overstated by 10-20 ADA	3
	ADA overstated by 5-10 ADA	3
	ADA overstated by over 20 ADA	2
	ADA understated by 0-5 ADA	18
	ADA understated by 10-20 ADA	2
	ADA understated by 5-10 ADA	2
	ADA understated by over 20 ADA	2
	Absences were claimed for apportionment	7
	Attendance accounting system not approved by CDE	4
	Attendance registers/scantrons not signed by teachers	27
	Attendance report does not reconcile to supporting documentation	11
	Attendance report inaccurate/incomplete	15
	Excused absences - problems with verification procedures/documentation	3
	Lack of documentation/records	2
	Enrollment is not reconciled to monthly attendance reports	1
	Other Finding	4
Continuation Education		
	Attendance accounting deficiency	3
Independent Study		
	Attendance overstated	4
	Contract(s) did not include all required elements	24
	Other finding	1
	Ratio of pupils to teachers exceeded maximum allowable	5
	Work samples not maintained	1
	Work samples not signed and dated by teacher	1
Kindergarten		
	Kindergarten retention form did not include required elements	1
	Retention forms are not maintained and/or properly approved	16
Middle or Early College High Schools		
	Instructional time requirement not met	2
After School Education & Safety Program		
	Administrative costs exceeded 15% of state funding	2
	Indirect costs overstated	2
	Lack of documentation/records	8
	Noncompliance with matching requirements	2
	Other finding	6
	Reported number of students served not supported by written records or did not reconcile to supporting	39
	Reported students served inconsistent with early release policy	8
Annual Instructional Minutes - Classroom Based		
	Instructional time requirements not met	6
	Other finding	1
California Clean Energy Jobs Act		
	Expenditure(s) made for non-qualifying purposes or not in accordance with law	2
Classroom Teacher Salaries		
	District did not meet the current expense of education percentage required for payment of classroom	69
Determination of Funding for Nonclassroom-Based Instruction		
	Funding determination application did not reconcile to unaudited actual reports	1
	Funding determination not approved	1
Educator Effectiveness		
	Four purposes not tracked as required	4
	Plan was not developed and/or adopted	9
	Public meeting(s) on Educator Effectiveness funds not held	24
Gann Limit Calculation		
	Appropriations limit calculation deficiency	1

Appendix C (continued)

Program	Description of Problem	Number of Findings
STATE		
Immunizations		
	Immunization dose(s) not received	6
	Other finding	1
Instructional Materials		
	Adopted/nonadopted instructional materials requirements not followed	4
	Board resolution did not address sufficiency of textbooks/instructional materials	2
	Notice of public hearing deficiency	22
	Other Finding	1
	Public hearing on instructional materials not held or held after the required time period	11
Instructional Time		
	Instructional days requirements not met	6
	Instructional minutes requirements not met	20
	Other finding	2
Inventory of Equipment		
	Inventory of equipment not maintained	2
K-3 Grade Span Adjustment		
	Average class enrollment exceeded 24 pupils	3
Local Control and Accountability Plan (LCAP)		
	LEA did not notify members of the public of the opportunity to submit comments to be included in the	7
Mode of Instruction		
	Teacher did not possess a valid teaching certification	7
Other State Program		
	Financial report inaccurate/not complete	1
	Financial report/claim not filed/not filed timely	1
	Other finding	5
Proper Expenditure of Education Protection		
	Funds not properly disbursed and expended as required by law	4
	Other finding	5
Ratio of Administrative Employees to Teachers		
	Number of administrators per hundred teachers exceeded the allowable ratio	9
School Accountability Report Card		
	Facility Inspection Tool (FIT) not prepared or missing	15
	Other finding	5
	SARC information inconsistent with availability of sufficient textbooks & other instructional materials	2
	SARC information inconsistent with complaints related to teacher misassignments or vacancies	2
	SARC information inconsistent with Facility Inspection Tool (FIT) or local evaluation instrument	50
	School accountability report card not published	7
Teacher Certification and Misassignments		
	Teacher did not possess a valid certification document (teaching credential)	3
	Teacher not authorized to instruct limited-English-proficient pupils	5
	Teacher providing instruction outside of credential subject	3
Transportation Maintenance of Effort		
	Maintenance of effort requirement not met	19
Unduplicated Local Control Funding Formula		
	English Learner students missing eligibility documentation	22
	Free and Reduced Price Meal and/or English Learner pupil counts overstated	104
	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	26
	Free and Reduced Price Meal students missing eligibility documentation	54
	Other finding	5
	TOTAL STATE FINDINGS	828

