

# ANNUAL FINANCIAL REPORT OF CALIFORNIA K-12 SCHOOLS

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

*For the Period of July 1, 2016, through June 30, 2017*



**BETTY T. YEE**  
California State Controller

June 2018



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California State Controller

June 29, 2018

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) 2016-17. The report summarizes the financial and program compliance status of the state's school districts, county offices of education, and charter schools for FY 2016-17, unless otherwise specified. For FY 2016-17, there were a total of 2,259 local education agencies (LEAs), which included 945 school districts, 58 county offices of education, and 1,256 charter schools.

For FY 2016-17, California LEA revenues exceeded expenditures by \$1.34 billion. The number of LEAs engaged in multi-year deficit spending decreased from 92 to 82. The number of school districts and county offices of education filing negative or qualified first- or second-interim certifications for FY 2017-18 decreased from 54 to 49. Negative or qualified certifications were filed as a result 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 decreased from the prior year. Auditors reported 798 compliance findings in FY 2016-17, a 14 percent decrease from the 932 reported in FY 2015-16. Fifteen 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. In addition, auditors reported 173 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 Chief Operating Officer George Lolas 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 (LEAs) (school districts, county offices of education [COEs], and charter schools) and to function as the independent protector of taxpayer dollars.

This oversight responsibility includes reviewing annual 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) 2016-17. Additional data was taken from interim financial report certifications submitted by LEAs for FY 2017-18. Information related to the emergency loan apportionments was obtained from various sources, including the California Infrastructure and Economic Development Bank (I-Bank).

This FY 2016-17 report contains the following key findings:

- The number of LEAs engaged in multi-year deficit spending decreased from 92 to 82. 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 54 in FY 2016-17 to 49 in FY 2017-18. In the second reporting period of FY 2017-18, 26 LEAs filed qualified interim financial reports and two LEAs filed negative interim financial reports. Financial difficulties may have a negative impact on these LEAs' educational programs.
- Debt issuance increased by \$2.59 billion to a total of \$14.50 billion, a 22 percent increase over the \$11.914 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 decreased over the prior year. Approximately 15 percent of the compliance findings for FY 2016-17 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 173 audit findings pertaining to the Unduplicated Local Control Funding Formula Pupil Counts compliance requirement.
- The number of rejected audit reports decreased by 120, from 510 to 390.

# 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 COEs). 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.<sup>1</sup>
- Review each LEA's audit report submitted to the state and perform the associated follow-up actions, including compliance audits.<sup>2</sup>
- 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.
- 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.

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<sup>1</sup> 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."

<sup>2</sup> 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.

# Financial Indicators

## Overview

The California Education Code places school district finances under the control of 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 2017-18.

## 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.

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

For FY 2017-18, a total of 45 of the 1,003 LEAs required to file interim reports filed a qualified or negative certification for the first-period interim report (41 were qualified and four were negative). Of these 45 LEAs, 22 filed a qualified second-period interim report, two filed a negative second-period interim report, and 21 LEAs were able to take corrective action. However, an additional four LEAs that had filed a positive first-interim certification subsequently filed qualified second-period interim reports, and two LEAs that had filed a negative first-period interim certification subsequently filed a qualified second-period interim report, resulting in a total of 26 qualified and two negative certifications for the second-interim reporting period (Figure 1). Thus, 49 LEAs reported qualified or negative certifications for at least one of the two periods (Appendix A), and 18 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 49 qualified or negative certifications (Appendix B) were:

- Deficit Spending: 47 LEAs (96 percent)
- Other Expenditures (projected operating expenditure changes): 46 LEAs (94 percent)
- Other Revenues (projected operating revenue changes): 45 LEAs (92 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 five percent for any of the current or two subsequent fiscal years): 41 LEAs (84 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: 38 LEAs (78 percent)

An analysis of the four 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**

<b>Second-Period Interim Report Certifications</b>					
<b>Five-Year History (Fiscal Year)</b>					
<b>Fiscal Year</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
Positive	982	976	989	962	975
Qualified	23	27	14	40	26
Negative	7	4	2	2	2
Totals	<u>1,012</u>	<u>1,007</u>	<u>1,005</u>	<u>1,004</u>	<u>1,003</u>

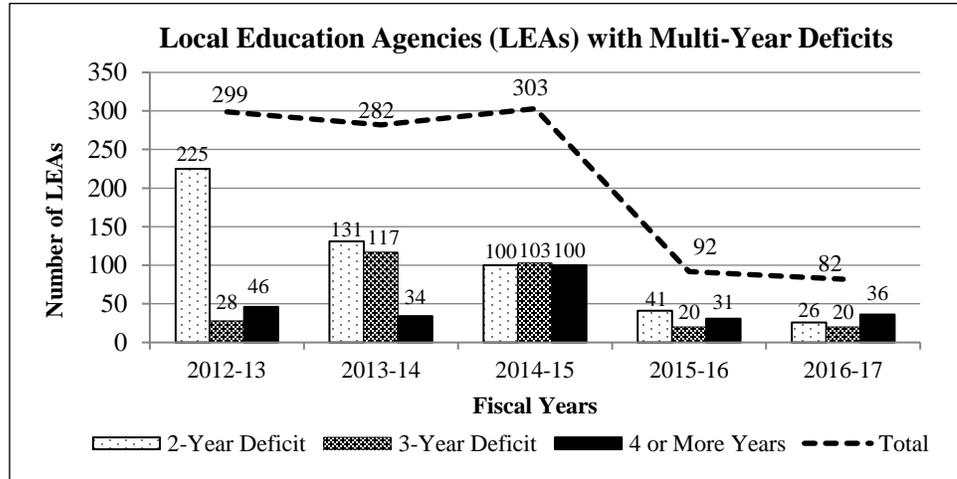
Additional information regarding LEAs that filed qualified or negative interim reports for FY 2017-18 is provided in Appendices A and B.

## Deficit Spending

### *LEA multi-year deficit spending decreased*

For FY 2016-17, the overall number of LEAs relying on multi-year deficit spending decreased from 92 to 82 (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 (JUHSD) (renamed South Monterey County JUHSD) 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 \$24,279,726 as of June 30, 2018.

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, 2018, the outstanding General Fund loan balances for Oakland Unified School District, Vallejo City Unified School District, and Inglewood Unified School District ranged from \$13.3 million to \$24.3 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 principal payments for Vallejo City Unified School District, Oakland Unified School District, and King City JUHSD bonds are payable annually on August 15. As of June 30, 2018, the outstanding Lease Revenue Bonds balances ranged from \$10.2 million to \$28.1 million, as identified in Figure 3.

**Figure 3**

School Districts with Outstanding Loans (in \$Millions)							
Fiscal Year	School District	Initial Loan (General Fund) <sup>1</sup>			Lease Revenue Bonds (I-Bank) <sup>2</sup>		
		Loan Amount	Out-standing Balance	Final Repayment Date	Amount Issued	Out-standing Balance	Final Repayment Date
2002-03	Oakland Unified	100.0	15.5	June 29, 2026	59.6	28.1	August 15, 2023
2003-04	Vallejo City Unified	60.0	13.3	August 14, 2024	21.2	10.2	August 15, 2024
2009-10	King City JUHSD <sup>3</sup>	2.0	-	April 14, 2010	14.4	10.7	August 15, 2029
2012-13	Inglewood Unified	29.0	24.3	November 1, 2033	-	-	—

<sup>1</sup> Initial loan General Fund balance information was obtained from the SCO's Local Programs and Services Division.

