

ANNUAL FINANCIAL REPORT OF CALIFORNIA K-12 SCHOOLS

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

For the Period of July 1, 2017, through June 30, 2018



BETTY T. YEE
California State Controller

June 2019



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California State Controller

June 28, 2019

The Honorable Tony Thurmond
State Superintendent of Public Instruction
California Department of Education
P.O. Box 944272
Sacramento, CA 94244

Dear Superintendent Thurmond:

I am pleased to present the Annual Financial Report of California K-12 Schools for fiscal year (FY) 2017-18. The report summarizes the financial and program compliance status of the state's school districts, county offices of education, and charter schools for FY 2017-18, unless otherwise specified. For FY 2017-18, there were a total of 2,339 local education agencies (LEAs), which included 944 school districts, 58 county offices of education, and 1,337 charter schools.

For FY 2017-18, California LEA revenues exceeded expenditures by \$0.93 billion. The number of LEAs engaged in multi-year deficit spending increased from 82 to 220. The number of school districts and county offices of education filing negative or qualified first- or second-interim certifications for FY 2018-19 remained the same at 49. Negative or qualified certifications were filed as a result of long-term commitments, deficit spending, changes in operating expenditures and operating revenues, and from other resources.

State and federal compliance findings noted in the independent auditors' reports of LEAs decreased from the prior year. Auditors reported 713 compliance findings in FY 2017-18, an 11 percent decrease from the 798 reported in FY 2016-17. Sixteen 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 152 audit findings pertaining to the Unduplicated Local Control Funding Formula Pupil Counts compliance requirement.

The Honorable Tony Thurmond

June 28, 2019

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I hope that 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) 2017-18. Additional data was taken from interim financial report certifications submitted by LEAs for FY 2018-19. Information related to the emergency loan apportionments was obtained from various sources, including the California Infrastructure and Economic Development Bank (I-Bank).

This FY 2017-18 report contains the following key findings:

- The number of LEAs engaged in multi-year deficit spending increased from 82 to 220. Although some LEAs legitimately may need to engage in multi-year deficit spending (such as for building projects), this practice is often 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 remained at 49 in FY 2017-18 and in FY 2018-19. In the second reporting period of FY 2018-19, 26 LEAs filed qualified interim financial reports and six LEAs filed negative interim financial reports. Financial difficulties may have a negative impact on these LEAs' educational programs.
- Debt issuance decreased by \$6.03 billion to a total of \$8.47 billion, a 42 percent decrease from the \$14.50 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 from the prior year. Approximately 16 percent of the compliance findings for FY 2017-18 are related to deficiencies in average daily attendance (ADA) accounting, which is the primary factor in determining the amount of funding that an LEA receives from the state.

- The LEAs' annual audit reports disclosed 152 audit findings pertaining to the Unduplicated Local Control Funding Formula Pupil Counts compliance requirement.
- The number of rejected audit reports increased by 206, from 390 to 596.

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 is also 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:

- Developing, 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
- Reviewing each LEA's audit report submitted to the state and performing the related follow-up actions, including compliance audits;²
- Tracking notifications from the school districts that identify substantial fiscal problems at interim reporting periods;
- Conducting annual financial and compliance audits of school districts that receive emergency state apportionment loans;
- Ensuring that satisfactory arrangements for an annual audit have been made for each LEA;
- Performing quality control reviews of independent auditors who conduct annual audits of LEAs; and
- Compiling pertinent data and reporting annually to the California State Legislature and CDE.

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.

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 2018-19.

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.

The number of LEAs that filed qualified or negative certifications remained the same

For FY 2018-19, a total of 45 of the 1,002 LEAs required to file interim reports filed a qualified or negative certification for the first-period interim report (40 were qualified and five were negative). Of these 45 LEAs, 22 filed a qualified second-period interim report, four filed negative first- and second-period interim reports, two filed qualified first-period interim and negative second-period interim reports, and 17 LEAs were able to take corrective action. However, four other LEAs that had filed a positive first-interim certification subsequently filed qualified second-period interim reports, and two LEAs that had filed a qualified first-period interim certification subsequently filed a negative second-period interim report, resulting in a total of 26 qualified and six 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 12 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:

- Long-term Commitments: 46 LEAs (94 percent);
- Deficit Spending: 45 LEAs (92 percent);
- Other Expenditures (projected operating expenditure changes): 42 LEAs (86 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): 40 LEAs (82 percent); and
- Other Revenues (projected operating revenue changes): 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

Second-Period Interim Report Certifications*					
Five-Year History by Fiscal Year					
Certification	2014-15	2015-16	2016-17	2017-18	2018-19
Positive	976	989	962	975	970
Qualified	27	14	40	26	26
Negative	4	2	2	2	6
Totals	1,007	1,005	1,004	1,003	1,002

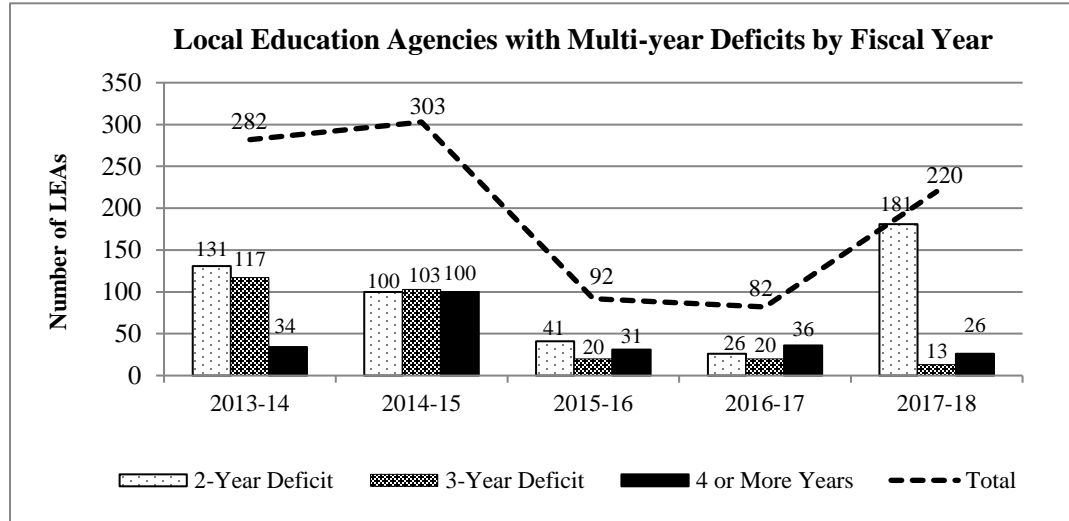
*See Appendices A and B

Deficit Spending

LEA multi-year deficit spending increased

For FY 2017-18, the overall number of LEAs relying on multi-year deficit spending increased from 82 to 220 (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 (USD) and South Monterey County Joint Union High School District (JUHSD) (formerly King City JUHSD) are required to use lease financing to repay emergency apportionments made from the state’s General Fund. The emergency apportionment made to the Vallejo City USD is considered an interim loan and must be repaid with the proceeds from lease financing.