Appendix C (continued)

Program	Description of Problem	Number of Findings
FEDERAL		
Child Nutrition Cluster		
	Activities allowed or unallowed	6
	Allowable costs/cost principles	3
	Eligibility	8
	Financial report inaccurate/not complete	2
	Other finding	14
	Procurement & suspension & debarment	2
	Special tests & provisions	7
English Language Acquisition Grants (84.365)		
	Allowable costs/cost principles	1
Federal Programs		
	Activities allowed or unallowed	1
	Allowable costs/cost principles	4
	Eligibility	1
	Equipment and real property management	1
	Procurement & suspension & debarment	2
	Reporting	2
National School Lunch		
	Activities allowed or unallowed	2
	Eligibility	3
	Other finding	1
	Special tests & provisions	1
Other Federal Program		
	Allowable costs/cost principles	2
	Cash management	1
	Other finding	1
	Reporting	1
	Subrecipient monitoring	1
Special Education Cluster		
	Allowable costs/cost principles	2
	Allowable costs/cost principles	2
Title I Grants to LEAs		
	Activities allowed or unallowed	3
	Allowable costs/cost principles	6
	Eligibility	1
	Lack of documentation/records	1
	Other finding	4
	Special tests & provisions	17
Twenty-First Century Community Learning		
	Allowable costs/cost principles	1
TOTAL FEDERAL FINDINGS		104
TOTAL STATE AND FEDERAL FINDINGS		932

Appendix D— Summary of Audit Report Deficiencies

Description	Number of Deficiencies	
	2014-15	2015-16
<u>Auditor's Report on the Financial Statements</u>		
Auditor's report did not identify the supplementary information, including the Schedule of Expenditures of Federal Awards.	14	60
Auditor's report did not include an opinion on supplementary information.	15	12
Report did not include a section with the heading "Other Matters."	10	10
Report did not include all of the elements in the required supplementary information (RSI) section.	12	6
Auditor's report did not reference auditing standards generally accepted in the USA and Government Auditing Standards.	6	3
Report did not include a section with the heading "Opinion."	1	2
Report did not include a paragraph describing the matter giving rise to the modified opinion.	1	1
Report did not include a section with the heading "Qualified Opinion," "Adverse Opinion," or "Disclaimer of Opinion."	2	1
Report did not include a statement that an audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management.	1	1
Report did not include a statement that the auditor does not express an opinion on the effectiveness of the entity's internal control.	1	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.	1	1
Report did not refer to the required supplementary information (RSI).	11	1
Report did not state that the audit evidence obtained is sufficient and appropriate for the auditor's opinion.	1	1
Report did not state that the auditor obtained reasonable assurance about whether the financial statements are free from material misstatement.	1	1
Disclaimer of opinion was issued, but the introductory paragraph did not include required information.	0	1
Independent Auditor's Report on the financial statements was not included.	0	1
Introductory paragraph of auditor's report did not clearly identify financial statements covered by auditor's opinion	2	0
Report did not include a section with the heading "Other Reporting Required by Government Auditing Standards."	1	0
Reference to a separate report on internal control over financial reporting and on compliance was deficient.	1	0
Qualified opinion due to material misstatement in financial statements: opinion paragraph was deficient.	1	0
Subtotal	82	103

Appendix D (continued)

Description	Number of Deficiencies	
	2014-15	2015-16
<u>Management's Discussion and Analysis</u>		
Management's Discussion and Analysis was not included.	0	1
Subtotal	0	1
<u>Basic Financial Statements</u>		
Not-for-profit entity: Statement of Activities was not presented properly.	13	9
Governmental entity: Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities was not presented properly.	10	7
Governmental entity: Statement of Activities was not presented properly.	2	4
Governmental entity: Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position was not presented properly.	4	4
Not-for-profit entity: Statement of Financial Position was not presented properly.	5	4
Governmental entity: Statement of Fiduciary Net Position - Fiduciary Funds was not presented properly.	1	2
Governmental entity: Balance Sheet - Governmental Funds was not presented properly.	4	2
Governmental entity: Statement of Net Position was not presented properly.	0	1
Governmental entity: Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds was not presented properly.	3	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 Changes in Fiduciary Net Position - Fiduciary Funds was not presented properly.	1	1
Not-for-profit entity: Statement of Cash Flows was not presented properly.	3	0
Subtotal	46	36
<u>Notes to the Financial Statements</u>		
Not-for-profit entity: Summary of significant accounting policies did not include adequate disclosure of revenue recognition.	0	46
Not-for-profit entity: Notes did not include adequate disclosure of debt and other liabilities.	0	45
Not-for-profit entity: Summary of significant accounting policies did not include description of the financial statements presentation and basis of accounting.	0	17
Governmental entity: Summary of significant accounting policies did not include a description of the government-wide financial statements, noting the exclusion of fiduciary funds.	5	14
Governmental entity: 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.	16	14
Not-for-profit entity: Summary of significant accounting policies did not include relevant information about the nature and amount of limitations on the use of cash and cash equivalents.	0	12