<sup>2</sup> Lease revenue bonds information was obtained from the I-Bank.

<sup>3</sup> King City JUHSD was renamed South Monterey County JUHSD effective July 1, 2011.

## General Fund Revenues and Expenditures

For FY 2016-17, LEA General Fund revenues exceeded expenditures by \$1.34 billion (Figure 4).

**Figure 4**

LEA General Fund Revenues and Expenditures by Fiscal Year (In \$Billions)					
Fiscal Year	2012-13	2013-14	2014-15	2015-16	2016-17
Revenues	\$ 54.42	\$ 57.90	\$ 56.89	\$ 73.89	\$ 68.56
Expenditures	(54.49)	(57.12)	(56.55)	(69.08)	(67.22)
Surplus/(Deficit)	\$ (0.07)	\$ 0.78	\$ 0.34	\$ 4.81	\$ 1.34

The fund balance or surplus for all LEAs combined totaled \$16.50 billion at the end of FY 2016-17, a decrease of \$0.57 billion from the prior year's total of \$17.06 billion. Federal revenues decreased by \$0.51 billion from the prior fiscal year (\$4.57 billion in FY 2015-16, compared to \$4.06 billion in FY 2016-17). 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.

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### *LEA debt issuance increase*

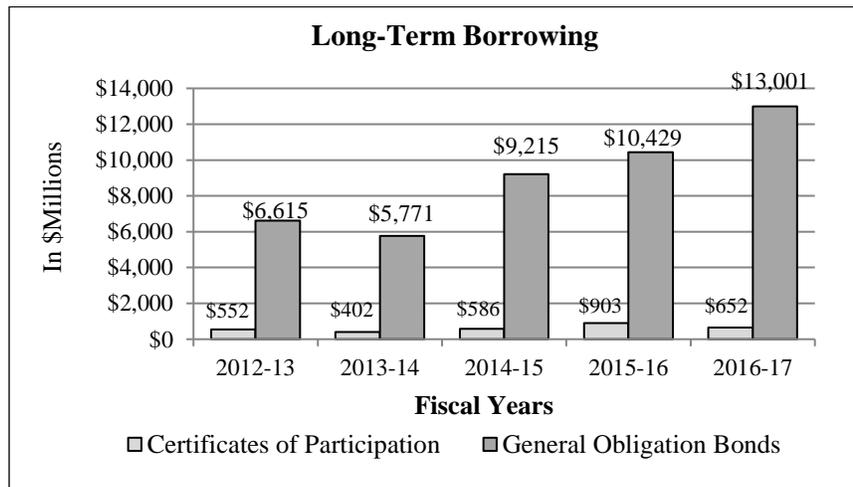
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During FY 2016-17, LEAs issued \$14.50 billion in debt, an increase of \$2.59 billion (22 percent) over the \$11.91 billion issued in the prior year. In FY 2016-17, the total number of LEAs that issued debt increased by 24 percent from the prior fiscal year. LEAs issued the following types of debt:

- **General Obligation Bonds (\$13 billion, or 90 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 (\$652 million, or 4 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 (\$532 million, or 4 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.
- **Other Debt Instruments (\$319 million, or 2 percent)**—Debt instruments that do not fall into any of the categories listed above.

LEAs issued \$13.65 billion in Certificates of Participation and General Obligation Bonds during FY 2016-17, an increase of \$2.32 billion (20 percent) over \$11.33 billion issued in the prior fiscal year (Figure 5).

**Figure 5**



LEA financing through Certificates of Participation decreased by \$0.25 billion, and financing through General Obligation Bonds increased by \$2.57 billion over the prior year.

General Obligation Bonds accounted for 90 percent of LEA debt issuance in FY 2016-17, an increase of three percent over the prior year. In comparison, Certificates of Participation accounted for four percent of debt issuance in FY 2016-17, a four percent 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, 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 ADA. The data regarding sales and allocations are maintained by SCO and the California State Lottery.

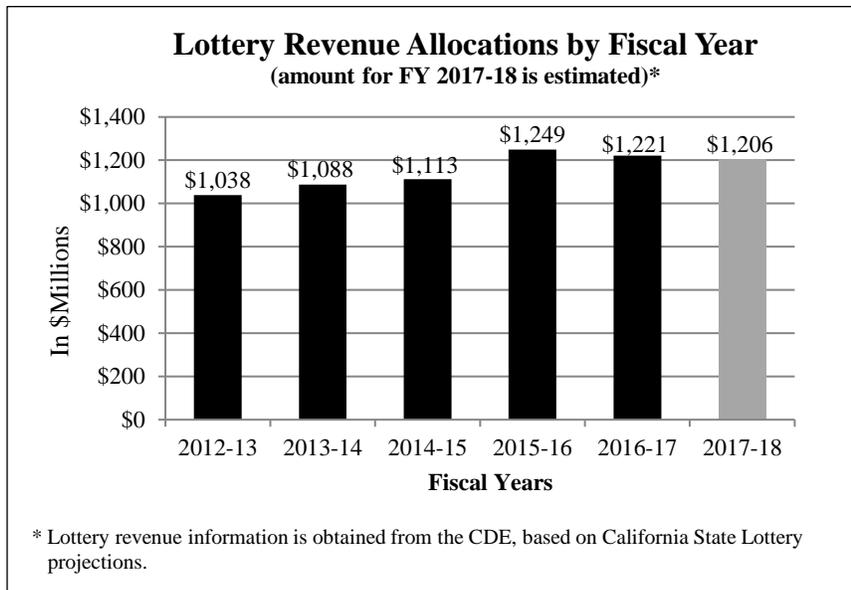
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***Lottery revenue  
projected to decrease***

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Lottery revenue is projected to decrease 1.23 percent, from \$1,221 million in FY 2016-17 to \$1,206 million estimated for FY 2017-18 (Figure 6).<sup>1</sup>

**Figure 6**



<sup>1</sup> 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 2016-17 LEA audit reports submitted by CPAs decreased from the prior year. There were 798 compliance findings in FY 2016-17, a 14 percent decrease from the 932 compliance findings in FY 2015-16 (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 798 compliance findings, 732 (92 percent) pertained to state programs and requirements and 66 (8 percent) pertained to federal programs and requirements (Figure 7).