Inglewood USD received a General Fund emergency loan in November 2012. Subsequently, Assembly Bill 86 (Chapter 48) was enacted during FY 2012-13 to authorize the Inglewood USD, through CDE, to request cash flow loans of up to \$55 million from the General Fund. The total loan balance is \$24,279,726 as of June 30, 2019.

Annual payment on the initial emergency loan for the Oakland USD is due in June. Vallejo City USD received two emergency loans from the General Fund, with payments due in June and August. As of June 30, 2019, the

outstanding General Fund loan balances for Oakland USD, Vallejo City USD, and Inglewood USD ranged from \$11.2 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 USD, Oakland USD, and South Monterey County JUHSD bonds are payable annually on August 15. As of June 30, 2019, the outstanding lease revenue bond balances ranged from \$9.0 million to \$23.9 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 USD	\$ 100.0	\$ 13.7	June 29, 2026	\$ 59.6	\$ 23.9	August 15, 2023
2003-04	Vallejo City USD	\$ 60.0	\$ 11.2	August 14, 2024	\$ 21.2	\$ 9.0	August 15, 2024
2009-10	South Monterey County JUHSD ³	\$ 2.0	\$ -	April 14, 2010	\$ 14.4	\$ 10.0	August 15, 2029
2012-13	Inglewood USD	\$ 29.0	\$ 24.3	November 1, 2034	\$ -	\$ -	—

¹ General Fund school loans balance information was obtained from the State Controller's Office, Local Government Programs & Services Division.

² Lease revenue bonds information was obtained from I-Bank.

³ King City JUHSD was renamed South Monterey County JUHSD effective July 1, 2011.

General Fund Revenues and Expenditures

For FY 2017-18, LEA General Fund revenues exceeded expenditures by \$0.93 billion (Figure 4).

Figure 4

LEA General Fund Revenues and Expenditures by Fiscal Year (in Billions)					
	2013-14	2014-15	2015-16	2016-17	2017-18
Revenues	\$ 57.90	\$ 56.89	\$ 73.89	\$ 68.56	\$ 77.97
Expenditures	(57.12)	(56.55)	(69.08)	(67.22)	(77.04)
Surplus/(Deficit)	\$ 0.78	\$ 0.34	\$ 4.81	\$ 1.34	\$ 0.93

The fund balance or surplus for all LEAs combined totaled \$18.83 billion at the end of FY 2017-18, an increase of \$2.33 billion from the prior year's total of \$16.50 billion. Federal revenues increased by \$0.76 billion from the prior fiscal year (\$4.06 billion in FY 2016-17, compared to \$4.82 billion in FY 2017-18). 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.

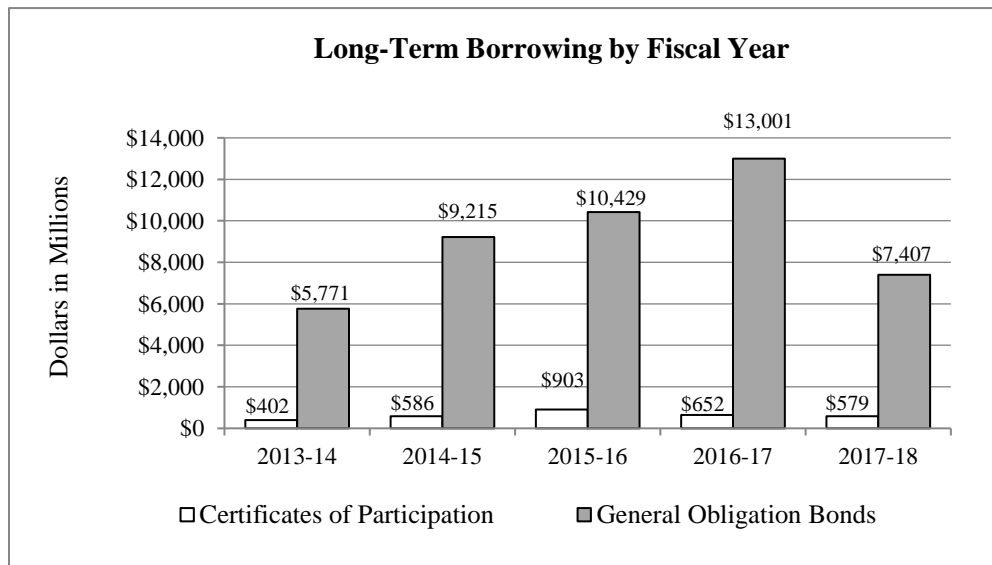
LEA debt issuance decreased

During FY 2017-18, LEAs issued \$8.47 billion in debt, a decrease of \$6.03 billion (42 percent) from the \$14.50 billion issued in the prior year. In FY 2017-18, the total number of LEAs that issued debt decreased by 36 percent from the prior fiscal year. LEAs issued the following types of debt:

- **General Obligation Bonds (\$7.4 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 other types of debt because of their preferred status; that is, they are secured by the taxing authority of the LEA.
- **Certificates of Participation (\$579 million, or 7 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 (\$321 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 (\$159 million, or 2 percent)**—Debt instruments that do not fall into any of the categories listed above.

LEAs issued \$7.99 billion in Certificates of Participation and General Obligation Bonds during FY 2017-18, a decrease of \$5.66 billion (41 percent) from the \$13.65 billion issued in the prior fiscal year (Figure 5).

Figure 5



LEA financing through Certificates of Participation decreased by \$0.07 billion, and financing through General Obligation Bonds decreased by \$5.59 billion from the prior year.

General Obligation Bonds accounted for 87 percent of LEA debt issuance in FY 2017-18, a decrease of three percent from the prior year. In comparison, Certificates of Participation accounted for seven percent of debt issuance in FY 2017-18, a three percent increase from the prior year.

Lottery Revenues

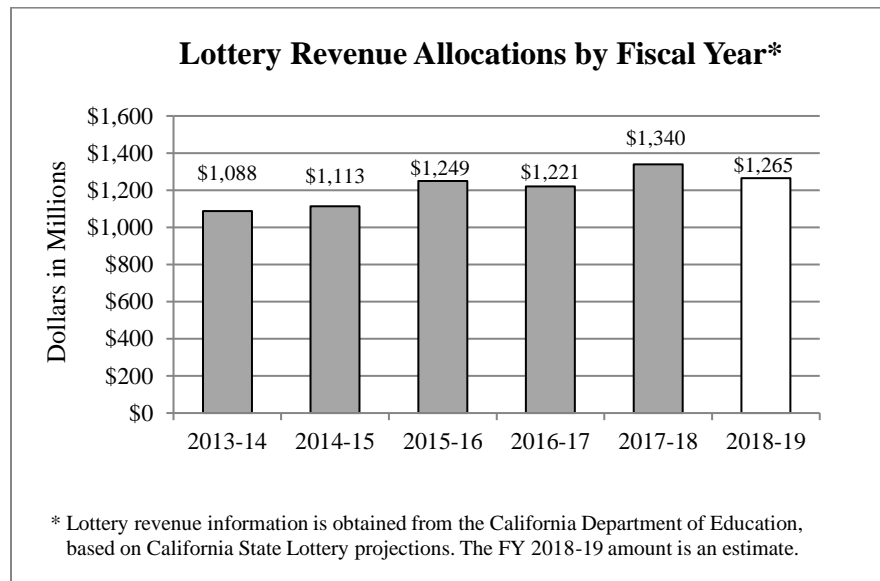
The allocation of Lottery revenues to K-12 schools is based on a percentage of total Lottery sales for the year. Under state law (the California State Lottery Act of 1984), a minimum of 34 percent of Lottery sales must be distributed to school districts, community colleges, and other educational agencies.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

Lottery revenue projected to decrease

Lottery revenue is projected to decrease 5.60 percent, from \$1,340 million in FY 2017-18 to \$1,265 million estimated for FY 2018-19 (Figure 6).