Appendix D (continued)

Description	Number of Deficiencies	
	2014-15	2015-16
<u>Notes to the Financial Statements (continued)</u>		
Not-for-profit entity: Notes did not include adequate disclosure of related-party transactions and common control.	0	12
Not-for-profit entity: Notes did not include description of net assets and information about the nature and amounts of different types of permanent restrictions or temporary restrictions.	0	12
Not-for-profit entity: Notes did not include adequate disclosure of income tax status, noting the Internal Revenue Code section under which it is exempt from federal income taxes or excise taxes.	0	11
Not-for-profit entity: Notes did not include adequate disclosure of capital assets and depreciation, including the method used to compute depreciation.	0	7
Not-for-profit entity: Notes did not include adequate disclosure of fair value measurements.	0	6
Governmental entity: 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.	5	6
Governmental entity: 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.	5	4
Governmental entity: Nature of the primary government's accountability for related organizations and joint ventures was not included.	0	4
Governmental entity: Fund balance classification policies and procedures related to committed and assigned fund balances were not disclosed.	2	3
Governmental entity: Pension obligations note did not disclose the total of the employer's pension liabilities, pension assets, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense/expenditures.	5	3
Governmental entity: Pension obligations note did not include actuarial assumptions disclosure.	8	3
Governmental entity: Pension obligations note did not include the discount rate information.	7	3
Governmental entity: Pension obligations note did not include required disclosures for the discount rate.	7	2
Governmental entity: Measurement focus and basis of accounting used in the government-wide and fund financial statements was not included.	2	2
Not-for-profit entity: Notes did not include adequate disclosure of pension benefits.	0	2
Not-for-profit entity: Notes did not include adequate disclosure of investments.	0	1
Not-for-profit entity: Notes did not include description of the nature of the entity's activities.	0	1
Not-for-profit entity: Notes did not include the summary of significant accounting policies.	0	1
Governmental entity: Notes did not disclose deficit fund balances or net position of individual funds, not apparent on the face of the financial statements.	3	1

Appendix D (continued)

Description	Number of Deficiencies	
	2014-15	2015-16
<u>Notes to the Financial Statements (continued)</u>		
Governmental entity: Early retirement note did not include all the required disclosures.	1	1
Governmental entity: Pension obligations note did not include required disclosures for the pension plan.	4	1
Governmental entity: Other postemployment benefits were not adequately disclosed.	2	1
Governmental entity: Pension obligations disclosures not included.	2	1
Governmental entity: Pension obligations note did not disclose the pension plan's fiduciary net position information.	5	1
Governmental entity: Pension obligations note did not include the pension plan description.	1	1
Governmental entity: Notes did not include adequate disclosure of capital assets and depreciation, including the method used to compute depreciation.	2	1
Material prior period restatements or adjustments were not adequately disclosed.	1	0
Subtotal	83	239
<u>Required Supplementary Information</u>		
Schedule of the entity's contributions for each pension plan was not included.	16	18
Schedule of the entity's proportionate share of the net pension liability for each pension plan was not included.	26	12
Schedule of budgetary comparison data for general fund and major special revenue fund(s) were not included as RSI.	1	0
Schedule of budgetary comparison data was not shown by object.	1	0
Subtotal	44	30
<u>Supplementary Information Section</u>		
Schedule of Instructional Time did not contain all the required information.	15	76
A note to the schedule that states whether the district participated in Longer Day incentives and whether the district met or exceeded its Local Control Funding Formula target funding was not included.	48	19
Schedule of Average Daily Attendance did not display final ADA after audit finding adjustment(s).	11	14
Schedule of Instructional Time did not state whether the district complied with the instructional minutes and days provisions.	2	11
Schedule of Financial Trends and Analysis: Available reserves are below minimum required; and management's plans and/or going concern note were not included.	12	11
Local Education Agency Organization Structure description was deficient.	9	9
Schedule of Charter Schools was deficient.	6	8
Schedule of Average Daily Attendance was deficient.	3	7

Appendix D (continued)