The Unduplicated Local Control Funding Formula Pupil Counts compliance requirement accounted for 22 percent of all compliance findings in FY 2016-17. The LEA audit reports disclosed 173 Unduplicated Local Control Funding Formula Pupil Counts findings, with the majority (167 findings, or 97 percent) related to the following issues:

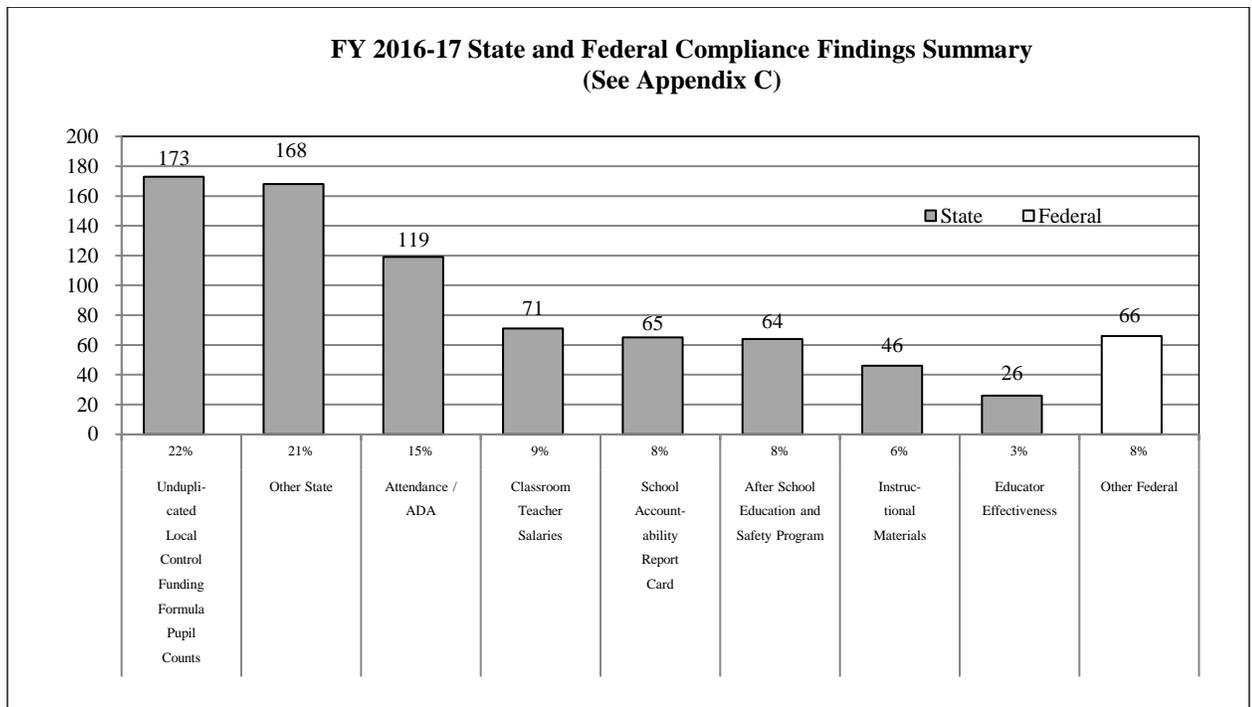
- Free and Reduced-Price Meal and/or English Learner pupil counts overstated;
- Free and Reduced-Price Meal pupils missing eligibility documentation;
- Free and Reduced Price Meal and English Learner pupils missing eligibility documentation for at least one designation; and
- English Learner pupils missing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

There were 119 attendance-related findings, which accounted for 15 percent of all compliance findings. The majority of the attendance findings (85, or 71 percent) were related to the following issues:

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

The audit reports also disclosed 71 findings pertaining to Classroom Teacher Salaries. All findings were the result of the district’s failure to meet the current expense of education percentage required for payment of classroom teachers’ salaries.

**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 2017-18, SCO performed reviews of the audit resolution processes of 10 COEs and found that five COEs followed their audit resolution processes for FY 2014-15 and FY 2015-16. One COE did not submit its Certification of Corrective Action form.

# 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 2016-17, SCO accepted 79 percent of the audit reports submitted; the remaining 21 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.

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### *Decrease in number of rejected audit reports*

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Upon initial review, SCO certified 1,506 (79 percent) of the 1,896 audit reports submitted by LEAs for FY 2016-17. The number of rejected reports decreased by 120, from 510 in the prior year to 390 in the current year (Figure 8).

**Figure 8**

<b>Number and Percent of Rejected LEA Audit Reports by Fiscal Year</b>			
<u>Fiscal Year</u>	<u>Reports Submitted</u>	<u>Reports Rejected</u>	<u>Percent Rejected</u>
2012-13	1,756	452	26%
2013-14	1,792	328	18%
2014-15	1,841	408	22%
2015-16	1,885	510	27%
2016-17	1,896	390	21%

## Reporting Deficiencies

In FY 2016-17, SCO identified 723 reporting deficiencies in the independent auditors' reports of LEAs, a decrease of 316 from the prior year (Figure 9).

### Reporting deficiencies decreased

Figure 9

	Fiscal Years	
	2015-16	2016-17
Auditor's Report on the Financial Statements	103	72
Management's Discussion and Analysis	1	5
Basic Financial Statements	36	34
Notes to the Financial Statements	239	207
Required Supplementary Information	30	8
Supplementary Information Section	183	94
Schedule of Expenditures of Federal Awards	67	17
Auditor's Report on Internal Control	33	33
Auditor's Report on Each Major Federal Program	53	27
Auditor's Report on State Compliance	59	63
Findings and Recommendations Section	233	163
Other	2	0
<b>Total Number of Reporting Deficiencies</b>	<b>1,039</b>	<b>723</b>

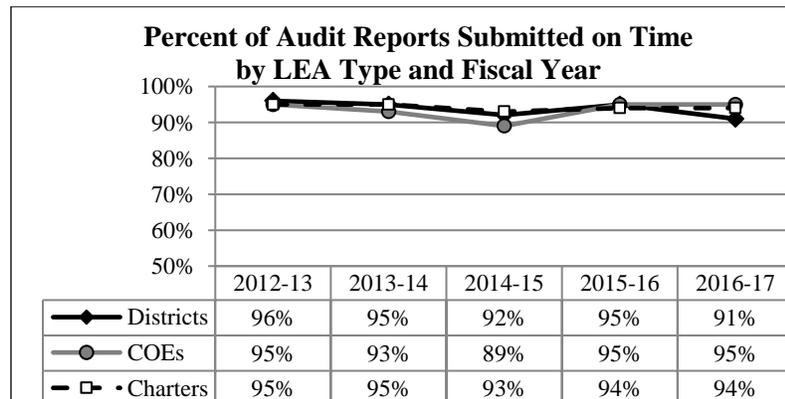
\*See Appendix D.

