

# **ANNUAL FINANCIAL REPORT OF CALIFORNIA K-12 SCHOOLS**

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

*For the Period of July 1, 2018, through June 30, 2019*



**BETTY T. YEE**  
California State Controller

July 2020



**BETTY T. YEE**  
California State Controller

July 2, 2020

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) 2018-19. The report summarizes the financial and program compliance status of the state's school districts, county offices of education (COE), and charter schools for FY 2018-19, unless otherwise specified. For FY 2018-19, there were a total of 2,321 local education agencies (LEAs), which included 944 school districts, 58 COE, and 1,319 charter schools.

For FY 2018-19, California LEA revenues exceeded expenditures by \$2.18 billion. The number of LEAs engaged in multi-year deficit spending decreased from 220 to 165. The number of school districts and COE filing negative or qualified first- or second-interim certifications for FY 2018-19 increased from 49 to 59. Negative or qualified certifications were filed as a result of deficit spending and changes in operating expenditures and operating revenues, contributions, and long-term commitments.

State and federal compliance findings noted in the independent auditors' reports of LEAs increased from the prior year. Auditors reported 879 compliance findings in FY 2018-19, a 23 percent increase from the 713 reported in FY 2017-18. Thirteen 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 179 audit findings pertaining to the Unduplicated Local Control Funding Formula Pupil Counts compliance requirement.

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 Dave O'Toole at (916) 552-8080.

Sincerely,

*Original signed by*

BETTY T. YEE



**BETTY T. YEE**  
California State Controller

July 2, 2020

California State Senate  
Erika Contreras, Secretary of the Senate  
State Capitol, Room 3044  
Sacramento, CA 95814

California State Assembly  
Sue Parker, Chief Clerk  
State Capitol, Room 3196  
Sacramento, CA 95814

Dear Senators and Assembly Members:

I am pleased to present the Annual Financial Report of California K-12 Schools for fiscal year (FY) 2018-19. The report summarizes the financial and program compliance status of the state's school districts, county offices of education (COE), and charter schools for FY 2018-19, unless otherwise specified. For FY 2018-19, there were a total of 2,321 local education agencies (LEAs), which included 944 school districts, 58 COE, and 1,319 charter schools.

For FY 2018-19, California LEA revenues exceeded expenditures by \$2.18 billion. The number of LEAs engaged in multi-year deficit spending decreased from 220 to 165. The number of school districts and COE filing negative or qualified first- or second-interim certifications for FY 2018-19 increased from 49 to 59. Negative or qualified certifications were filed as a result of deficit spending and changes in operating expenditures and operating revenues, contributions, and long-term commitments.

State and federal compliance findings noted in the independent auditors' reports of LEAs increased from the prior year. Auditors reported 879 compliance findings in FY 2018-19, a 23 percent increase from the 713 reported in FY 2017-18. Thirteen 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 179 audit findings pertaining to the Unduplicated Local Control Funding Formula Pupil Counts compliance requirement.

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 Dave O'Toole at (916) 552-8080.

Sincerely,

*Original signed by*

BETTY T. YEE

# Contents

<b>Executive Summary</b> .....	1
<b>Introduction</b> .....	3
<b>Financial Indicators</b>	
Overview .....	4
Interim Reporting .....	4
Deficit Spending .....	5
Emergency Apportionments .....	6
General Fund Revenues and Expenditures .....	7
Debt Issuance .....	8
Lottery Revenues .....	9
<b>Program Compliance</b>	
Overview .....	10
Compliance Findings .....	10
County Offices of Education Audit Resolution Processes .....	11
<b>Quality Control</b>	
Overview .....	12
Audit Report Certifications .....	12
Reporting Deficiencies .....	12
On-time Submissions .....	13
Average Audit Cost per Average Daily Attendance .....	14
Quality Control Reviews .....	14
<b>Appendices</b>	
Appendix A—Audit Report and Interim Report Disclosures of Impending Financial Problems .....	A-1
Appendix B—Local Education Agencies Filing Qualified or Negative Interim Reports ..	B-1
Appendix C—Summary of Audit Report Compliance Findings .....	C-1
Appendix D—Summary of Audit Report Deficiencies .....	D-1

# Executive Summary

The State Controller has broad authority to oversee state and federal funding of California's public schools from kindergarten through the 12<sup>th</sup> 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 (CPAs) for fiscal year (FY) 2018-19. Additional data was taken from interim financial report certifications submitted by LEAs for FY 2019-20. Information related to the emergency loan apportionments was obtained from various sources, including the California Infrastructure and Economic Development Bank (I-Bank).

This FY 2018-19 report contains the following key findings:

- The number of LEAs engaged in multi-year deficit spending decreased from 220 to 165. 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 increased from 49 to 59. In the second reporting period of FY 2019-20, 40 LEAs filed qualified interim financial reports and four LEAs filed negative interim financial reports. Financial difficulties may have a negative impact on these LEAs' educational programs.
- Debt issuance increased by \$164 million to a total of \$8.63 billion, a two percent increase from the \$8.47 billion issued in the prior year. Generally, LEAs issue debt to fund capital improvements, refinance existing debt, or buy land for future use.
- The number of state and federal compliance findings contained in the audit reports of LEAs increased from the prior year. Approximately 13 percent of the compliance findings for FY 2018-19 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 179 audit findings pertaining to the Unduplicated Local Control Funding Formula Pupil Counts compliance requirement.
- The number of rejected audit reports decreased by 132, from 596 to 464.

# 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;<sup>1</sup>
- Reviewing each LEA's audit report submitted to the state and performing the related follow-up actions, including compliance audits;<sup>2</sup>
- 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.

---

<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 2019-20.

## 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 increased***

---

For FY 2019-20, a total of 44 of the 1,002 LEAs required to file interim reports filed a qualified or negative certification for the first-period interim report (39 were qualified and five were negative). Of these 44 LEAs, 24 filed a qualified second-period interim report, four filed a negative second-period interim report, and 15 LEAs were able to take corrective action. However, 15 other LEAs that had filed a positive first-interim certification subsequently filed qualified second-period interim reports,

and one LEA that had filed a negative first-period interim certification subsequently filed a qualified second-period interim report, resulting in a total of 40 qualified and four negative certifications for the second-interim reporting period (Figure 1). Thus, 59 LEAs reported qualified or negative certifications for at least one of the two periods (Appendix A), and 19 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 59 qualified or negative certifications (Appendix B) were:

- Deficit Spending: 55 LEAs (93 percent);
- Other Expenditures (projected operating expenditure changes): 55 LEAs (93 percent);
- Long-term Commitments: 51 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): 48 LEAs (81 percent);
- Other Revenues (projected operating revenue changes): 47 LEAs (80 percent).