Figure 6



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 2017-18 LEA audit reports submitted by CPAs decreased from the prior year. There were 713 compliance findings in FY 2017-18, an 11 percent decrease from the 798 compliance findings in FY 2016-17 (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 713 compliance findings, 654 (92 percent) pertained to state programs and requirements and 59 (8 percent) pertained to federal programs and requirements (Figure 7).

The Unduplicated Local Control Funding Formula Pupil Counts compliance requirement accounted for 21 percent of all compliance findings in FY 2017-18. The LEA audit reports disclosed 152 Unduplicated Local Control Funding Formula Pupil Counts findings, with the majority (131 findings, or 86 percent) related to the following issues:

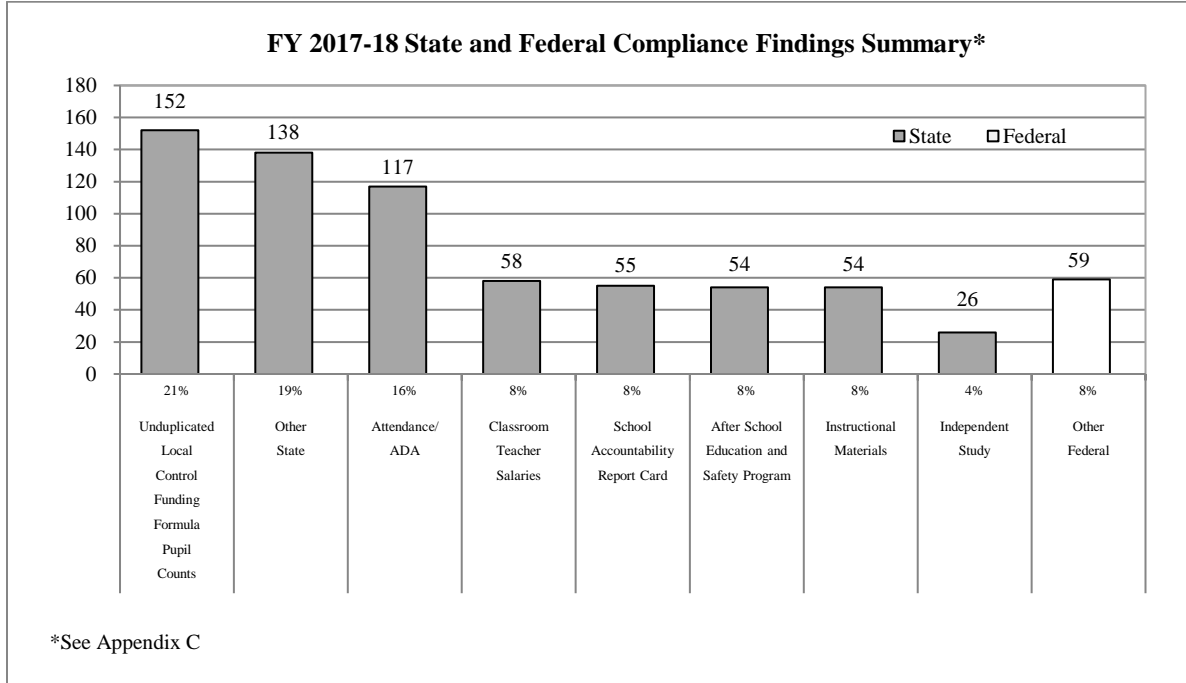
- Free and Reduced-Price Meal and/or English Learner pupil counts overstated;
- Free and Reduced-Price Meal pupils without eligibility documentation; and
- English Learner pupils without eligibility documentation.

There were 117 attendance-related findings, which accounted for 16 percent of all compliance findings. The majority of the attendance findings (92, or 79 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 58 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 2018-19, SCO performed reviews of the audit resolution processes of 10 COEs and found that all 10 COEs followed their audit resolution processes for FY 2015-16 and FY 2016-17.

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 2017-18, SCO accepted 69 percent of the audit reports submitted; the remaining 31 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.

Number of rejected audit reports increased

Upon initial review, SCO certified 1,325 (69 percent) of the 1,926 audit reports submitted by LEAs for FY 2017-18. The number of rejected reports increased by 206, from 390 in the prior year to 596 in the current year (Figure 8).

Figure 8

Number and Percent of Rejected LEA Audit Reports			
Fiscal Year	Reports Submitted	Reports Rejected	Percent Rejected
2013-14	1,792	328	18%
2014-15	1,841	408	22%
2015-16	1,885	510	27%
2016-17	1,896	390	21%
2017-18	1,926	596	31%

Reporting Deficiencies

In FY 2017-18, SCO identified 1,076 reporting deficiencies in the independent auditors’ reports of LEAs, an increase of 353 from the prior year (Figure 9).

Reporting deficiencies increased

Figure 9

	Fiscal Years	
	2016-17	2017-18
Auditor’s Report on the Financial Statements	72	133
Management’s Discussion & Analysis	5	-
Basic Financial Statements	34	41
Notes to the Financial Statements	207	314
Required Supplementary Information	8	41
Supplementary Information Section	94	243
Schedule of Expenditures of Federal Awards	17	14
Government Auditing Standards Report	33	33
Single Audit Report	27	18
State Compliance Report	63	96
Findings and Recommendations Section	163	132
Other	-	11
Total Number of Reporting Deficiencies	723	1,076

*See Appendix D

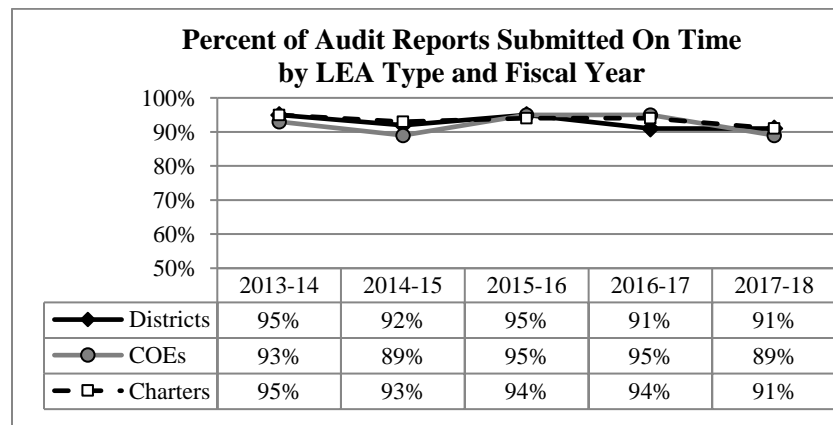
The Auditor’s Report on the Financial Statements, the Notes to the Financial Statements, and the Supplementary Information Section of the independent audit reports of LEAs show the largest increases in the number of reporting deficiencies.