The Supplementary Information, Schedule of Expenditures of Federal Awards, and the Findings and Recommendations Section 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 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



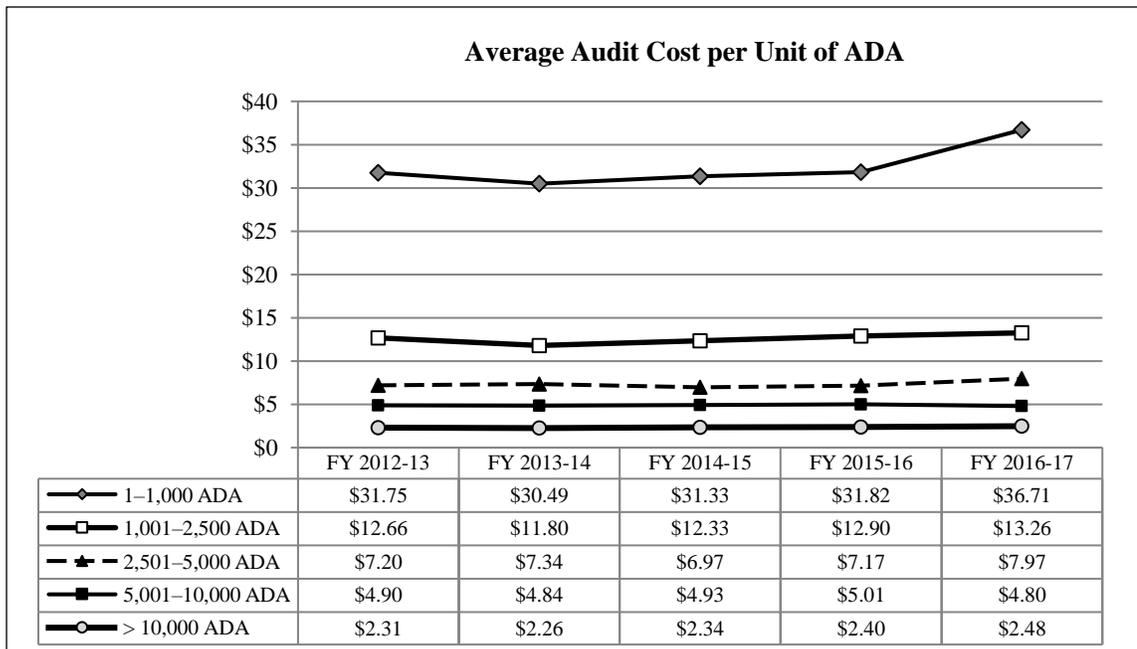
**Annual audit reports submitted on time decreased**

The percentage of school district, COE, and charter annual audit reports submitted by the deadline decreased from the prior year (Figure 10). A total of 1,763, or 93 percent, of the 1,904 required LEA reports were received by the December 15, 2017 deadline. For FY 2016-17, there were 2,259 LEAs. Some of the LEAs, primarily charter schools, were combined for reporting purposes, resulting in 1,904 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 2016-17 audit contract information for 66 percent (1,247/1,896) and FY 2015-16 audit contract information for 89 percent (1,682/1,888) of the COEs and LEAs. Based on information received, audit costs for FY 2016-17 totaled \$27.9 million, a decrease of \$4.5 million, or 13.9 percent, from total audit costs of \$32.4 million for FY 2015-16.

**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 Circular A-133; and/or Title 2, *Code of Federal Regulations*, 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 state and federal 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 2017-18, SCO issued seven quality control review reports related to LEAs. The quality control reviews found deficiencies in the following areas:

GAAS Requirements

- Engagement letter did not contain all of the required elements or language; and
- Working papers contained inconsistent documentation and disclosures.

Federal Compliance

- Testing was not performed for applicable compliance requirement(s).

State Compliance

- There was no documentation of audit work performed for some state compliance 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	2016-17 Average Daily Attendance	2017-18 Interim Report		2016-17 Second Interim Report
				First	Second	
<b>Alameda County</b>						
1. Oakland Unified	NO	NO	34,930	Q	Q	Q
<b>Butte County</b>						
2. Bangor Union Elem.	N/A <sup>2</sup>	N/A <sup>2</sup>	82	Q	Q	P
3. Feather Falls Union Elem.	NO	NO	13	N	N	Q
<b>Calaveras County</b>						
4. Calaveras Unified	NO	NO	2,782	Q	Q	Q
<b>Contra Costa County</b>						
5. Byron Union Elem.	N/A <sup>2</sup>	N/A <sup>2</sup>	1,544	Q	Q	P
6. Martinez Unified	N/A <sup>2</sup>	N/A <sup>2</sup>	3,976	Q	P	P
<b>El Dorado County</b>						
7. Black Oak Mine Unified	NO	NO	1,284	Q	P	Q
8. Gold Trail Union Elem.	NO	NO	652	Q	Q	Q
<b>Fresno County</b>						
9. Coalinga-Huron Unified	NO	NO	4,174	Q	P	Q
<b>Glenn County</b>						
10. Capay Jt. Union Elem.	N/A <sup>2</sup>	N/A <sup>2</sup>	187	Q	Q	P
<b>Humboldt County</b>						
11. Klamath-Trinity Jt. Unified	N/A <sup>2</sup>	N/A <sup>2</sup>	931	Q	Q	P
<b>Imperial County</b>						
12. Calexico Unified	N/A <sup>2</sup>	N/A <sup>2</sup>	8,801	Q	P	P
<b>Kern County</b>						
13. Southern Kern Unified	N/A <sup>2</sup>	N/A <sup>2</sup>	3,190	Q <sup>1</sup>	Q	P
14. Taft Union High	N/A <sup>2</sup>	N/A <sup>2</sup>	960	P	Q	P
<b>Los Angeles County</b>						
15. Bassett Unified	N/A <sup>2</sup>	N/A <sup>2</sup>	3,505	Q	P	P
16. Burbank Unified	NO	NO	14,699	Q	P	Q
17. Inglewood Unified	N/A <sup>3</sup>	N/A <sup>3</sup>		N	N	Q
18. Los Angeles Unified	NO	NO	490,591	Q	P	Q
19. Pasadena Unified	N/A <sup>2</sup>	N/A <sup>2</sup>	16,283	N	Q	P
<b>Madera County</b>						
20. Yosemite Unified	N/A <sup>2</sup>	N/A <sup>2</sup>	1,609	N <sup>1</sup>	Q	P
<b>Marin County</b>						
21. Sausalito Marin City Elem.	NO	NO	148	Q	Q	Q
<b>Mendocino County</b>						
22. Anderson Valley Unified	N/A <sup>2</sup>	N/A <sup>2</sup>	474	Q	P	P
23. Fort Bragg Unified	N/A <sup>2</sup>	N/A <sup>2</sup>	1,652	Q	P	P