An analysis of the 15 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 by Fiscal Year</b>					
<b>Certification</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Positive	989	962	975	970	958
Qualified	14	40	26	26	40
Negative	2	2	2	6	4
<b>Totals</b>	<b>1,005</b>	<b>1,004</b>	<b>1,003</b>	<b>1,002</b>	<b>1,002</b>

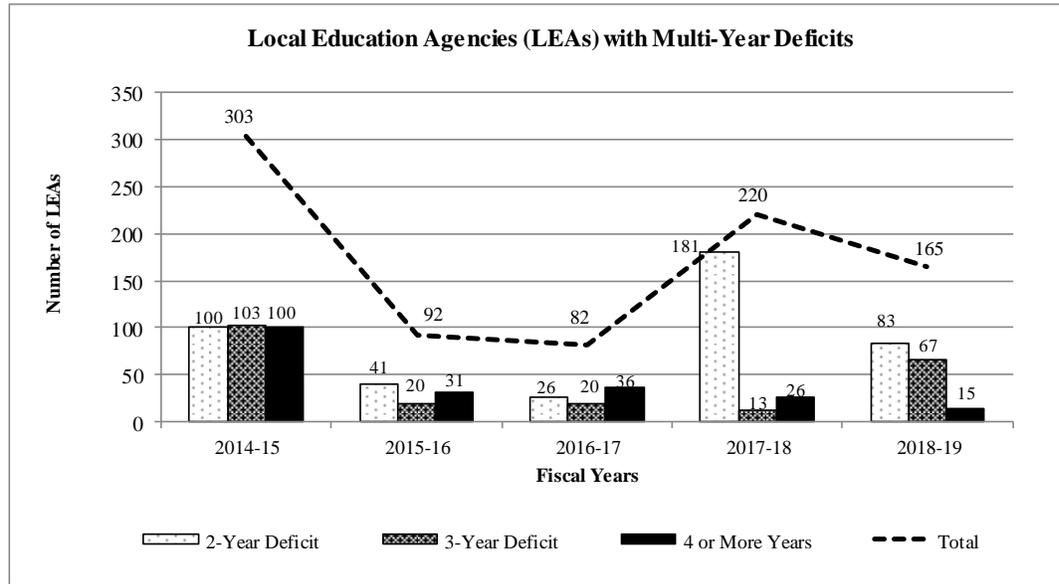
\*See Appendixes A and B

## Deficit Spending

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

For FY 2018-19, the overall number of LEAs relying on multi-year deficit spending decreased from 220 to 165 (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 the 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 up of to \$55 million from the General Fund. The total loan balance is \$23,007,875 as of June 30, 2020.

Annual payment on the initial emergency loan for the 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, 2020, the outstanding General Fund loan balances for Oakland USD, Vallejo City USD, and Inglewood USD ranged from \$9.1 million to \$23 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, 2020, the outstanding lease revenue bond balances ranged from \$7.7 million to \$19.6 million, as shown 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	11.8	June 29, 2026	59.6	19.6	August 15, 2023
2003-04	Vallejo City Unified	60.0	9.1	August 14, 2024	21.2	7.7	August 15, 2024
2009-10	South Monterey County JUHSD <sup>3</sup>	2.0	—	April 14, 2010	14.4	9.3	August 15, 2029
2012-13	Inglewood Unified	29.0	23.0	November 1, 2034	—	—	—

<sup>1</sup> General Fund school loans balance information was obtained from the State Controller's Office, Local Government Programs & Services

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

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

## General Fund Revenues and Expenditures

For FY 2018-19, LEA General Fund revenues exceeded expenditures by \$2.18 billion (Figure 4).

**Figure 4**

LEA General Fund Revenues and Expenditures by Fiscal Year (in billions)					
Fiscal Year	2014-15	2015-16	2016-17	2017-18	2018-19
Revenues	\$ 56.89	\$ 73.89	\$ 68.56	\$ 77.97	\$ 85.40
Expenditures	(56.55)	(69.08)	(67.22)	(77.04)	(83.22)
Surplus/(Deficit)	\$ 0.34	\$ 4.81	\$ 1.34	\$ 0.93	\$ 2.18

The combined fund balance or surplus for all LEAs totaled \$20.37 billion at the end of FY 2018-19, an increase of \$1.54 billion from the prior year's total of \$18.83 billion. Federal revenues increased by \$0.29 billion from the prior fiscal year (\$4.82 billion in FY 2017-18, compared to \$5.11 billion in FY 2018-19). 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 increased*

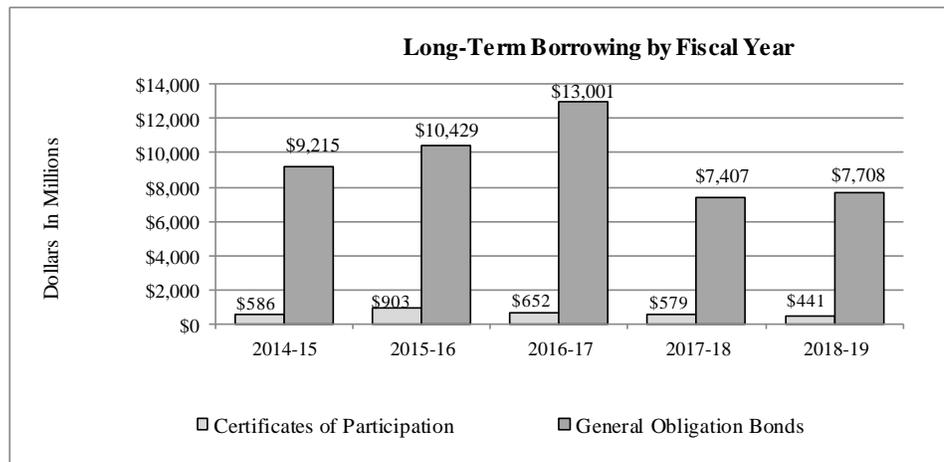
---

During FY 2018-19, LEAs issued \$8.63 billion in debt, an increase of \$164 million (two percent) from the \$8.47 billion issued in the prior year. In FY 2018-19, the total number of LEAs that issued debt decreased by 28 percent from the prior fiscal year. LEAs issued the following types of debt:

- **General Obligation Bonds (\$7.7 billion, or 89 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 (\$441 million, or five 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 (\$184 million, or two 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 (\$297 million, or four percent)**—Debt instruments that do not fall into any of the categories listed above.

LEAs issued \$8.15 billion in Certificates of Participation and General Obligation Bonds during FY 2018-19, an increase of \$163 million (three percent) from the \$7.99 billion issued in the prior fiscal year (Figure 5).

**Figure 5**



LEA financing through Certificates of Participation decreased by \$0.14 billion, and financing through General Obligation Bonds increased by \$0.30 billion from the prior year.

General Obligation Bonds accounted for 89 percent of LEA debt issuance in FY 2018-19, an increase of two percent from the prior year. In comparison, Certificates of Participation accounted for five percent of debt issuance in FY 2018-19, a two 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 (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.

---

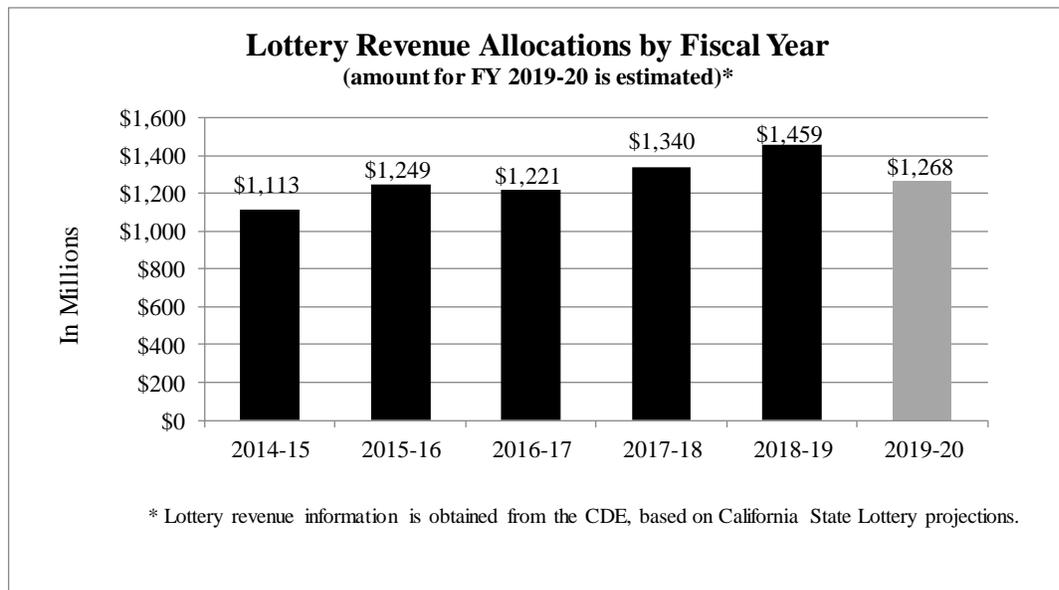
### *Lottery revenue projected to decrease*

---

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 is projected to decrease 13.1 percent, from \$1,459 million in FY 2018-19 to \$1,268 million estimated in FY 2019-20 (Figure 6).