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.

Annual audit reports submitted on time decreased

Figure 10

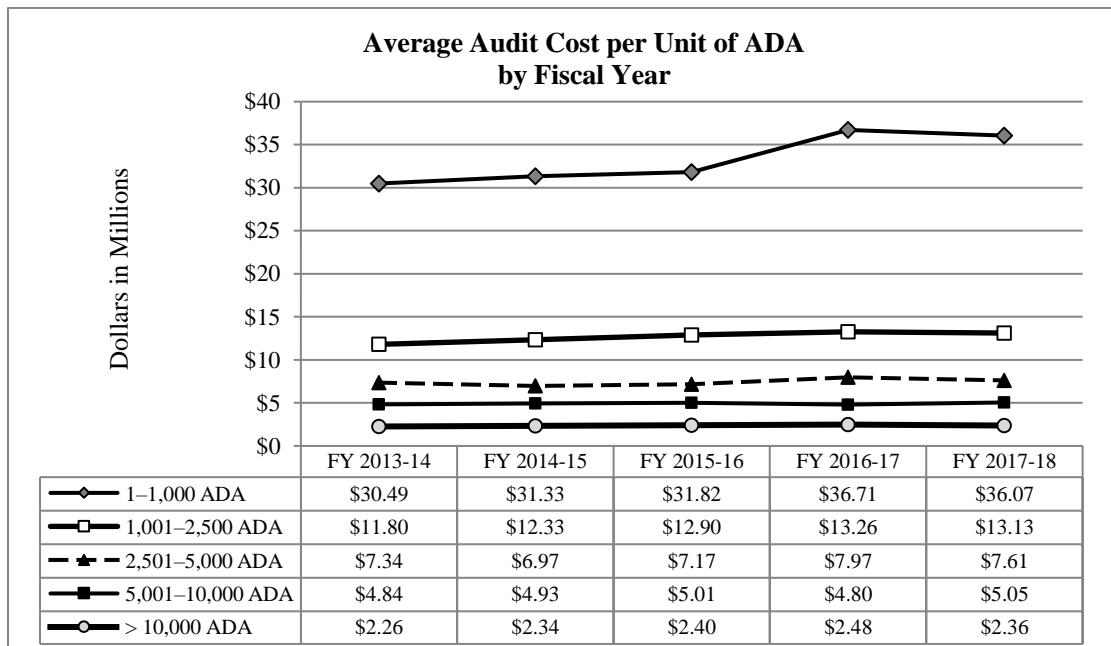


The percentage of school district, COE, and charter annual audit reports submitted by the deadline decreased from the prior year (Figure 10). A total of 1,756, or 91 percent, of the 1,932 required LEA reports were received by the December 15, 2018, deadline. For FY 2017-18, there were 2,339 LEAs. Some of the LEAs, primarily charter schools, were combined for reporting purposes, resulting in 1,932 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 2017-18 audit contract information for 72 percent (1,368 of 1,911) and FY 2016-17 audit contract information for 66 percent (1,247 of 1,896) of the COEs and LEAs. Based on information received, audit costs for FY 2017-18 totaled \$29.6 million, an increase of \$1.7 million, or six percent, from total audit costs of \$27.9 million for FY 2016-17.

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.

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

- If the audit was performed in accordance with the standards and requirements, the SCO conclusion is that the independent auditor complied with auditing standards and state and federal requirements.
- If the audit was performed in accordance with the majority of the standards and requirements, the SCO conclusion is that the independent auditor complied with the majority of auditing standards and state and federal requirements.
- If the audit was performed in accordance with some elements of the standards and requirements, but the majority of standards and requirements were not met, the SCO conclusion is that the independent auditor complied with some elements of the standards and requirements, but 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, the SCO conclusion is that the independent auditor did not comply with auditing standards and state and federal requirements. SCO may refer the independent auditor to the California Board of Accountancy for a follow-up review.

In FY 2018-19, SCO issued four quality control review reports related to LEAs. The quality control reviews found no deficiencies.

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	2017-18 Average Daily Attendance	2018-19 Interim Report		2017-18 Second- Interim Report
				First	Second	
Alameda County						
1. Newark Unified	N/A	N/A	5,703	Q	Q	P
2. Oakland Unified	N/A	N/A	34,952	Q ¹	Q ¹	Q
3. Piedmont City Unified	N/A	N/A	2,552	Q	P	P
Amador County						
4. Amador County Office of Education	N/A	N/A	44	N ¹	P	P
5. Amador County Unified	N/A	N/A	3,733	Q	N ¹	P
Butte County						
6. Feather Falls Union Elementary	N/A	N/A	11	N	N	N
Calaveras County						
7. Calaveras Unified	N/A	N/A	2,676	Q	Q	Q
Contra Costa County						
8. Pittsburg Unified	N/A	N/A	10,907	Q	Q	P
El Dorado County						
9. Camino Union Elementary	N/A	N/A	445	Q	Q	P
10. Gold Trail Union Elementary	N/A	N/A	676	Q	Q	Q
Humboldt County						
11. Klamath-Trinity Joint Unified	N/A	N/A	911	Q	Q	Q
Kern County						
12. Lost Hills Union Elementary	N/A	N/A	482	Q	P	P
13. Southern Kern Unified	N/A	N/A	3,324	N	N	Q
Los Angeles County						
14. Burbank Unified	N/A	N/A	14,596	Q	P	P
15. Duarte Unified	N/A	N/A	3,431	Q	Q	P
16. Glendale Unified	N/A	N/A	25,134	Q	P	P
17. Inglewood Unified	N/A	N/A	N/A	Q	Q	N
18. Monrovia Unified	N/A	N/A	5,254	Q	P	P
19. San Gabriel Unified	N/A	N/A	5,017	P	Q	P
Marin County						
20. Bolinas-Stinson Union Elementary	N/A	N/A	83	P	Q	P
21. Larkspur-Corte Madera Elementary	N/A	N/A	1,491	Q ¹	P	P
22. Sausalito Marin City Elementary	N/A	N/A	114	P	P	Q
Napa County						
23. Pope Valley Union Elementary	N/A	N/A	62	Q	P	P
Riverside County						
24. Alvord Unified	N/A	N/A	18,019	Q	N ¹	P
25. Coachella Valley Unified	N/A	N/A	17,322	Q	Q	Q
26. Riverside Unified	N/A	N/A	39,207	Q ¹	P	P