## Appendix A (continued)

County School District/County Office	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2016-17 Average Daily Attendance	2017-18 Interim Report		2016-17 Second Interim Report
				First	Second	
<b>Placer County</b>						
24. Placer Hills Union Elem.	N/A <sup>2</sup>	N/A <sup>2</sup>	701	Q	P	P
<b>Riverside County</b>						
25. Banning Unified	NO	NO	4,271	Q	P	Q
26. Coachella Valley Unified	NO	NO	17,666	Q	Q	Q
27. Temecula Valley Unified	NO	NO	27,055	Q	P	Q
<b>San Bernardino County</b>						
28. Silver Valley Unified	N/A <sup>2</sup>	N/A <sup>2</sup>	1,994	Q	Q	P
29. Upland Unified	NO	NO	10,624	Q	P	Q
30. Victor Valley Union High	N/A <sup>2</sup>	N/A <sup>2</sup>	9,459	Q	P	P
<b>San Diego County</b>						
31. Bonsall Unified	N/A <sup>2</sup>	N/A <sup>2</sup>	2,354	P	Q	P
32. Oceanside Unified	NO	NO	17,430	Q	Q	Q
33. San Marcos Unified	NO	NO	20,090	Q	Q	Q
<b>San Luis Obispo County</b>						
34. Coast Unified	N/A <sup>2</sup>	N/A <sup>2</sup>	614	Q	P	P
35. San Miguel Jt. Union Elem.	NO	NO	574	Q	Q	N
<b>San Mateo County</b>						
36. Portola Valley Elem.	N/A <sup>2</sup>	N/A <sup>2</sup>	603	Q	P	P
<b>Santa Barbara County</b>						
37. College Elem.	N/A <sup>2</sup>	N/A <sup>2</sup>	194	P	Q <sup>1</sup>	P
<b>Santa Clara County</b>						
38. Alum Rock Union Elem.	N/A <sup>2</sup>	N/A <sup>2</sup>	10,100	Q <sup>1</sup>	Q	P
39. Evergreen Elem.	N/A <sup>2</sup>	N/A <sup>2</sup>	11,451	Q	P	P
<b>Shasta County</b>						
40. Cascade Union Elem.	N/A <sup>2</sup>	N/A <sup>2</sup>	1,026	Q	Q	P
41. Gateway Unified	N/A <sup>2</sup>	N/A <sup>2</sup>	2,143	Q	Q	P
<b>Solano County</b>						
42. Vallejo City Unified	N/A <sup>2</sup>	N/A <sup>2</sup>	12,267	Q	P	P
<b>Sonoma County</b>						
43. Bellevue Union	N/A <sup>2</sup>	N/A <sup>2</sup>	1,793	Q	Q	P
44. Piner-Olivet Union Elem.	N/A <sup>2</sup>	N/A <sup>2</sup>	1,354	Q	P	P
45. Santa Rosa Elem., City of	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A	Q	Q	P
46. Sonoma Valley Unified	N/A <sup>2</sup>	N/A <sup>2</sup>	3,864	Q	P	P
47. West Sonoma Co. Union High	NO	NO	1,822	Q	P	Q
<b>Trinity County</b>						
48. Lewiston Elem.	N/A <sup>2</sup>	N/A <sup>2</sup>	59	P	Q	P
<b>Ventura County</b>						
49. Rio Elem.	N/A <sup>2</sup>	N/A <sup>2</sup>	4,966	Q	Q	P

<sup>1</sup> COE changed certification.

<sup>2</sup> LEA received positive certification in FY 2016-17 second interim.

<sup>3</sup> LEA FY 2016-17 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 <sup>1</sup>	Other Expenditures <sup>2</sup>	Other Revenues <sup>3</sup>	Contributions <sup>4</sup>	Reserves <sup>5</sup>	Declining Enrollment <sup>6</sup>	Long-term Commitments <sup>7</sup>	Status of Labor Agreements <sup>8</sup>	Change of CBO or Superintendent <sup>9</sup>
<b>Alameda County:</b>										
1. Oakland Unified	Q / Q		✓	✓	✓	✓	✓	✓	✓	✓
<b>Butte County:</b>										
2. Bangor Union Elem.	Q / Q	✓	✓	✓	✓	✓	✓			✓
3. Feather Falls Union Elem.	N / N	✓		✓		✓			✓	
<b>Calaveras County:</b>										
4. Calaveras Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		
<b>Contra Costa County:</b>										
5. Byron Union Elem.	Q / Q	✓	✓		✓	✓	✓	✓	✓	✓
6. Martinez Unified	Q / P	✓	✓	✓	✓	✓	✓			✓
<b>El Dorado County:</b>										
7. Black Oak Mine Unified	Q / P	✓	✓	✓		✓	✓	✓	✓	
8. Gold Trail Union Elem.	Q / Q	✓	✓		✓				✓	✓
<b>Fresno County:</b>										
9. Coalinga-Huron Unified	Q / P	✓	✓	✓	✓	✓		✓		✓
<b>Glenn County:</b>										
10. Capay Jt. Union Elem.	Q / Q	✓		✓	✓	✓	✓			
<b>Humboldt County:</b>										
11. Klamath-Trinity Jt. Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	
<b>Imperial County:</b>										
12. Calexico Unified	Q / P	✓	✓	✓	✓	✓				✓
<b>Kern County:</b>										
13. Southern Kern Unified	Q / Q	✓	✓	✓	✓	✓				
14. Taft Union High	P / Q	✓	✓	✓	✓	✓	✓		✓	✓
<b>Los Angeles County:</b>										
15. Bassett Unified	Q / P	✓	✓	✓	✓	✓	✓		✓	✓
16. Burbank Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	
17. Inglewood Unified	N / N	✓	✓	✓	✓	✓	✓	✓	✓	✓
18. Los Angeles Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
19. Pasadena Unified	N / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Madera County:</b>										
20. Yosemite Unified	N / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Marin County:</b>										
21. Sausalito Marin City Elem.	Q / Q	✓	✓	✓	✓	✓	✓		✓	
<b>Mendocino County:</b>										
22. Anderson Valley Unified	Q / P	✓	✓	✓	✓	✓	✓	✓		
23. Fort Bragg Unified	Q / P	✓	✓	✓	✓	✓		✓		
<b>Placer County:</b>										
24. Placer Hills Union Elem.	Q / P	✓	✓	✓		✓				
<b>Riverside County:</b>										
25. Banning Unified	Q / P	✓	✓	✓	✓			✓	✓	
26. Coachella Valley Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
27. Temecula Valley Unified	Q / P	✓	✓	✓		✓	✓	✓	✓	
<b>San Bernardino County:</b>										
28. Silver Valley Unified	Q / Q	✓	✓	✓	✓	✓				✓
29. Upland Unified	Q / P	✓	✓				✓	✓	✓	✓
30. Victor Valley Union High	Q / P	✓	✓	✓	✓	✓		✓		✓
<b>San Diego County:</b>										
31. Bonsall Unified	P / Q	✓	✓	✓	✓	✓		✓	✓	✓
32. Oceanside Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
33. San Marcos Unified	Q / Q	✓	✓	✓		✓		✓	✓	✓

## Appendix B (continued)

### Analysis of Key Indicators for Financial Difficulties

	1st/2nd Certification	Deficit Spending <sup>1</sup>	Other Expenditures <sup>2</sup>	Other Revenues <sup>3</sup>	Contributions <sup>4</sup>	Reserves <sup>5</sup>	Declining Enrollment <sup>6</sup>	Long-term Commitments <sup>7</sup>	Status of Labor Agreements <sup>8</sup>	Change of CBO or Superintendent <sup>9</sup>
<b>San Luis Obispo County:</b>										
34. Coast Unified	Q / P	✓	✓	✓	✓	✓	✓	✓		
35. San Miguel Jt. Union Elem.	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>San Mateo County:</b>										
36. Portola Valley Elem.	Q / P	✓	✓	✓	✓	✓	✓		✓	✓
<b>Santa Barbara County:</b>										
37. College Elem.	P / Q	✓	✓	✓	✓			✓	✓	
<b>Santa Clara County:</b>										
38. Alum Rock Union Elem.	Q / Q	✓	✓	✓			✓	✓		✓
39. Evergreen Elem.	Q / P	✓		✓	✓	✓	✓	✓	✓	
<b>Shasta County:</b>										
40. Cascade Union Elem.	Q / Q	✓	✓	✓	✓	✓	✓	✓		
41. Gateway Unified	Q / Q	✓	✓	✓	✓	✓		✓	✓	
<b>Solano County:</b>										
42. Vallejo City Unified	Q / P	✓	✓	✓	✓		✓	✓	✓	✓
<b>Sonoma County:</b>										
43. Bellevue Union	Q / Q	✓	✓	✓	✓	✓	✓		✓	✓
44. Piner-Olivet Union Elem.	Q / P	✓	✓	✓	✓		✓	✓		✓
45. Santa Rosa Elem., City of	Q / Q	✓	✓	✓	✓		✓		✓	✓
46. Sonoma Valley Unified	Q / P	✓	✓	✓	✓	✓	✓			✓
47. West Sonoma Co. Union High	Q / P	✓	✓	✓	✓		✓	✓	✓	✓
<b>Trinity County:</b>										
48. Lewiston Elem.	P / Q	✓	✓	✓		✓	✓			✓
<b>Ventura County:</b>										
49. Rio Elem.	Q / Q		✓	✓	✓			✓	✓	