**Figure 6**



# Program Compliance

## Overview

The annual audit reports by 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 2018-19 LEA audit reports submitted by CPAs increased from the prior year. There were 879 compliance findings in FY 2018-19, a 23 percent increase from the 713 compliance findings in FY 2017-18 (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 879 compliance findings, 825 (94 percent) pertained to state programs and requirements and 54 (six percent) pertained to federal programs and requirements (Figure 7).

The Unduplicated Local Control Funding Formula Pupil Counts compliance requirement accounted for 20 percent of all compliance findings in FY 2018-19. The LEA audit reports disclosed 179 findings related to Unduplicated Local Control Funding Formula Pupil Counts, with the majority (167 findings, or 93 percent) related to the following issues:

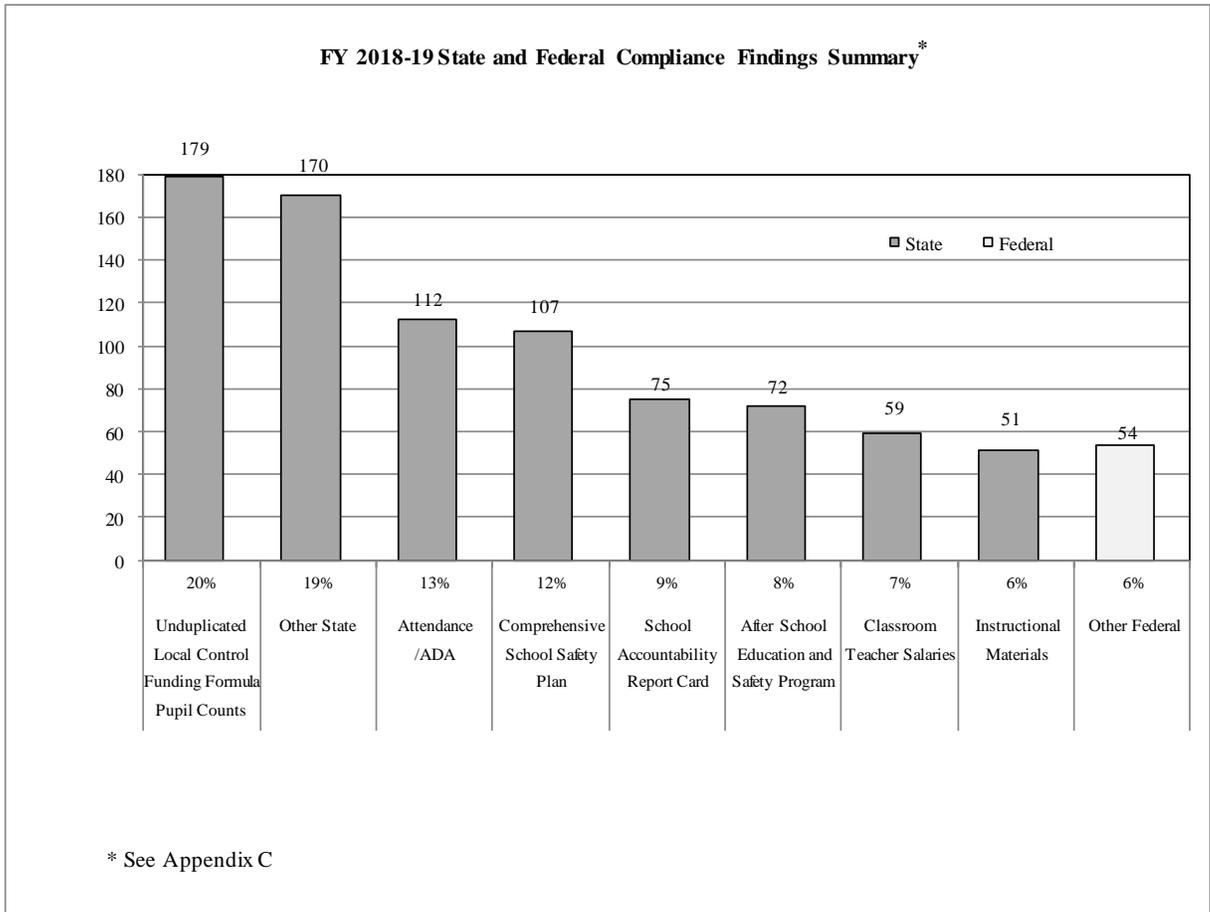
- Overstated Free and Reduced Price Meal and/or English Learner pupil counts;
- Free and Reduced Price Meal pupils without eligibility documentation; and
- English Learner pupils without eligibility documentation.

There were 112 attendance-related findings, which accounted for 13 percent of all compliance findings. The majority of the attendance findings (92, or 82 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 107 findings pertaining to Comprehensive School Safety Plans. The majority of the findings (96, or 90 percent) related to LEAs not adopting or updating their comprehensive school safety plans by March 1.

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 2019-20, SCO performed reviews of the audit resolution processes of four COEs and found that all four COEs followed their audit resolution processes for FY 2016-17 and FY 2017-18.

# 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 2018-19, SCO accepted 76 percent of the audit reports submitted; the remaining 24 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 decreased*

---

Upon initial review, SCO certified 1,487 (76 percent) of the 1,951 audit reports submitted by LEAs for FY 2018-19. The number of rejected reports decreased by 132, from 596 in the prior year to 464 in the current year (Figure 8).

**Figure 8**

<b>Number and Percent of Rejected LEA Audit Reports</b>			
<b>Fiscal Year</b>	<b>Reports Submitted</b>	<b>Reports Rejected</b>	<b>Percent Rejected</b>
2014-15	1,841	408	22%
2015-16	1,885	510	27%
2016-17	1,896	390	21%
2017-18	1,926	596	31%
2018-19	1,951	464	24%

## Reporting Deficiencies

In FY 2018-19, SCO identified 783 reporting deficiencies in the independent auditors' reports of LEAs, a decrease of 293 from the prior year (Figure 9).