Appendix A (continued)

County School District/County Office	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2017-18 Average Daily Attendance	2018-19 Interim Report		2017-18 Second- Interim Report
				First	Second	
Sacramento County						
27. Robla Elementary	N/A	N/A	2,046	Q	P	P
28. Sacramento City Unified	N/A	N/A	40,290	N	N	P
29. Twin Rivers Unified	N/A	N/A	24,690	P	Q	P
San Bernardino County						
30. Yucaipa-Calimesa Joint Unified	N/A	N/A	8,668	Q	P	P
San Diego County						
31. Bonsall Unified	N/A	N/A	2,244	Q	Q	Q
32. Mountain Empire Unified	N/A	N/A	1,553	Q	Q	P
33. Oceanside Unified	N/A	N/A	17,041	Q	Q	Q
34. San Ysidro Elementary	N/A	N/A	4,508	Q	Q	P
35. Sweetwater Union High	N/A	N/A	37,309	N	N	P
San Luis Obispo County						
36. Coast Unified	N/A	N/A	577	P	Q	P
37. Paso Robles Joint Unified	N/A	N/A	6,483	Q	Q	P
San Mateo County						
38. Cabrillo Unified	N/A	N/A	3,088	Q	Q	P
39. San Carlos Elementary	N/A	N/A	3,068	Q	P	P
Santa Clara County						
40. Alum Rock Union Elementary	N/A	N/A	9,675	Q	Q	Q
41. Berryessa Union Elementary	N/A	N/A	6,888	Q	P	P
42. Franklin-McKinley Elementary	N/A	N/A	7,338	Q	P	P
Shasta County						
43. Cascade Union Elementary	N/A	N/A	994	Q	Q	Q
44. Gateway Unified	N/A	N/A	2,141	Q	Q	Q
Solano County						
45. Vallejo City Unified	N/A	N/A	11,848	Q	Q	P
Sonoma County						
46. Cotati-Rohnert Park Unified	N/A	N/A	5,516	Q	Q	P
47. West Sonoma County Union High	N/A	N/A	1,834	Q	P	P
Tulare County						
48. Terra Bella Union Elementary	N/A	N/A	880	Q	P	P
Tuolumne County						
49. Curtis Creek Elementary	N/A	N/A	422	Q	P	P

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

¹ County Office of Education changed certification.

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

County School District/County Office	1st/2nd Certification	Analysis of Key Indicators for Financial Difficulties							Declining Enrollment ⁹
		Long-term Commitments ¹	Deficit Spending ²	Other Expenditures ³	Contributions ⁴	Other Revenues ⁵	Postemployment Benefits Other than Pensions ⁶	Status of Labor Agreements ⁷	
Alameda County:									
1. Newark Unified	Q / Q	✓	✓	✓		✓	✓	✓	✓
2. Oakland Unified	Q / Q	✓		✓	✓	✓		✓	✓
3. Piedmont City Unified	Q / P	✓	✓	✓	✓		✓		✓
Amador County:									
4. Amador County Office of Education	N / P	✓		✓	✓	✓	✓	✓	✓
5. Amador County Unified	Q / N	✓	✓	✓	✓	✓	✓	✓	✓
Butte County:									
6. Feather Falls Union Elementary	N / N		✓	✓	✓	✓		✓	✓
Calaveras County:									
7. Calaveras Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓
Contra Costa County:									
8. Pittsburg Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓
El Dorado County:									
9. Camino Union Elementary	Q / Q	✓	✓	✓	✓	✓	✓		✓
10. Gold Trail Union Elementary	Q / Q	✓	✓	✓	✓	✓		✓	
Humboldt County:									
11. Klamath-Trinity Joint Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	
Kern County:									
12. Lost Hills Union Elementary	Q / P	✓	✓	✓	✓	✓	✓	✓	✓
13. Southern Kern Unified	N / N	✓	✓	✓	✓	✓	✓		✓
Los Angeles County:									
14. Burbank Unified	Q / P	✓	✓	✓	✓	✓		✓	✓
15. Duarte Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓
16. Glendale Unified	Q / P	✓	✓	✓			✓	✓	✓
17. Inglewood Unified	Q / Q	✓		✓	✓	✓	✓		✓
18. Los Angeles Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓
19. Monrovia Unified	Q / P	✓	✓	✓			✓	✓	✓
20. San Gabriel Unified	P / Q	✓	✓				✓		✓
Marin County:									
21. Bolinas-Stinson Union Elementary	P / Q		✓	✓	✓	✓		✓	
22. Larkspur-Corte Madera Elementary	Q / P	✓	✓						
Napa County:									
23. Pope Valley Union Elementary	Q / P	✓	✓		✓	✓			✓
Riverside County:									
24. Alvard Unified	Q / N	✓	✓	✓	✓	✓	✓	✓	✓
25. Coachella Valley Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓
26. Riverside Unified	Q / P	✓	✓	✓		✓	✓	✓	✓
Sacramento County:									
27. Robla Elementary	Q / P	✓	✓		✓	✓		✓	✓
28. Sacramento City Unified	N / N	✓	✓	✓	✓		✓	✓	✓
29. Twin Rivers Unified	P / Q	✓	✓				✓	✓	✓
San Bernardino County:									
30. Yucaipa-Calimesa Joint Unified	Q / P	✓	✓	✓	✓	✓	✓		✓
San Diego County:									
31. Bonsall Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓
32. Mountain Empire Unified	Q / Q	✓		✓	✓	✓	✓	✓	✓
33. Oceanside Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓
34. San Ysidro Elementary	Q / Q	✓	✓	✓		✓	✓	✓	✓
35. Sweetwater Union High	N / N	✓	✓	✓	✓	✓	✓	✓	✓
San Luis Obispo County:									
36. Coast Unified	P / Q	✓	✓	✓	✓	✓		✓	✓
37. Paso Robles Joint Unified	Q / Q	✓	✓	✓	✓	✓	✓		✓

Appendix B (continued)

County School District/County Office	Analysis of Key Indicators for Financial Difficulties									
	1st/2nd Certification	Long-term Commitments ¹	Deficit Spending ²	Other Expenditures ³	Contributions ⁴	Other Revenues ⁵	Postemployment Benefits Other than Pensions ⁶	Status of Labor Agreements ⁷	Reserves ⁸	Declining Enrollment ⁹
San Mateo County:										
38. Cabrillo Unified	Q / Q	✓	✓	✓	✓	✓		✓	✓	
39. San Carlos Elementary	Q / P	✓	✓		✓				✓	
Santa Clara County:										
40. Alum Rock Union Elementary	Q / Q	✓	✓	✓	✓	✓		✓		✓
41. Berryessa Union Elementary	Q / P	✓	✓	✓	✓		✓		✓	✓
42. Franklin-McKinley Elementary	Q / P	✓	✓	✓		✓	✓	✓	✓	✓
Shasta County:										
43. Cascade Union Elementary	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	
44. Gateway Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
Solano County:										
45. Vallejo City Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sonoma County:										
46. Cotati-Rohnert Park Unified	Q / Q	✓	✓	✓	✓		✓		✓	✓
47. West Sonoma County Union High	Q / P	✓	✓	✓	✓		✓	✓	✓	✓
Tulare County:										
48. Terra Bella Union Elementary	Q / P	✓	✓		✓	✓	✓	✓	✓	✓
Tuolumne County:										
49. Curtis Creek Elementary	Q / P		✓	✓	✓	✓	✓	✓	✓	✓

Legend: P=Positive Q=Qualified N=Negative

¹ The district has long-term (multi-year) commitments or debt agreements.