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

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

<sup>3</sup> Projected operating revenues (e.g., federal, other state, other local) for the current and two subsequent fiscal years changed by more than five percent since budget adoption or first interim.

<sup>4</sup> 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 five percent for any of the current or two subsequent fiscal years.

<sup>5</sup> Reserves (available reserves, e.g., reserve for economic uncertainties, unassigned/unappropriated amounts) meet minimum requirements for the current and two subsequent fiscal years.

<sup>6</sup> Enrollment decreased in both the prior and current fiscal years.

<sup>7</sup> The district has long-term (multiyear) commitments or debt agreements.

<sup>8</sup> As of first and second interim projections; salary and benefit negotiations still unsettled for one or more of the following: Certificated, Classified, Management/Supervisor/Confidential.

<sup>9</sup> Personnel changes in the Superintendent or Chief Business Official (CBO) positions have occurred within the last 12 months.

**Legend: P=Positive Q=Qualified N=Negative**

## Appendix C— Summary of Audit Report Compliance Findings

<i>Program</i>	<i>Description of Problem</i>	<i>Number of Findings</i>
<b>STATE</b>		
<b>Attendance Requirements</b>		
	ADA overstated by 0-5 ADA	25
	ADA overstated by 10-20 ADA	2
	ADA overstated by 5-10 ADA	3
	ADA overstated by over 20 ADA	2
	ADA understated by 0-5 ADA	21
	ADA understated by 10-20 ADA	2
	ADA understated by 5-10 ADA	2
	ADA understated by over 20 ADA	1
	Absences were claimed for apportionment	3
	Attendance accounting system not approved by CDE	3
	Attendance registers/scantrons not signed by teachers	21
	Attendance report does not reconcile to supporting documentation	8
	Attendance report inaccurate/incomplete	18
	Excused absences - problems with verification procedures/documentation	4
	Lack of documentation/records	1
	Other finding	3
<b>Continuation Education</b>		
	Attendance accounting deficiency	6
	Other finding	1
<b>Independent Study</b>		
	Independent study attendance overstated	4
	Contract(s) did not include all required elements	14
	Other finding	4
	Ratio of pupils to teachers exceeded maximum allowable	1
	Work samples not maintained	1
<b>Juvenile Court Schools</b>		
	Attendance accounting deficiency	2
<b>Kindergarten</b>		
	Kindergarten retention form did not include required elements	1
	Retention forms are not maintained and/or properly approved	15
	Student not eligible for admittance to Kindergarten	4
<b>After School Education &amp; Safety</b>		
	Administrative costs exceeded 15% of state funding	2
	Indirect costs overstated	1
	Lack of documentation/records	5
	Other finding	4
	Reported number of students served not supported by written records or did not reconcile to supporting documents	37
	Reported students served inconsistent with early release policy	14
	Reported students served inconsistent with late arrival policy	1
<b>Annual Instructional Minutes - Classroom Based</b>		
	Instructional time requirements not met	2

## Appendix C (continued)

<i>Program</i>	<i>Description of Problem</i>	<i>Number of Findings</i>
<b>STATE (continued)</b>		
<b>California Clean Energy Jobs Act</b>	Expenditure(s) made for non-qualifying purposes or not in accordance with law	3
<b>Classroom Teacher Salaries</b>	District did not meet the current expense of education percentage required for payment of classroom teacher salaries	71
<b>Determination of Funding for Nonclassroom-Based Instruction</b>	Other finding	2
<b>Educator Effectiveness</b>	Funds not properly tracked as required by law	2
	Plan was not developed and/or adopted	13
	Public meeting(s) on Educator Effectiveness funds not held	11
<b>Immunizations</b>	Immunization dose(s) not received	10
	Other finding	2
<b>Instructional Materials</b>	Adopted/nonadopted instructional materials requirements not followed	1
	Board resolution did not address sufficiency of textbooks/instructional materials	4
	Notice of public hearing deficiency	15
	Other finding	1
	Public hearing on instructional materials not held or held after the required time period	25
<b>Instructional Time</b>	Instructional days requirements not met	6
	Instructional minutes requirements not met	12
	Lack of documentation/records	1
	Other finding	3
<b>Inventory of Equipment</b>	Inventory of equipment not maintained	2
<b>K-3 Grade Span Adjustment</b>	Average class enrollment exceeded 24 pupils	2
<b>Local Control and Accountability Plan (LCAP)</b>	LEA did not notify members of the public of the opportunity to submit comments to be included in the LCAP	3
	LCAP not adopted or approved in a public meeting	1
<b>Mode of Instruction</b>	Other finding	1
	Teacher did not possess a valid teaching certification	7
<b>Other State Program</b>	Other finding	7

## Appendix C (continued)

<i>Program</i>	<i>Description of Problem</i>	<i>Number of Findings</i>
<b>STATE (continued)</b>		
<b>Proper Expenditure of Education Protection Account Funds</b>		
	Funds not properly disbursed and expended as required by law	6
	Other finding	1
<b>Ratio of Administrative Employees to Teachers</b>		
	Number of administrators per hundred teachers exceeded the allowable ratio	8
<b>School Accountability Report Card (SARC)</b>		
	District did not follow uniform complaint process	1
	Facility Inspection Tool (FIT) not prepared or missing	7
	Other finding	5
	SARC information inconsistent with availability of sufficient textbooks and other instructional materials	1
	SARC information inconsistent with complaints related to teacher misassignments or vacancies	1
	SARC information inconsistent with FIT or local evaluation instrument	45
	School accountability report card not published	5
<b>Teacher Certification and Misassignments</b>		
	Teacher did not possess a valid certification document (teaching credential)	14
	Teacher misassignment	1
	Teacher not authorized to instruct limited-English-proficient pupils	2
	Teacher providing instruction outside of credential subject	4
<b>Transportation Maintenance of Effort</b>		
	Maintenance of effort requirement not met	15
<b>Unduplicated Local Control Funding Formula Pupil Counts</b>		
	English Learner students missing eligibility documentation	16
	Free and Reduced Price Meal and/or English Learner pupil counts overstated	95
	Free and Reduced Price Meal and/or English Learner pupil counts understated	3
	Free and Reduced Price Meal students and English Learner students missing eligibility documentation for at least one designation	15
	Free and Reduced Price Meal students missing eligibility documentation	41
	Other finding	3
	<b>TOTAL STATE FINDINGS</b>	<b><u>732</u></b>
<b>FEDERAL</b>		
<b>Child Nutrition Cluster</b>		
	Activities allowed or unallowed	1
	Allowable costs/cost principles	2
	Eligibility	2
	Equipment and real property management	1
	Financial report inaccurate/not complete	1
	Other finding	4
	Procurement, suspension, and debarment	1
	Special tests and provisions	1