**Figure 9**

**Reporting deficiencies decreased**

	Fiscal Years	
	2017-18	2018-19
Auditor’s Report on the Financial Statements	133	60
Management’s Discussion & Analysis	-	4
Basic Financial Statements	41	49
Notes to the Financial Statements	314	181
Required Supplementary Information	41	61
Supplementary Information Section	243	127
Schedule of Expenditures of Federal Awards	14	6
Government Auditing Standards Report	33	36
Single Audit Report	18	10
State Compliance Report	96	52
Findings and Recommendations Section	132	189
Other	11	8
<b>Total Number of Reporting Deficiencies</b>	<b>1,076</b>	<b>783</b>

\*See Appendix D

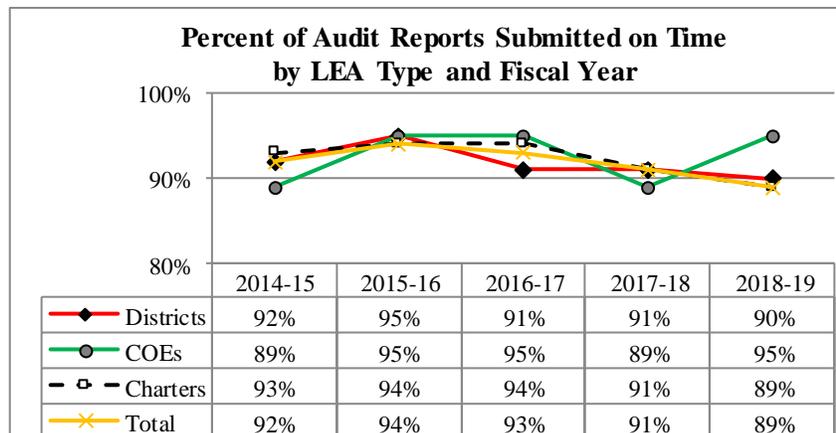
The Findings and Recommendations Section, the Notes to the Financial Statements, and the Supplementary Information Section of the independent audit reports of LEAs show the largest number of reporting deficiencies.

**On-time Submissions**

**Annual audit reports submitted on time decreased**

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**

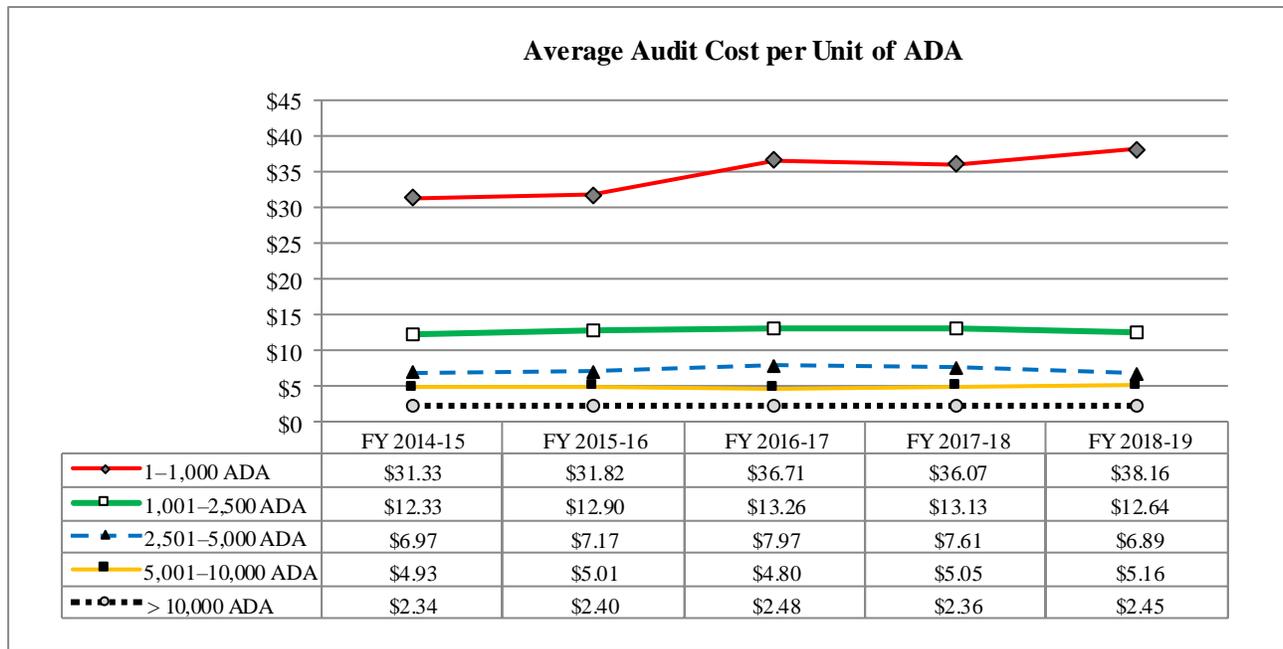


The percentage of school district, COE, and charter annual audit reports submitted by the deadline decreased from the prior year (Figure 10). A total of 1,793, or 90 percent, of the 1,992 required LEA reports were received by the December 15, 2019 deadline. For FY 2018-19, there were 2,321 LEAs. Some of the LEAs, primarily charter schools, were combined for reporting purposes, resulting in 1,992 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 2018-19 audit contract information for 66 percent (1,281/1,944) and FY 2017-18 audit contract information for 72 percent (1,368/1,911) of the COEs and LEAs. Based on information received, audit costs for FY 2018-19 totaled \$26.8 million, a decrease of \$2.8 million, or 10 percent, from total audit costs of \$29.6 million for FY 2017-18.

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:

- *Government Auditing Standards*, issued by the Comptroller General of the United States;
- Generally accepted auditing standards;
- 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 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, 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 2019-20, SCO issued one 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	2018-19 Average Daily Attendance	2019-20 Interim Report		2018-19 Interim Report Second
				First	Second	
<b>Alameda County</b>						
1. Newark Unified	N/A	N/A	5,559	Q	Q	Q
2. Oakland Unified	N/A	N/A	32,635	Q	Q	Q <sup>1</sup>
<b>Amador County</b>						
3. Amador COE	N/A	N/A	28	Q	P	P
4. Amador County Unified	N/A	N/A	3,798	Q	P	N <sup>1</sup>
<b>Butte County</b>						
5. Bangor Union Elementary	N/A	N/A	99	P	Q	P
6. Paradise Unified	N/A	N/A	3,160	Q	Q	P
7. Pioneer Union Elementary	N/A	N/A	57	P	Q	P
<b>Calaveras County</b>						
8. Calaveras Unified	N/A	N/A	2,651	Q	P	Q
<b>Contra Costa County</b>						
9. Mt. Diablo Unified	N/A	N/A	29,377	P	Q	P
10. Pittsburg Unified	N/A	N/A	10,747	Q	P	Q
11. West Contra Costa Unified	N/A	N/A	26,424	Q	Q	P
<b>El Dorado County</b>						
12. Camino Union Elementary	N/A	N/A	450	Q	Q	Q
13. Gold Oak Union Elementary	N/A	N/A	448	Q	P	P
14. Gold Trail Union Elementary	N/A	N/A	629	Q	Q	Q
<b>Glenn County</b>						
15. Hamilton Unified	N/A	N/A	688	Q	P	P
<b>Humboldt County</b>						
16. Loleta Union Elementary	N/A	N/A	109	P	Q	P
17. Southern Humboldt Joint Unified	N/A	N/A	691	P	Q	P
<b>Kern County</b>						
18. Belridge Elementary	N/A	N/A	36	N	N	P
19. Lost Hills Union Elementary	N/A	N/A	402	Q	Q	P
20. Southern Kern Unified	N/A	N/A	3,337	N	N	N