² Unrestricted deficit spending has exceeded or is expected to exceed the standard in the current or two subsequent fiscal years.

³ Projected operating expenditures (e.g., books and supplies) for the current and two subsequent fiscal years changed or are expected to change by more than five percent since budget adoption or first interim.

⁴ Contributions from unrestricted to restricted resources, or transfers to or from the General Fund to cover operating deficits, changed or are expected to change since budget adoption by more than \$20,000 and more than five percent for the current or two subsequent fiscal years.

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

⁶ District provided postemployment benefits other than pensions.

⁷ As of first-interim projections, salary and benefit negotiations are still unsettled for one or more of the following: Certificated, Classified, Management/supervisor/confidential.

⁸ Reserves (available reserves, e.g., reserve for economic uncertainties, unassigned/unappropriated amounts) meet or are expected to meet minimum requirements for the current and two subsequent fiscal years.

⁹ Enrollment has decreased in both the prior and current fiscal years.

Appendix C— Summary of Audit Report Compliance Findings

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
STATE		
Attendance Requirements		
	ADA overstated by 0-5 ADA	33
	ADA overstated by 5-10 ADA	3
	ADA overstated by 10-20 ADA	2
	ADA understated by 0-5 ADA	22
	ADA understated by 5-10 ADA	2
	ADA understated by 10-20 ADA	4
	Absences claimed for apportionment	3
	Attendance accounting system not approved by CDE	2
	Attendance registers/Scantrons not signed by teachers	8
	Attendance report does not reconcile to supporting documentation	8
	Attendance report inaccurate/incomplete	18
	Excused absences – problems with verification procedures/documentation	1
	Lack of documentation/records	3
	Other finding	8
Continuation Education		
	Attendance accounting deficiency	5
Independent Study		
	Attendance overstated	3
	Contract(s) did not include all required elements	19
	Work samples not maintained	1
	Work samples not signed and dated by teacher	1
	Other finding	2
Juvenile Court Schools		
	Attendance accounting deficiency	1
Kindergarten		
	Retention form did not include required elements	1
	Retention forms not maintained and/or properly approved	7
	Student not eligible for admittance to kindergarten	2
After School Education and Safety Program		
	Administrative costs exceeded 15% of state funding	2
	Lack of documentation/records	4
	LEA did not establish policy regarding reasonable early daily release of pupils	2
	Program did not operate a minimum of 15 hours per week	1
	Reported number of students served inconsistent with early release policy	8
	Reported number of students served not supported by written records or did not reconcile to supporting documents	30
	Other finding	7
Annual Instructional Minutes – Classroom Based		
	Instructional time requirements not met	9
	Other finding	1
California Clean Energy Jobs Act		
	Expenditure(s) made for non-qualifying purposes or not in accordance with law	1
Class Size Reduction		
	Number of classes and pupils overstated on FORM J-7CSR	1
Classroom Teacher Salaries		
	District did not meet the current expense of education percentage required for payment of classroom teacher salaries	58

Appendix C (continued)

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
STATE (continued)		
Determination of Funding for Nonclassroom-Based Instruction	Funding determination application did not reconcile to unaudited actual reports	1
Education Protection Account	Other finding	3
Educator Effectiveness	Funds not properly tracked as required by law	4
	Plan not developed and/or adopted	9
	Public meeting(s) on Educator Effectiveness funds not held	1
Expenditures	Expenditure report not submitted to CDE as required by law	1
	Expenditures not tracked or inconsistent with identified actions or services	1
Gann Limit Calculation	Appropriations – limit calculation deficiency	1
Instructional Materials	Adopted/nonadopted instructional materials requirements not followed	1
	Board resolution did not address sufficiency of textbooks/instructional materials	2
	Notice of public hearing deficiency	18
	Public hearing on instructional materials not held or held after the required time period	33
Instructional Time	Instructional days requirements not met	4
	Instructional minutes requirements not met	10
	Lack of documentation/records	1
	Other finding	1
K-3 Span Adjustment	Average class enrollment exceeded 24 pupils	1
Local Control and Accountability Plan (LCAP)	LCAP not adopted or approved in a public meeting	5
	LCAP not prepared	4
	LCAP not presented to the parent advisory committee	1
	LEA did not notify members of the public of the opportunity to submit comments to be included in the LCAP	6
Middle or Early College High School	Instructional time requirement not met	1
Mode of Instruction	Teacher did not possess a valid teaching certification	5
	Other finding	1
Other State Program	Lack of documentation/records	1
	Other finding	6
Proper Expenditure of Education Protection Account Funds	Funds not properly disbursed and expended as required by law	1
	Other finding	1
Ratio of Administrative Employees to Teachers	Number of administrators per hundred teachers exceeded the allowable ratio	8
School Accountability Report Card (SARC)	District did not follow uniform complaint process	1
	Facility Inspection Tool (FIT) not prepared or missing	9
	SARC information inconsistent with availability of sufficient textbooks and other instructional materials	1
	SARC information inconsistent with complaints related to teacher misassignments or vacancies	2
	SARC information inconsistent with FIT or local evaluation instrument	37
	SARC not published	2
	Other finding	3

Appendix C (continued)

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
STATE (continued)		
Teacher Certifications and Missassignments	Teacher did not possess a valid certification document (teaching credential)	8
	Teacher misassignment	1
	Teacher not authorized to instruct limited-English-proficient pupils	2
	Teacher providing instruction outside of credential subject	1
Transportation Maintenance of Effort	Maintenance of effort requirement not met	20
Unduplicated Local Control Funding Formula Pupil Counts	English Learner students missing eligibility documentation	29
	Free and Reduced Price Meal and/or English Learner pupil counts overstated	63
	Free and Reduced Price Meal and/or English Learner pupil counts understated	10
	Free and Reduced Price Meal and/or English Learner students missing eligibility documentation for at least one designation	10
	Free and Reduced Price Meal students missing eligibility documentation	39
	Other finding	1
TOTAL STATE FINDINGS		654
FEDERAL		
Child Care and Development Block Grant	Eligibility	1
Child Nutrition Cluster	Activities allowed or unallowed	5
	Eligibility	4
	Equipment and real property management	1
	Other finding	1
Federal Pell Grant Program	Special tests and provisions	1
Federal Programs	Activities allowed or unallowed	1
	Allowable costs/cost principles	2
	Eligibility	1
	Matching, level of effort, earmarking	1
	Procurement, suspension, and debarment	3
	Other finding	2
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	Reporting	1
Medi-Cal Billing	Allowable costs/cost principles	1
National School Lunch	Eligibility	2
	Special tests and provisions	2
Other Federal Program	Cash management	1
	Equipment and real property management	1
	Lack of documentation/records	1
	Reporting	1
	Other finding	2
School Breakfast Program	Reporting	1
Special Education Cluster	Activities allowed or unallowed	1
	Allowable costs/cost principles	3
	Procurement, suspension, and debarment	1
	Reporting	1