Description	Number of Deficiencies	
	2014-15	2015-16
<u>Supplementary Information Section (continued)</u>		
Schedule of Financial Trends and Analysis was not included; or schedule was deficient.	0	6
Schedule of Charter Schools was not included.	2	5
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements was not included.	1	5
Schedule of Average Daily Attendance for charter school did not include total ADA and the ADA generated through classroom-based instruction by grade span, as appropriate.	6	4
Schedule of Average Daily Attendance was not included.	0	2
Schedule of Instructional Time was not included.	0	2
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.	3	2
Local Education Agency Organization Structure description was not included.	0	1
Schedule of Instructional Time indicates noncompliance, but a finding was not included in the audit report.	1	1
Subtotal	119	183
<u>Schedule of Expenditures of Federal Awards</u>		
Note to the Schedule of Expenditures of Federal Awards was not included or was deficient.	0	61
Schedule of Expenditures of Federal Awards was deficient.	6	6
Subtotal	6	67
<u>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters</u>		
Report on internal control over financial reporting was deficient.	6	13
Report on compliance and other matters did not include a statement regarding test results.	5	7
Description of the nature of modified opinion on the financial statements was not properly disclosed on the report.	0	6
Report did not state that audit was conducted in accordance with auditing standards generally accepted in the USA and Government Auditing Standards.	1	2
Report on Internal Control over Financial Reporting and on Compliance and Other Matters (Government Auditing Standards) was not included.	0	2
Report on internal control and compliance (GAS) did not include an alert paragraph describing the purpose of the auditor's report.	2	1
Report on compliance and other matters did not include a statement that the auditor performed tests of compliance.	0	1
Report on compliance and other matters was deficient.	0	1
Subtotal	14	33

Appendix D (continued)

Description	Number of Deficiencies	
	2014-15	2015-16
<u>Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance (Uniform Guidance)</u>		
Report on compliance for each major federal program and on internal control over compliance (Uniform Guidance) was deficient.	7	40
Noncompliance that did not result in an opinion modification was not disclosed in the report.	2	4
Noncompliance that resulted in an opinion modification was not properly disclosed in the report.	1	0
Significant deficiencies in internal control over compliance were not properly disclosed in the report.	0	3
Report on internal control over compliance was deficient.	4	2
Report on compliance for each major federal program did not include an opinion on whether the entity complied, in all material respects, with the applicable compliance requirements.	0	2
Report on compliance for each major federal program and on internal control over compliance (Uniform Guidance) was not included.	0	1
Report on compliance for each major federal program and on internal control over compliance (Uniform Guidance) did not include an alert paragraph describing the purpose of the auditor's report.	3	1
Subtotal	17	53
<u>State Compliance Report</u>		
Independent Auditor's Report on State Compliance was deficient.	144	53
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.	10	5
Independent Auditor's Report on State Compliance was not included.	1	1
Subtotal	155	59
<u>Findings and Recommendation Section</u>		
State Program Finding(s): Noncompliance was reported; however, the finding(s) did not include sufficient information.	74	49
Audit finding was not coded with the correct five-digit number.	20	30
Summary of Auditor's Results was deficient.	13	27
Schedule of Findings and Questioned Costs was not included.	0	22
State compliance finding did not include a statement (which may include questioned costs) consistent with its basis of funding, for any inappropriately reported claim.	15	19
Federal Program Finding(s): Noncompliance was reported; however, the finding(s) did not include sufficient information.	10	18
Financial statement finding did not include the cause.	35	18

Appendix D (continued)

Description	Number of Deficiencies	
	2014-15	2015-16
<u>Findings and Recommendation Section (continued)</u>		
Financial statement finding did not include the criteria.	26	13
Financial statement finding did not include the effect or potential effect.	24	12
Attendance Finding: ADA inappropriately reported for apportionment and an estimate of their dollar value not included.	11	12
Schedule of Prior Audit Findings was not included.	2	4
Auditee's corrective action plan to eliminate noncompliance was not included.	1	3
Federal Program Finding(s): Questioned costs and/or how they were calculated not included.	1	2
Financial statement finding did not include the condition.	4	1
Financial statement finding did not include the views of responsible officials and planned corrective actions.	3	1
Sufficient information for judging the prevalence and consequences of noncompliance was not included.	1	1
Summary of Auditor's Results was not included.	0	1
Financial statement finding did not include the recommendation.	3	0
Subtotal	243	233
<u>Other</u>		
Auditor's reports did not include a manual or printed signature of the auditor's firm and date of the report.	1	2
Subtotal	1	2
Total number of deficiencies	810	1039

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