## Appendix A (continued)

County School District/County Office	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2018-19 Average Daily Attendance	2019-20 Interim Report		2018-19 Interim Report Second
				First	Second	
<b>Lake County</b>						
21. Kelseyville Unified	N/A	N/A	1,597	Q	P	P
22. Konocti Unified	N/A	N/A	3,256	Q <sup>1</sup>	P	P
<b>Los Angeles County</b>						
23. Azusa Unified	N/A	N/A	7,771	Q	Q	P
24. Bassett Unified	N/A	N/A	3,310	Q	Q	P
25. Charter Oak Unified	N/A	N/A	4,457	Q	Q	P
26. Covina-Valley Unified	N/A	N/A	11,278	Q	P	P
27. Inglewood Unified	N/A	N/A	8,205	Q	P	Q
28. Lennox Elementary	N/A	N/A	5,110	Q	Q	P
<b>Marin County</b>						
29. Laguna Joint Elementary	N/A	N/A	14	P	Q	P
<b>Orange County</b>						
30. Buena Park Elementary	N/A	N/A	4,323	Q	P	P
<b>Riverside County</b>						
31. Alvord Unified	N/A	N/A	17,579	Q	Q	N <sup>1</sup>
32. Banning Unified	N/A	N/A	4,266	P	Q	P
33. Palo Verde Unified	N/A	N/A	2,803	Q	Q <sup>1</sup>	P
<b>Sacramento County</b>						
34. Folsom-Cordova Unified	N/A	N/A	19,686	Q	Q	P
35. Sacramento City Unified	N/A	N/A	40,152	N	N	N
<b>San Bernardino County</b>						
36. Mountain View Elementary	N/A	N/A	2,427	P	Q	P
<b>San Diego County</b>						
37. Bonsall Unified	N/A	N/A	2,426	P	Q	Q
38. Dehesa Elementary	N/A	N/A	129	Q	Q	
39. Oceanside Unified	N/A	N/A	16,715	P	Q	Q
40. San Diego Unified	N/A	N/A	98,024	P	Q	P
41. San Ysidro Elementary	N/A	N/A	4,352	Q	Q	Q
42. South Bay Union	N/A	N/A	6,820	P	Q	P
43. Sweetwater Union High	N/A	N/A	N/A	N	N	N
44. Vista Unified	N/A	N/A	19,767	Q	Q	P

## Appendix A (continued)

County School District/County Office	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2018-19 Average Daily Attendance	2019-20 Interim Report		2018-19 Interim Report Second
				First	Second	
<b>San Luis Obispo County</b>						
45. Paso Robles Joint Unified	N/A	N/A	6,474	Q	Q	Q
46. Shandon Joint Unified	N/A	N/A	285	Q	Q	P
<b>San Mateo County</b>						
47. Cabrillo Unified	N/A	N/A	3,021	Q	P	Q
48. San Carlos Elementary	N/A	N/A	2,972	Q	Q	P
<b>Santa Clara County</b>						
49. Alum Rock Union Elementary	N/A	N/A	9,245	Q	Q	Q
50. East Side Union High	N/A	N/A	21,440	P	Q	P
<b>Shasta County</b>						
51. Happy Valley Union Elementary	N/A	N/A	479	Q	Q	P
52. Oak Run Elementary	N/A	N/A	61	P	Q	P
<b>Solano County</b>						
53. Dixon Unified	N/A	N/A	3,037	N <sup>1</sup>	Q	P
54. Travis Unified	N/A	N/A	5,299	P	Q	P
55. Vallejo City Unified	N/A	N/A	11,348	Q	P	Q
<b>Sonoma County</b>						
56. Forestville Union Elementary	N/A	N/A	214	Q	P	P
57. Santa Rosa City Schools	N/A	N/A	14,941	Q	Q	P
58. Windsor Unified	N/A	N/A	4,804	Q	P	P
<b>Trinity County</b>						
59. Trinity Alps Unified	N/A	N/A	686	Q	Q	P

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

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

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

Analysis of Key Indicators for Financial Difficulties

<b>County</b> School District/County Office	<u>1st/2nd</u> Certification	Deficit Spending <sup>1</sup>	Other Expenditures <sup>2</sup>	Contributions <sup>3</sup>	Long-term Commitments <sup>4</sup>	Other Revenues <sup>5</sup>	Declining Enrollment <sup>6</sup>	Reserves <sup>7</sup>	Status of Labor Agreements <sup>8</sup>	Postemploy- ment Benefits Other Than Pensions <sup>9</sup>
<b>Alameda County:</b>										
1. Newark Unified	Q / Q	✓	✓		✓	✓	✓		✓	
2. Oakland Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	
<b>Amador County:</b>										
3. Amador COE	Q / P	✓	✓	✓	✓			✓	✓	✓
4. Amador County Unified	Q / P		✓	✓	✓	✓			✓	✓
<b>Butte County:</b>										
5. Bangor Union Elementary	P / Q	✓	✓	✓	✓	✓		✓	✓	
6. Paradise Unified	Q / Q	✓	✓	✓	✓	✓	✓		✓	✓
7. Pioneer Union Elementary	P / Q	✓	✓	✓		✓	✓	✓	✓	
<b>Calaveras County:</b>										
8. Calaveras Unified	Q / P		✓	✓	✓	✓	✓		✓	✓
<b>Contra Costa County:</b>										
9. Mt. Diablo Unified	P / Q	✓	✓		✓		✓	✓	✓	✓
10. Pittsburg Unified	Q / P	✓	✓		✓	✓	✓	✓	✓	✓
11. West Contra Costa Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		✓
<b>El Dorado County:</b>										
12. Camino Union Elementary	Q / Q	✓	✓	✓	✓	✓	✓		✓	✓
13. Gold Oak Union Elementary	Q / P	✓		✓	✓	✓	✓	✓	✓	✓
14. Gold Trail Union Elementary	Q / Q	✓	✓	✓	✓		✓		✓	
<b>Glenn County:</b>										
15. Hamilton Unified	Q / P	✓	✓		✓	✓		✓		✓
<b>Humboldt County:</b>										
16. Loleta Union Elementary	P / Q	✓	✓	✓		✓	✓	✓	✓	
17. Southern Humboldt Joint Unified	P / Q	✓	✓	✓	✓	✓	✓		✓	✓

## Appendix B (continued)

Analysis of Key Indicators for Financial Difficulties										
<u>County</u>	<u>1st/2nd</u>	Deficit	Other		Long-term	Other	Declining		Status of	Postemploy-
<u>School District/County Office</u>	<u>Certification</u>	Spending <sup>1</sup>	Expenditures <sup>2</sup>	Contributions <sup>3</sup>	Commitments <sup>4</sup>	Revenues <sup>5</sup>	Enrollment <sup>6</sup>	Reserves <sup>7</sup>	Labor	ment Benefits
									Agreements <sup>8</sup>	Other Than
										Pensions <sup>9</sup>
<b>Kern County:</b>										
18. Belridge Elementary	N / N	✓	✓			✓		✓	✓	✓
19. Lost Hills Union Elementary	Q / Q	✓	✓	✓	✓	✓	✓	✓		✓
20. Southern Kern Unified	N / N		✓	✓				✓		✓
<b>Lake County:</b>										
21. Kelseyville Unified	Q / P	✓	✓	✓	✓	✓		✓	✓	✓
22. Konocti Unified	Q / P	✓	✓	✓	✓	✓			✓	✓
<b>Los Angeles County:</b>										
23. Azusa Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
24. Bassett Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
25. Charter Oak Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	
26. Covina-Valley Unified	Q / P	✓	✓	✓	✓		✓	✓	✓	✓
27. Inglewood Unified	Q / P	✓	✓	✓	✓		✓			✓
28. Lennox Elementary	Q / Q		✓	✓	✓		✓	✓		✓
<b>Marin County:</b>										
29. Laguna Joint Elementary	P / Q	✓		✓		✓	✓	✓		
<b>Orange County:</b>										
30. Buena Park Elementary	Q / P	✓	✓	✓	✓	✓	✓	✓		✓
<b>Riverside County:</b>										
31. Alvord Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
32. Banning Unified	P / Q	✓	✓	✓	✓	✓		✓		
33. Palo Verde Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		✓
<b>Sacramento County:</b>										
34. Folsom-Cordova Unified	Q / Q	✓	✓	✓	✓	✓		✓		✓
35. Sacramento City Unified	N / N	✓	✓	✓	✓		✓	✓	✓	✓
<b>San Bernardino County:</b>										
36. Mountain View Elementary	P / Q	✓			✓	✓			✓	✓