Appendix C (continued)

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
FEDERAL (continued)		
Title I Grants to LEAs		
	Activities allowed or unallowed	1
	Allowable costs/cost principles	3
	Cash management	2
	Equipment and real property management	1
	Lack of documentation/records	2
	Period of availability of federal funds	1
	Procurement and suspension and debarment	2
	Special tests and provisions	3
	Other finding	1
Twenty-First Century Community Learning Centers		
	Reporting	1
TOTAL FEDERAL FINDINGS		59
TOTAL STATE AND FEDERAL FINDINGS		713

Appendix D— Summary of Audit Report Deficiencies

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2016-17</i>	<i>2017-18</i>
<u>Auditor's Report on the Financial Statements</u>		
Report did not include all of the elements in the required supplementary information (RSI) section.	0	57
Auditor's report did not identify the supplementary information, including the Schedule of Expenditures of Federal Awards.	29	14
Report did not refer to the RSI.	4	11
Auditor's report did not include an opinion on supplementary information.	18	9
Introductory paragraph of auditor's report did not clearly identify financial statements covered by auditor's opinion.	1	6
Report did not include a section with the heading "Other Matters."	3	5
Independent Auditor's Report on the financial statements was not included.	1	4
Auditor's opinion did not state that the financial statements conform with accounting principles generally accepted in the United States of America.	2	2
Report did not include a section with the heading "Opinion."	0	2
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.	0	2
Report did not include a statement that the auditor does not express an opinion on the effectiveness of the entity's internal control.	0	2
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.	0	2
Report did not state that the audit evidence obtained is sufficient and appropriate for the auditor's opinion.	0	2
Report did not state that the responsibility of the auditor is to express an opinion on the financial statements based on the audit.	0	2
Auditor's report did not reference auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> .	0	1
Disclaimer of opinion due to an inability to obtain sufficient appropriate audit evidence: opinion paragraph was deficient.	0	1
Disclaimer of opinion was issued, but the introductory paragraph did not include required information.	0	1
Reference to a separate report on internal control over financial reporting and on compliance was deficient.	1	1
Reference to a separate report on internal control over financial reporting and on compliance was not included.	1	1
Report did not include a paragraph describing the matter giving rise to the modified opinion.	2	1
Report did not include a section with the heading "Auditor's Responsibility."	0	1
Report did not include a section with the heading "Management's Responsibility for the Financial Statements."	0	1
Report did not include a section with the heading "Other Reporting Required by Government Auditing Standards."	2	1
Report did not include a section with the heading "Qualified Opinion," "Adverse Opinion," or "Disclaimer of Opinion."	1	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 <i>Government Auditing Standards</i> .	1	1

Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2016-17</i>	<i>2017-18</i>
<u>Auditor's Report on the Financial Statements (continued)</u>		
Report did not state that management is responsible for the preparation of the financial statements in accordance with generally accepted accounting principles.	0	1
Report did not state that the auditor obtained reasonable assurance about whether the financial statements are free from material misstatement.	0	1
Auditor's report did not reference auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> .	2	0
Report did not include all of the elements in the RSI section.	2	0
Qualified opinion due to an inability to obtain sufficient appropriate audit evidence: opinion paragraph was deficient.	1	0
Qualified opinion due to material misstatement in financial statements: opinion paragraph was deficient.	1	0
Subtotal	72	133
<u>Management's Discussion and Analysis</u>		
Management's Discussion and Analysis not included.	3	0
Management's Discussion and Analysis was included and the Independent Auditor's Report did not include an explanatory paragraph.	2	0
Subtotal	5	0
<u>Basic Financial Statements</u>		
Not-for-profit entity: Statement of Activities was not presented properly.	11	13
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.	6	7
Governmental entity: Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position was not presented properly.	5	4
Governmental entity: Statement of Activities was not presented properly.	1	3
Governmental entity: Statement of Changes in Fiduciary Net Position – Fiduciary Funds was not presented properly.	1	3
Governmental entity: Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds was not presented properly.	1	3
Governmental entity: Balance Sheet – Governmental Funds was not presented properly.	2	2
Not-for-profit entity: Statement of Financial Position was not presented properly.	4	2
Governmental entity: Statement of Cash Flows – Proprietary Funds was not presented properly.	1	1
Governmental entity: Statement of Fiduciary Net Position – Fiduciary Funds was not presented properly.	0	1
Governmental entity: Statement of Fund Net Position – Proprietary Funds was not presented properly.	0	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 Net Position was not presented properly.	1	0
Not-for-profit entity: Statement of Cash Flows was not presented properly.	1	0
Subtotal	34	41

Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2016-17</i>	<i>2017-18</i>
<u>Notes to the Financial Statements</u>		
Governmental entity: other postemployment benefits (OPEB) note did not include the OPEB plan description.	0	109
Not-for-profit entity: Summary of significant accounting policies did not include description of the financial statements presentation and basis of accounting.	15	33
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.	6	31
Governmental entity: OPEB note did not disclose the OPEB plan's fiduciary net position information.	0	27
Not-for-profit entity: Notes did not include adequate disclosure of debt and other liabilities.	13	18
Governmental entity: OPEB note did not include the discount rate information.	0	15
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.	2	13
Not-for-profit entity: Notes did not include adequate disclosure of capital assets and depreciation, including the method used to compute depreciation.	8	10
Governmental entity: Nature of the primary government's accountability for related organizations and joint ventures was not included.	0	8
Governmental entity: OPEB note did not properly disclose the employer's OPEB liabilities for the period associated with defined benefit OPEB liabilities to employees.	0	8
Not-for-profit entity: Notes did not include adequate disclosure of related-party transactions and common control.	2	8
Governmental entity: OPEB note did not include a schedule of changes in the OPEB liability.	0	7
Governmental entity: Summary of significant accounting policies did not include a description of the government-wide financial statements, noting the exclusion of fiduciary funds.	7	6
Governmental entity: OPEB plan disclosures not included.	0	6
Governmental entity: Material prior period restatements or adjustments were not adequately disclosed.	0	4
Governmental entity: Early retirement note did not include all the required disclosures.	0	2
Governmental entity: OPEB note did not include significant assumptions disclosure.	0	2
Governmental entity: Pension obligations disclosures not included.	0	2
Not-for-profit entity: Notes did not include adequate disclosure of pension benefits.	3	2
Governmental entity: Early retirement note was not included.	0	1
Governmental entity: Notes did not include the summary of significant accounting policies.	0	1
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.	4	1
Governmental entity: Measurement focus and basis of accounting used in the government-wide and fund financial statements was not included.	3	0
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.	1	0
Governmental entity: Notes did not include adequate disclosure of capital assets and depreciation, including the method used to compute depreciation.	2	0

Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2016-17</i>	<i>2017-18</i>
<u>Notes to the Financial Statements (continued)</u>		
Governmental entity: Pension obligations note did not disclose the pension plan's fiduciary net position information.	1	0
Governmental entity: Pension obligations note did not include required disclosures for the discount rate.	4	0
Governmental entity: Pension obligations note did not include the discount rate information.	3	0
Not-for-profit entity: Notes did not include adequate disclosure of fair value measurements.	55	0
Not-for-profit entity: Notes did not include adequate disclosure of income tax status, noting the Internal Revenue Code section under which the entity is exempt from federal income taxes or excise taxes.	9	0
Not-for-profit entity: Notes did not include adequate disclosure of investments.	9	0
Not-for-profit entity: Notes did not include adequate disclosure of postretirement benefits other than pensions.	2	0
Not-for-profit entity: Notes did not include description of the nature of the entity's activities.	1	0
Not-for-profit entity: Summary of significant accounting policies did not include adequate disclosure of revenue recognition.	41	0
Not-for-profit entity: Summary of significant accounting policies did not include relevant information about the nature and limitations on the use of cash and cash equivalents.	16	0
Subtotal	207	314
<u>Required Supplementary Information</u>		
Schedule of the entity's OPEB liability, changes in the net OPEB liability, or entity's proportionate share of the net OPEB liability was not included.	0	21
Schedule of the entity's defined benefit OPEB plan contribution was not included.	2	12
Schedule of the entity's proportionate share and schedule of contributions for each pension plan was not included.	0	6
Schedule of budgetary comparison data for general fund and major special revenue fund(s) were not included as RSI.	0	1
Schedule of budgetary comparison data was not shown by object.	1	1
Schedule of the entity's contributions for each pension plan was not included.	1	0
Schedule of the entity's proportionate share of the net pension liability for each pension plan was not included.	4	0
Subtotal	8	41
<u>Supplementary Information Section</u>		
Schedule of Charter Schools was deficient.	13	81
Schedule of Instructional Time did not contain all the required information.	22	57
Local Education Agency Organization Structure description was deficient.	5	28
Schedule of Average Daily Attendance was deficient.	6	16
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.	3	14
Schedule of Financial Trends and Analysis: Available reserves are below minimum required; and management's plans and/or going concern note were not included.	4	13
Schedule of Financial Trends and Analysis was not included, or was deficient.	1	8

Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2016-17</i>	<i>2017-18</i>
<u>Supplementary Information Section (continued)</u>		
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.	1	6
A note to the instructional time 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.	2	5
Schedule of Average Daily Attendance did not display final ADA after audit finding adjustment(s).	8	4
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements was not included.	4	3
Schedule of Charter Schools was not included.	12	3
Schedule of Instructional Time indicates noncompliance, but a finding was not included in the audit report.	8	2
Local Education Agency Organization Structure description was not included.	0	1
Schedule of Average Daily Attendance was not included.	1	1
Schedule of Instructional Time was not included.	1	1
Schedule of Instructional Time did not state whether the district complied with the instructional minutes and days provisions.	3	0
Subtotal	94	243
<u>Schedule of Expenditures of Federal Awards</u>		
Schedule of Expenditures of Federal Awards was deficient.	9	11
Note to the Schedule of Expenditures of Federal Awards was not included or was deficient.	8	3
Subtotal	17	14
<u>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters</u>		
Report on internal control over financial reporting was deficient.	18	9
Report did not state that audit was conducted in accordance with auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> .	1	7
Description of the nature of modified opinion on the financial statements was not properly disclosed on the report.	4	5
Report on internal control and compliance (per <i>Government Auditing Standards</i>) did not include an alert paragraph describing the purpose of the auditor's report.	0	3
Report on Internal Control over Financial Reporting and on Compliance and Other Matters (per <i>Government Auditing Standards</i>) was not included.	1	3
Report on compliance and other matters did not include a statement regarding test results.	9	2
Report on compliance and other matters did not include a statement that the auditor performed tests of compliance.	0	2
Report on compliance and other matters was deficient.	0	2
Subtotal	33	33
<u>Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance</u>		
Report on compliance for each major federal program and on internal control over compliance was deficient.	15	7
Report on internal control over compliance was deficient.	4	3

Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2016-17</i>	<i>2017-18</i>
<u>Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance (Uniform Guidance) (continued)</u>		
Significant deficiencies in internal control over compliance were not properly disclosed in the report.	1	3
Material weaknesses in internal control over compliance were not properly disclosed in the report.	1	2
Noncompliance that did not result in an opinion modification was not disclosed in the report.	1	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.	2	1
Noncompliance that resulted in an opinion modification was not properly disclosed in the report.	1	0
Report on compliance for each major federal program and on internal control over compliance did not include an alert paragraph describing the purpose of the auditor's report.	1	0
Report on compliance for each major federal program and on internal control over compliance was not included.	1	0
Subtotal	27	18
<u>State Compliance Report</u>		
Independent Auditor's Report on State Compliance was deficient.	49	92
Independent Auditor's Report on State Compliance was not included.	2	3
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.	12	1
Subtotal	63	96
<u>Findings and Recommendation Section</u>		
State Program Finding(s): Noncompliance was reported; however, the finding(s) did not include sufficient information.	49	25
Audit finding was not coded with the correct five-digit number.	20	21
State compliance finding (including questioned costs) did not include a statement consistent with its basis of funding, for any inappropriately reported claim.	13	19
Federal Program Finding(s): Noncompliance was reported; however, the finding(s) did not include sufficient information.	9	9
Summary of Auditor's Results was deficient.	7	9
Financial statement finding did not include the cause.	19	8
Schedule of Findings and Questioned Costs was not included.	5	8
Financial statement finding did not include the criteria.	11	7
Schedule of Prior Audit Findings was not included.	0	6
Attendance Finding: ADA inappropriately reported for apportionment and an estimate of its dollar value was not included.	8	6
Financial statement finding did not include the effect or potential effect.	8	6
Summary of Auditor's Results was not included.	2	4
Financial statement finding did not include the views of responsible officials and planned corrective actions.	2	2
Financial statement finding did not include the recommendation.	1	1

Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2016-17</i>	<i>2017-18</i>
<u>Findings and Recommendation Section (continued)</u>		
Sufficient information for judging the prevalence and consequences of noncompliance was not included.	2	1
Auditee's corrective action plan to eliminate noncompliance was not included.	3	0
Financial statement finding did not include the condition.	2	0
Major federal programs were not identified.	1	0
Federal Program Finding(s): Questioned costs and/or how they were calculated not included.	1	0
Subtotal	163	132
<u>Other</u>		
Auditor's reports did not include a manual or printed signature of the auditor's firm and date of the report.	0	11
Subtotal	0	11
Total number of deficiencies	723	1,076

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