## Appendix C (continued)

<i>Program</i>	<i>Description of Problem</i>	<i>Number of Findings</i>
<b>FEDERAL (continued)</b>		
<b>English Language Acquisition Grants (84.365)</b>	Allowable costs/cost principles	1
<b>Federal Programs</b>	Activities allowed or unallowed	6
	Eligibility	3
	Equipment and real property management	1
	Other finding	1
	Procurement, suspension, and debarment	3
	Special tests and provisions	1
<b>National School Lunch</b>	Activities allowed or unallowed	1
	Eligibility	1
	Other finding	1
<b>Other Federal Program</b>	Eligibility	1
	Other finding	1
	Reporting	1
	Subrecipient monitoring	1
<b>Special Education Cluster</b>	Allowable costs/cost principles	1
	Procurement, suspension, and debarment	1
	Subrecipient monitoring	1
	Allowable costs/cost principles	4
<b>Title I Grants to LEAs</b>	Allowable costs/cost principles	4
	Eligibility	1
	Equipment and real property management	1
	Lack of documentation/records	4
	Other finding	2
	Period of availability of federal funds	2
	Special tests and provisions	6
<b>Title II, Improving Teacher Quality</b>	Allowable costs/cost principles	1
<b>Twenty-first Century Community Learning Centers (84.287)</b>	Allowable costs/cost principles	1
	Reporting	1
<b>TOTAL FEDERAL FINDINGS</b>		<b>66</b>
<b>TOTAL STATE AND FEDERAL FINDINGS</b>		<b>798</b>

## Appendix D— Summary of Audit Report Deficiencies

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2015-16</i>	<i>2016-17</i>
<b><u>Auditor's Report on the Financial Statements</u></b>		
Auditor's report did not identify the supplementary information, including the Schedule of Expenditures of Federal Awards.	60	29
Auditor's report did not include an opinion on supplementary information.	12	18
Report did not refer to the required supplementary information (RSI).	1	4
Report did not include a section with the heading "Other Matters."	10	3
Report did not include a paragraph describing the matter giving rise to the modified opinion.	1	2
Auditor's opinion did not state that the financial statements conform with accounting principles generally accepted in the USA.	0	2
Report did not include all elements in the RSI section.	6	2
Auditor's report did not reference auditing standards generally accepted in the USA and Government Auditing Standards.	3	2
Report did not include a section with the heading "Other Reporting Required by Government Auditing Standards."	0	2
Introductory paragraph of auditor's report did not clearly identify financial statements covered by auditor's opinion.	0	1
Independent Auditor's Report on the financial statements was not included.	1	1
Qualified opinion due to material misstatement in financial statements: opinion paragraph was deficient.	0	1
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.	0	1
Qualified opinion due to an inability to obtain sufficient appropriate audit evidence: opinion paragraph was deficient.	0	1
Reference to a separate report on internal control over financial reporting and on compliance was not included.	0	1
Reference to a separate report on internal control over financial reporting and on compliance was deficient.	0	1
Report did not include a section with the heading "Qualified Opinion," "Adverse Opinion," or "Disclaimer of Opinion."	1	1
Report did not state that the auditor obtained reasonable assurance about whether the financial statements are free from material misstatement.	1	0

## Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2015-16</i>	<i>2016-17</i>
<b><u>Auditor's Report on the Financial Statements (continued)</u></b>		
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	0
Disclaimer of opinion was issued, but the introductory paragraph did not include required information.	1	0
Report did not include a section with the heading "Opinion."	2	0
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	0
Report did not state that the audit evidence obtained is sufficient and appropriate for the auditor's opinion.	1	0
Report did not include a statement that the auditor does not express an opinion on the effectiveness of the entity's internal control.	1	0
<b>Subtotal</b>	<b>103</b>	<b>72</b>
<b><u>Management's Discussion and Analysis</u></b>		
Management's Discussion and Analysis was not included.	1	3
Management's Discussion and Analysis was not included and the Independent Auditor's Report did not include an explanatory paragraph.	0	2
<b>Subtotal</b>	<b>1</b>	<b>5</b>
<b><u>Basic Financial Statements</u></b>		
Not-for-profit entity: Statement of Activities was not presented properly.	9	11
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.	7	6
Governmental entity: Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position was not presented properly.	4	5
Not-for-profit entity: Statement of Financial Position was not presented properly.	4	4
Governmental entity: Balance Sheet – Governmental Funds was not presented properly.	2	2
Not-for-profit entity: Statement of Cash Flows was not presented properly.	0	1
Governmental entity: Statement of Net Position was not presented properly.	1	1

## Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2015-16</i>	<i>2016-17</i>
<b><u>Basic Financial Statements (continued)</u></b>		
Governmental entity: Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds was not presented properly.	1	1
Governmental entity: Statement of Activities was not presented properly.	4	1
Governmental entity: Statement of Cash Flows – 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
Governmental entity: Statement of Fiduciary Net Position – Fiduciary Funds was not presented properly.	2	0
Governmental entity: Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds was not presented properly.	1	0
<b>Subtotal</b>	<b>36</b>	<b>34</b>
<b><u>Notes to the Financial Statements</u></b>		
Not-for-profit entity: Notes did not include adequate disclosure of fair value measurements.	6	55
Not-for-profit entity: Summary of significant accounting policies did not include adequate disclosure of revenue recognition.	46	41
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.	12	16
Not-for-profit entity: Summary of significant accounting policies did not include description of the financial statements presentation and basis of accounting.	17	15
Not-for-profit entity: Notes did not include adequate disclosure of debt and other liabilities.	45	13
Not-for-profit entity: Notes did not include adequate disclosure of investments.	1	9
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.	11	9

## Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2015-16</i>	<i>2016-17</i>
<b><u>Notes to the Financial Statements (continued)</u></b>		
Not-for-profit entity: Notes did not include adequate disclosure of capital assets and depreciation, including the method used to compute depreciation.	7	8
Governmental entity: Summary of significant accounting policies did not include a description of the government-wide financial statements, noting the exclusion of fiduciary funds.	14	7
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.	14	6
Governmental entity: Pension obligations note did not include required disclosures for the discount rate.	2	4
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.	6	4
Not-for-profit entity: Notes did not include adequate disclosure of pension benefits.	2	3
Governmental entity: Pension obligations note did not include the discount rate information.	3	3
Governmental entity: Measurement focus and basis of accounting used in the government-wide and fund financial statements was not included.	2	3
Not-for-profit entity: Notes did not include adequate disclosure of related-party transactions and common control.	12	2
Not-for-profit entity: Notes did not include adequate disclosure of postretirement benefits other than pensions.	0	2
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.	12	2
Governmental entity: Notes did not include adequate disclosure of capital assets and depreciation, including the method used to compute depreciation.	1	2
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.	4	1

## Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2015-16</i>	<i>2016-17</i>
<b><u>Notes to the Financial Statements (continued)</u></b>		
Not-for-profit entity: Notes did not include description of the nature of the entity's activities.	1	1
Governmental entity: Pension obligations note did not disclose the pension plan's fiduciary net position information.	1	1
Governmental entity: Other postemployment benefits (OPEB) were not adequately disclosed.	1	0
Governmental entity: Early retirement note did not include all the required disclosures.	1	0
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.	3	0
Governmental entity: Fund balance classification policies and procedures related to committed and assigned fund balances were not disclosed.	3	0
Governmental entity: Nature of the primary government's accountability for related organizations and joint ventures was not included.	4	0
Governmental entity: Pension obligations note did not include actuarial assumptions disclosure.	3	0
Not-for-profit entity: Notes did not include the summary of significant accounting policies.	1	0
Governmental entity: Notes did not disclose deficit fund balances or net position of individual funds, not apparent on the face of the financial statements.	1	0
Governmental entity: Pension obligation note did not include required disclosures for the pension plan	1	0
Governmental entity: Pension Obligations disclosures not included	1	0
Governmental entity: Pension Obligations note did not include the pension plan description	1	0
<b>Subtotal</b>	<b>239</b>	<b>207</b>

## Appendix D (continued)

### Required Supplementary Information

Schedule of the entity's proportionate share of the net pension liability for each pension plan was not included.	12	4
Schedules of the entity's defined benefit OPEB plan were not included.	0	2
Schedule of budgetary comparison data was not shown by object.	0	1
Schedule of the entity's contributions for each pension plan was not included.	18	1
<b>Subtotal</b>	<b>30</b>	<b>8</b>

### Supplementary Information Section

Schedule of Instructional Time did not contain all the required information.	76	22
Schedule of Charter Schools was deficient.	8	13
Schedule of Charter Schools was not included.	5	12
Schedule of Average Daily Attendance did not display final ADA after audit finding adjustment(s).	14	8
Schedule of Instructional Time indicates noncompliance, but a finding was not included in the audit report.	1	8
Schedule of Average Daily Attendance was deficient.	7	6
Local Education Agency Organization Structure description was deficient.	9	5
Schedule of Financial Trends and Analysis: Available reserves are below minimum required; and management's plans and/or going concern note were not included.	11	4
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements was not included.	5	4
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.	4	3
Schedule of Instructional Time did not state whether the district complied with the instructional minutes and days provisions.	11	3
A note to the schedule stating 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.	19	2
Schedule of Instructional Time was not included.	2	1

## Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2015-16</i>	<i>2016-17</i>
<b><u>Supplementary Information Section (continued)</u></b>		
Schedule of Financial Trends and Analysis was not included; or schedule was deficient.	6	1
Schedule of Average Daily Attendance was not included.	2	1
For a school district or COE 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.	2	1
Local Education Agency Organization Structure description was not included.	1	0
<b>Subtotal</b>	<b>183</b>	<b>94</b>
<b><u>Schedule of Expenditures of Federal Awards</u></b>		
Schedule of Expenditures of Federal Awards was deficient.	6	9
Note to the Schedule of Expenditures of Federal Awards was not included or was deficient.	61	8
<b>Subtotal</b>	<b>67</b>	<b>17</b>
<b><u>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters</u></b>		
Report on internal control over financial reporting was deficient.	13	18
Report on compliance and other matters did not include a statement regarding test results.	7	9
Description of the nature of modified opinion on the financial statements was not properly disclosed on the report.	6	4
Report did not state that audit was conducted in accordance with auditing standards generally accepted in the USA and Government Auditing Standards (GAS).	2	1
Report on Internal Control over Financial Reporting and on Compliance and Other Matters (GAS) was not included.	2	1
Report on compliance and other matters did not include a statement that the auditor performed tests of compliance.	1	0

## Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2015-16</i>	<i>2016-17</i>
<b><u>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters (continued)</u></b>		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters (GAS) did not include an alert paragraph describing the purpose of the auditor's report.	1	0
Report on compliance and other matters was deficient.	1	0
<b>Subtotal</b>	<b>33</b>	<b>33</b>
<b><u>Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance (Uniform Guidance)</u></b>		
Report on compliance for each major federal program and on internal control over compliance (Uniform Guidance) was deficient.	40	15
Report on internal control over compliance was deficient.	2	4
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.	2	2
Noncompliance that resulted in an opinion modification was not properly disclosed in the report.	0	1
Noncompliance that did not result in an opinion modification was not disclosed in the report.	4	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.	1	1
Material weaknesses in internal control over compliance were not properly disclosed in the report.	0	1
Significant deficiencies in internal control over compliance were not properly disclosed in the report.	3	1
Report on compliance for each major federal program and on internal control over compliance (Uniform Guidance) was not included.	1	1
<b>Subtotal</b>	<b>53</b>	<b>27</b>

## Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2015-16</i>	<i>2016-17</i>
<b><u>Auditor's Report on State Compliance</u></b>		
Independent Auditor's Report on State Compliance was deficient.	53	49
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.	5	12
Independent Auditor's Report on State Compliance was not included.	1	2
<b>Subtotal</b>	<b>59</b>	<b>63</b>
<b><u>Findings and Recommendations Section</u></b>		
State Program Finding(s): Noncompliance was reported; however, the finding(s) did not include sufficient information.	49	49
Audit finding was not coded with the correct five-digit number.	30	20
Financial statement finding did not include the cause.	18	19
State compliance finding did not include a statement (which may include questioned costs) consistent with its basis of funding, for any inappropriately reported claim.	19	13
Financial statement finding did not include the criteria.	13	11
Federal Program Finding(s): Noncompliance was reported; however, the finding(s) did not include sufficient information.	18	9
Financial statement finding did not include the effect or potential effect.	12	8
Attendance Finding: ADA inappropriately reported for apportionment and an estimate of their dollar value not included.	12	8
Summary of Auditor's Results was deficient.	27	7
Schedule of Findings and Questioned Costs was not included.	22	5
Auditee's corrective action plan to eliminate noncompliance was not included.	3	3
Summary of Auditor's Results was not included.	1	2
Sufficient information for judging the prevalence and consequences of noncompliance was not included.	1	2
Financial statement finding did not include the condition.	1	2

## Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2015-16</i>	<i>2016-17</i>
<b><u>Findings and Recommendations Section (continued)</u></b>		
Financial statement finding did not include the views of responsible officials and planned corrective actions.	1	2
Major federal programs were not identified.	0	1
Financial statement finding did not include the recommendation.	0	1
Federal Program Finding(s): Questioned costs and/or how they were calculated not included.	2	1
Schedule of Prior Audit Findings was not included.	4	0
<b>Subtotal</b>	<b>233</b>	<b>163</b>
<b><u>Other</u></b>		
Auditor's reports did not include a manual or printed signature of the auditor's firm and date of the report.	2	0
<b>Subtotal</b>	<b>2</b>	<b>0</b>
<b>Total number of reporting deficiencies</b>	<b>1,039</b>	<b>723</b>

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