## Appendix B (continued)

Analysis of Key Indicators for Financial Difficulties

County	1st/2nd Certification	Deficit Spending <sup>1</sup>	Other Expenditures <sup>2</sup>	Contributions <sup>3</sup>	Long-term Commitments <sup>4</sup>	Other Revenues <sup>5</sup>	Declining Enrollment <sup>6</sup>	Reserves <sup>7</sup>	Status of Labor Agreements <sup>8</sup>	Postemploy- ment Benefits Other Than Pensions <sup>9</sup>
School District/County Office										
<b>San Diego County:</b>										
37. Bonsall Unified	P / Q	✓	✓	✓	✓		✓	✓		✓
38. Dehesa Elementary	Q / Q	✓	✓	✓	✓	✓			✓	✓
39. Oceanside Unified	P / Q	✓	✓				✓	✓		✓
40. San Diego Unified	P / Q	✓	✓	✓	✓	✓	✓			✓
41. San Ysidro Elementary	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
42. South Bay Union	P / Q	✓	✓	✓	✓	✓	✓	✓		✓
43. Sweetwater Union High	N / N	✓	✓	✓	✓	✓	✓	✓	✓	✓
44. Vista Unified	Q / Q	✓	✓	✓	✓	✓	✓			✓
<b>San Luis Obispo County:</b>										
45. Paso Robles Joint Unified	Q / Q	✓	✓	✓	✓	✓		✓	✓	✓
46. Shandon Joint Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		
<b>San Mateo County:</b>										
47. Cabrillo Unified	Q / P	✓		✓	✓	✓		✓	✓	
48. San Carlos Elementary	Q / Q	✓	✓	✓		✓	✓	✓		
<b>Santa Clara County:</b>										
49. Alum Rock Union Elementary	Q / Q	✓	✓		✓	✓	✓		✓	
50. East Side Union High	P / Q	✓	✓	✓	✓		✓			✓
<b>Shasta County:</b>										
51. Happy Valley Union Elementary	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
52. Oak Run Elementary	P / Q	✓	✓			✓		✓		
<b>Solano County:</b>										
53. Dixon Unified	N / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
54. Travis Unified	P / Q	✓	✓	✓	✓			✓	✓	✓
55. Vallejo City Unified	Q / P	✓	✓		✓	✓	✓		✓	✓

## Appendix B (continued)

Analysis of Key Indicators for Financial Difficulties

<u>County</u> School District/County Office	<u>1st/2nd</u> <u>Certification</u>	Deficit Spending <sup>1</sup>	Other Expenditures <sup>2</sup>	Contributions <sup>3</sup>	Long-term Commitments <sup>4</sup>	Other Revenues <sup>5</sup>	Declining Enrollment <sup>6</sup>	Reserves <sup>7</sup>	Status of Labor Agreements <sup>8</sup>	Postemploy- ment Benefits Other Than Pensions <sup>9</sup>
<b>Sonoma County:</b>										
56. Forestville Union Elementary	Q / P	✓	✓	✓	✓	✓		✓	✓	✓
57. Santa Rosa City Schools	Q / Q	✓	✓		✓	✓	✓		✓	✓
58. Windsor Unified	Q / P	✓	✓	✓	✓	✓	✓	✓		✓
<b>Trinity County:</b>										
59. Trinity Alps Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		✓

9 Key indicators for financial difficulties are as follows:

- <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 5% since budget adoption or first interim.
- <sup>3</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 5% for any of the current or two subsequent fiscal years.
- <sup>4</sup> The district has long-term (multiyear) commitments or debt agreements.
- <sup>5</sup> Projected operating revenues (e.g., federal, other state, other local) for the current and two subsequent fiscal years changed by more than 5% since budget adoption or first interim.
- <sup>6</sup> Enrollment is decreasing in both the prior and current fiscal years.
- <sup>7</sup> Reserves (available reserves, e.g., reserve for economic uncertainties, unassigned/unappropriated amount) do not meet minimum requirements for the current and two subsequent fiscal years).
- <sup>8</sup> As of first interim projections, salary and benefit negotiations still unsettled for one or more of the following: Certificated, Classified, Management/supervisor/confidential.
- <sup>9</sup> The district provides postemployment benefits other than pensions.

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

## Appendix C— Summary of Audit Report Compliance Findings

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
<b>STATE</b>		
<b>Attendance Requirements</b>	ADA overstated by 0-5 ADA	33
	ADA overstated by 10-20 ADA	4
	ADA overstated by over 20 ADA	3
	ADA understated by 0-5 ADA	23
	ADA understated by 5-10 ADA	5
	ADA understated by 10-20 ADA	1
	ADA understated by over 20 ADA	1
	Absences claimed for apportionment	2
	Attendance accounting system not approved by CDE	1
	Attendance registers/Scantrons not signed by teachers	10
	Attendance report does not reconcile to supporting documentation	3
	Attendance report inaccurate/incomplete	12
	Excused absences – problems with verification procedures/documentation	1
	Excused/unexcused absences improperly recorded	1
	Lack of documentation/records	6
	Other finding	6
<b>Continuation Education</b>	Attendance accounting deficiency	4
<b>Independent Study</b>	Attendance overstated	7
	Contract(s) did not include all required elements	15
	Work samples not maintained	2
	Ratio of pupils to teachers exceeded maximum allowable	1
	Other finding	3
<b>Juvenile Court Schools</b>	Attendance accounting deficiency	1
<b>Kindergarten</b>	Retention form did not include required elements	2
	Retention forms not maintained and/or properly approved	12
<b>Special Education</b>	Attendance accounting deficiency	1
<b>After School Education and Safety Program</b>	Administrative costs exceeded 15% of state funding	2
	Lack of documentation/records	16
	LEA did not establish policy regarding reasonable early daily release of pupils	1
	Reported number of students served inconsistent with early release policy	8
	Reported number of students served inconsistent with late arrival policy	1
	Reported number of students served not supported by written records or did not reconcile to supporting documents	36
	Noncompliance with matching requirements	2
	Indirect costs overstated	1
	Other finding	5
<b>California Clean Energy Jobs Act</b>	Expenditure(s) made for non-qualifying purposes or not in accordance with law	7
<b>Child Development</b>	Lack of documentation/records	1

## Appendix C (continued)

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
<b>STATE</b>		
<b>Classroom Teacher Salaries</b>	District did not meet the current expense of education percentage required for payment of classroom teacher salaries	59
<b>Determination of Funding for Nonclassroom-Based Instruction</b>	Other finding	1
<b>District of Choice</b>	District did not adopt a resolution indicating the number of transfers it is willing to accept	2
	District did not register as a district of choice as required	1
<b>Comprehensive School Safety Plan</b>	District did not adopt or update its comprehensive school safety plan by March 1	96
	District did not have a comprehensive school safety plan and did not notify CDE by October 15	11
<b>Gann Limit Calculation</b>	Appropriations - limit calculation deficiency	1
<b>Instructional Materials</b>	Board resolution did not address sufficiency of textbooks/instructional materials	3
	Notice of public hearing deficiency	23
	Public hearing on instructional materials not held or held after the required time period	25
<b>Instructional Time</b>	Instructional days requirements not met	5
	Instructional minutes requirements not met	26
	Lack of documentation/records	1
<b>Local Control and Accountability Plan (LCAP)</b>	LCAP not prepared	1
	LCAP not presented to the parent advisory committee	4
	LEA did not notify members of the public of the opportunity to submit comments to be included in the LCAP	1
<b>Mode of Instruction</b>	Teacher did not possess a valid teaching certification	10
	Average daily attendance not generated in compliance with requirements	1
	Other finding	1
<b>Other State Program</b>	Lack of documentation/records	3
	Other finding	9
<b>Proper Expenditure of Education Protection Account Funds</b>	Funds not properly disbursed and expended as required by law	7
<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	11
	SARC information inconsistent with availability of sufficient textbooks and other instructional materials	2
	SARC information inconsistent with complaints related to teacher misassignments or vacancies	2
	SARC information inconsistent with FIT or local evaluation instrument	50
	SARC not published	5
	Other finding	4
<b>Teacher Certifications and Missassignments</b>	Teacher did not possess a valid certification document (teaching credential)	7
	Teacher misassignment	2
	Teacher not authorized to instruct limited-English-proficient pupils	5
	Teacher providing instruction outside of credential subject	2

## Appendix C (continued)

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
<b>STATE</b>		
<b>Transportation Maintenance of Effort</b>	Maintenance of effort requirement not met	16
<b>Unduplicated Local Control Funding Formula Pupil Counts</b>	English Learner students missing eligibility documentation	22
	Free and Reduced Price Meal and/or English Learner pupil counts overstated	79
	Free and Reduced Price Meal and/or English Learner pupil counts understated	9
	Free and Reduced Price Meal and/or English Learner students missing eligibility documentation for at least one designation	25
	Free and Reduced Price Meal students missing eligibility documentation	41
	Other finding	3
<b>TOTAL STATE FINDINGS</b>		<b>825</b>
<b>FEDERAL</b>		
<b>Child Nutrition Cluster</b>	Activities allowed or unallowed	2
	Eligibility	7
	Equipment and real property management	1
	Financial report/claim not filed/not filed timely	1
	Procurement, suspension, and debarment	1
	Other finding	2
<b>Federal Pell Grant Program</b>	Special tests and provisions	1
<b>Federal Programs</b>	Activities allowed or unallowed	4
	Allowable costs/cost principles	3
	Multi-funded positions are not supported by time distribution records	1
	Reporting	2
	Procurement, suspension, and debarment	6
	Other finding	1
<b>Title II, Improving Teacher Quality State Grants</b>	Special tests and provisions	2
<b>Medi-Cal Billing</b>	Allowable costs/cost principles	1
<b>National School Lunch</b>	Activities allowed or unallowed	1
	Allowable costs/cost principles	1
	Other finding	1
<b>School Breakfast Program</b>	Reporting	1
<b>Special Education Cluster</b>	Allowable costs/cost principles	2
	Procurement, suspension, and debarment	2
<b>Title I Grants to LEAs</b>	Allowable costs/cost principles	1
	Eligibility	1
	Equipment and real property management	2
	Lack of documentation/records	3
	Special tests and provisions	2
	Other finding	1

## Appendix C (continued)

---

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
<b>FEDERAL</b>		
Twenty-First Century Community Learning Centers	Cash Management	1
<b>TOTAL FEDERAL FINDINGS</b>		<u>54</u>
<b>TOTAL STATE AND FEDERAL FINDINGS</b>		<u>879</u>

## Appendix D— Summary of Audit Report Deficiencies

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2017-18</i>	<i>2018-19</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.	14	29
Report did not include all of the elements in the required supplementary information (RSI) section.	57	13
Report did not refer to the RSI.	11	3
Report did not include a section with the heading "Other Matters."	5	3
Auditor's opinion did not state that the financial statements conform with accounting principles generally accepted in the United States of America.	2	2
Reference to a separate report on internal control over financial reporting and on compliance was not included.	1	2
Independent Auditor's Report on the financial statements was not included.	4	1
Auditor's report did not reference auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> .	1	1
Report did not include a paragraph describing the matter giving rise to the modified opinion.	1	1
Report did not include a section with the heading "Qualified Opinion," "Adverse Opinion," or "Disclaimer of Opinion."	1	1
Qualified opinion due to material misstatement in financial statements: opinion paragraph was deficient.	0	1
Introductory paragraph of auditor's report did not clearly identify financial statements covered by auditor's opinion.	6	1
Auditor's report did not include an opinion on supplementary information.	9	1
Report did not include a section with the heading "Opinion."	2	1
Report did not include a statement that an audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management.	2	0
Report did not include a statement that the auditor does not express an opinion on the effectiveness of the entity's internal control.	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.	2	0
Report did not state that the audit evidence obtained is sufficient and appropriate for the auditor's opinion.	2	0
Report did not state that the responsibility of the auditor is to express an opinion on the financial statements based on the audit.	2	0
Disclaimer of opinion due to an inability to obtain sufficient appropriate audit evidence: opinion paragraph was deficient.	1	0
Disclaimer of opinion was issued, but the introductory paragraph did not include required information.	1	0
Reference to a separate report on internal control over financial reporting and on compliance was deficient.	1	0
Report did not include a section with the heading "Auditor's Responsibility."	1	0
Report did not include a section with the heading "Management's Responsibility for the Financial Statements."	1	0
Report did not include a section with the heading "Other Reporting Required by Government Auditing Standards."	1	0
Report did not include a statement that the separate report on internal control over financial reporting and on compliance is an integral part of an audit performed in accordance with <i>Government Auditing Standards</i> .	1	0

## Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2017-18</i>	<i>2018-19</i>
Report did not state that management is responsible for the preparation of the financial statements in accordance with generally accepted accounting principles.	1	0
Report did not state that the auditor obtained reasonable assurance about whether the financial statements are free from material misstatement.	1	0
<b>Subtotal</b>	<b>133</b>	<b>60</b>
<b><u>Management's Discussion and Analysis</u></b>		
Management's Discussion and Analysis not included.	0	3
Management's Discussion and Analysis was included and the Independent Auditor's Report did not include an explanatory paragraph.	0	1
<b>Subtotal</b>	<b>0</b>	<b>4</b>
<b><u>Basic Financial Statements</u></b>		
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	11
Not-for-profit entity: Statement of Activities was not presented properly.	13	9
Not-for-profit entity: Statement of Financial Position was not presented properly.	2	8
Governmental entity: Statement of Changes in Fiduciary Net Position – Fiduciary Funds was not presented properly.	3	5
Governmental entity: Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds was not presented properly.	3	5
Governmental entity: Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position was not presented properly.	4	3
Governmental entity: Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds was not presented properly.	1	3
Not-for-profit entity: Statement of Cash Flows was not presented properly.	0	2
Governmental entity: Statement of Fiduciary Net Position – Fiduciary Funds was not presented properly.	1	2
Governmental entity: Statement of Cash Flows – Proprietary Funds was not presented properly.	1	1
Governmental entity: Balance Sheet – Governmental Funds was not presented properly.	2	0
Governmental entity: Statement of Activities was not presented properly.	3	0
Governmental entity: Statement of Fund Net Position – Proprietary Funds was not presented properly.	1	0
<b>Subtotal</b>	<b>41</b>	<b>49</b>
<b><u>Notes to the Financial Statements</u></b>		
Not-for-profit entity: Summary of significant accounting policies did not include description of the financial statements presentation and basis of accounting.	33	84
Governmental entity: Other Postemployment Benefits (OPEB) note did not include the OPEB plan description.	109	18
Governmental entity: OPEB note did not disclose the OPEB plan's fiduciary net position information.	27	16
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.	31	10
Not-for-profit entity: Notes did not include adequate disclosure of debt and other liabilities.	18	8
Governmental entity: OPEB note did not include the discount rate information.	15	7

## Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2017-18</i>	<i>2018-19</i>
Not-for-profit entity: Notes did not include adequate disclosure of related-party transactions and common control.	8	5
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.	13	4
Governmental entity: OPEB note did not include a schedule of changes in the OPEB liability.	7	4
Governmental entity: Notes did not include adequate disclosure of capital assets and depreciation, including the method used to compute depreciation.	0	4
Governmental entity: OPEB note did not properly disclose the employer's OPEB liabilities for the period associated with defined benefit OPEB liabilities to employees.	8	3
Governmental entity: Summary of significant accounting policies did not include a description of the government-wide financial statements, noting the exclusion of fiduciary funds.	6	2
Governmental entity: Material prior period restatements or adjustments were not adequately disclosed.	4	2
Governmental entity: Pension obligations disclosures not included.	2	2
Not-for-profit entity: Notes did not include the summary of significant accounting policies.	0	2
Governmental entity: Notes did not disclose deficit fund balances or net position of individual funds, not apparent on the face of the financial statements.	0	2
Governmental entity: Nature of the primary government's accountability for related organizations and joint ventures was not included.	8	1
Governmental entity: OPEB plan disclosures not included.	6	1
Governmental entity: Early retirement note did not include all the required disclosures.	2	1
Governmental entity: OPEB note did not include significant assumptions disclosure.	2	1
Not-for-profit entity: Notes did not include adequate disclosure of pension benefits.	2	1
Governmental entity: Early retirement note was not included.	1	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.	1	1
Not-for-profit entity: Notes did not include description of the nature of the entity's activities.	0	1
Not-for-profit entity: Notes did not include adequate disclosure of capital assets and depreciation, including the method used to compute depreciation.	10	0
Governmental entity: Notes did not include the summary of significant accounting policies.	1	0
<b>Subtotal</b>	<b>314</b>	<b>181</b>
<b><u>Required Supplementary Information</u></b>		
Schedule of the entity's defined benefit OPEB plan contribution was not included.	12	49
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.	21	6
Schedule of the entity's proportionate share and schedule of contributions for each pension plan was not included.	6	4
Schedule of budgetary comparison data for general fund and major special revenue fund(s) were not included as RSI.	1	1
Schedule of budgetary comparison data was not shown by object.	1	1
<b>Subtotal</b>	<b>41</b>	<b>61</b>

## Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2017-18</i>	<i>2018-19</i>
<b><u>Supplementary Information Section</u></b>		
Schedule of Charter Schools was deficient.	81	28
Schedule of Instructional Time did not contain all the required information.	57	26
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.	5	17
Local Education Agency Organization Structure description was deficient.	28	12
Schedule of Average Daily Attendance was deficient.	16	8
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.	14	7
Schedule of Financial Trends and Analysis was not included; or schedule was deficient.	8	6
Schedule of Charter Schools was not included.	3	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.	13	3
Schedule of Average Daily Attendance did not display final ADA after audit finding adjustment(s).	4	3
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements was not included.	3	3
Schedule of Instructional Time was not included.	1	3
Schedule of Instructional Time did not state whether the district complied with the instructional minutes and days provisions.	0	3
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.	6	1
Schedule of Instructional Time indicates noncompliance, but a finding was not included in the audit report.	2	1
Schedule of Average Daily Attendance was not included.	1	1
Local Education Agency Organization Structure description was not included.	1	0
<b>Subtotal</b>	<b>243</b>	<b>127</b>
<b><u>Schedule of Expenditures of Federal Awards</u></b>		
Schedule of Expenditures of Federal Awards was deficient.	11	3
Note to the Schedule of Expenditures of Federal Awards was not included or was deficient.	3	3
<b>Subtotal</b>	<b>14</b>	<b>6</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.	9	13
Report on compliance and other matters did not include a statement regarding test results.	2	7
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> .	7	6
Description of the nature of modified opinion on the financial statements was not properly disclosed on the report.	5	4

## Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2017-18</i>	<i>2018-19</i>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters (per <i>Government Auditing Standards</i> ) was not included.	3	3
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.	3	1
Report on compliance and other matters did not include a statement that the auditor performed tests of compliance.	2	1
Report on compliance and other matters was deficient.	<u>2</u>	<u>1</u>
<b>Subtotal</b>	<b>33</b>	<b>36</b>
<b><u>Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance</u></b>		
Report on compliance for each major federal program and on internal control over compliance was deficient.	7	5
Report on internal control over compliance was deficient.	3	2
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 did not include an alert paragraph describing the purpose of the auditor's report.	0	1
Report on compliance for each major federal program and on internal control over compliance was not included.	0	1
Material weaknesses in internal control over compliance were not properly disclosed in the report.	2	0
Noncompliance that did not result in an opinion modification was not disclosed in the report.	2	0
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.	1	0
<b>Subtotal</b>	<b>18</b>	<b>10</b>
<b><u>State Compliance Report</u></b>		
Independent Auditor's Report on State Compliance was deficient.	92	46
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.	1	5
Independent Auditor's Report on State Compliance was not included.	<u>3</u>	<u>1</u>
<b>Subtotal</b>	<b>96</b>	<b>52</b>
<b><u>Findings and Recommendation Section</u></b>		
State Program Finding(s): Noncompliance was reported; however, the finding(s) did not include sufficient information.	25	90
Audit finding was not coded with the correct five-digit number.	21	12
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	11
Schedule of Prior Audit Findings was not included.	6	11
Attendance Finding: ADA inappropriately reported for apportionment and an estimate of its dollar value was not included.	6	11

## Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>2017-18</i>	<i>2018-19</i>
Federal Program Finding(s): Noncompliance was reported; however, the finding(s) did not include sufficient information.	9	10
Summary of Auditor's Results was deficient.	9	9
Schedule of Findings and Questioned Costs was not included.	8	9
Financial statement finding did not include the criteria.	7	7
Financial statement finding did not include the cause.	8	6
Financial statement finding did not include the effect or potential effect.	6	4
Auditee's corrective action plan to eliminate noncompliance was not included.	0	4
Sufficient information for judging the prevalence and consequences of noncompliance was not included.	1	2
Summary of Auditor's Results was not included.	4	1
Financial statement finding did not include the condition.	0	1
Federal Program Finding(s): Questioned costs and/or how they were calculated not included.	0	1
Financial statement finding did not include the views of responsible officials and planned corrective actions.	2	0
Financial statement finding did not include the recommendation.	1	0
<b>Subtotal</b>	<b>132</b>	<b>189</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.	11	8
<b>Subtotal</b>	<b>11</b>	<b>8</b>
<b>Total number of deficiencies</b>	<b>1076</b>	<b>783</b>

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250**

**[www.sco.ca.gov](http://www.sco.ca.gov)**