

ANNUAL FINANCIAL REPORT OF CALIFORNIA K-12 SCHOOLS

Report to the Superintendent of Public Instruction

For the Period of July 1, 2011, through June 30, 2012



JOHN CHIANG
California State Controller

August 2013



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California State Controller

August 7, 2013

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

Dear Superintendent Torlakson:

I am pleased to present the Annual Financial Report of California K-12 Schools for 2012. The report summarizes the financial and program compliance status of the State's school districts, county offices of education, and charter schools for fiscal year (FY) 2011-12, unless otherwise specified. For FY 2011-12, there were a total of 2,034 local education agencies (LEAs), including 958 school districts, 58 county offices of education, and 1,018 charter schools.

For FY 2011-12, California LEA revenues exceeded expenditures by \$419 million. For FY 2011-12, the American Recovery and Reinvestment Act (ARRA) expenditures were \$382 million compared with \$2.2 billion expended in the prior fiscal year. The number of LEAs engaged in multi-year deficit spending decreased from 120 to 118. The number of districts and county offices of education filing negative or qualified first- or second-interim certifications for FY 2012-13 decreased from 204 to 128. The reasons for filing negative or qualified certifications primarily are deficit spending, projected operating expenditure changes, projected revenue limit changes, contributions changes, and projected operating revenue changes.

State and federal compliance findings noted in the independent auditors' reports of LEAs decreased from the prior year. Auditors reported 741 compliance findings in FY 2011-12, a 19% decrease from the 916 reported in FY 2010-11. Moreover, 21% of the compliance findings were related to deficiencies in average daily attendance (ADA) accounting, which is the primary basis for the allocation of state funding. The auditors also reported 116 findings pertaining to the After School Education and Safety Program.

I hope the report will be useful to you and the Legislature in planning California's future education needs. Please direct any comments regarding the content of the report to George Lolas, Acting Chief Operating Officer, at (916) 445-3028.

Sincerely,

Original signed by

JOHN CHIANG
California State Controller

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Executive Summary

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

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

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) 2011-12. Additional data was taken from interim financial report certifications submitted by LEAs during FY 2012-13. Information related to the emergency loan apportionments was obtained from various sources, including the California Infrastructure and Economic Development Bank (I-Bank).

This year's report contains the following key findings:

- The number of LEAs engaged in multi-year deficit spending decreased from 120 to 118. Although some LEAs legitimately may need to engage in multi-year deficit spending (such as for building projects), this practice often is an indication that a district is facing financial difficulties.
- The number of LEAs filing negative or qualified certifications during at least one of the two reporting periods decreased from 204 in FY 2011-12 to 128 in FY 2012-13. In the second reporting period of FY 2012-13, 84 LEAs filed qualified interim financial reports and 8 LEAs filed negative interim financial reports. Financial difficulties may have a negative impact on these LEAs' educational programs.
- Debt issuance increased by \$1.159 billion to a total of \$6.84 billion, a 20% increase from the \$5.682 billion reported in the prior year. Generally, LEAs issue debt to fund capital improvements, refinance existing debt, or to 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 21% of the compliance findings for FY 2011-12 are related to deficiencies in average daily attendance (ADA) accounting, which is the primary factor in determining the amount of funding an LEA receives from the State.
- The LEAs' annual audit reports disclosed 116 audit findings pertaining to the After School Education and Safety Program.
- FY 2011-12 was the third full year in which LEAs received American Recovery and Reinvestment Act of 2009 (ARRA) federal funds. ARRA expenditures represented 4.39% of total federal expenditures reported.
- The number of rejected reports decreased by 80, from 485 to 405. This represents a 17% decrease compared to the prior year.
- The number of federal compliance findings contained in the audit reports of LEAs decreased from the prior year and is due primarily to decreased expenditures of ARRA funds. For FY 2011-12, ARRA expenditures were \$382 million compared with \$2.2 billion expended in the prior fiscal year. For FY 2011-12, there were 11 ARRA findings and questioned costs of \$14,368, compared with 94 ARRA findings and questioned costs of \$4.1 million in the prior year.

Introduction

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

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

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

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

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

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

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

- Conducting the annual financial and compliance audits of school districts receiving emergency state apportionment loans.
- Ensuring that satisfactory arrangements for an annual audit have been made for each local education agency.
- Performing quality control reviews of independent auditors who conduct annual audits of local education agencies.
- Compiling pertinent data and reporting annually to the California State Legislature and the California Department of Education.

Financial Indicators

Overview

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

Key financial indicators representing the financial health of local education agencies (LEAs) are presented in this section of the report. Data comes from interim financial report certifications submitted by school districts during fiscal year (FY) 2012-13.

Interim Reporting

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

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

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

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

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

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

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

During FY 2012-13, a total of 123 of the 1,016 LEAs required to file interim reports, filed a qualified or negative certification for the first-period interim report (116 were qualified, and 7 were negative). Of these 123, 79 filed a second-period qualified interim report, 8 filed a second-period negative interim report, and 36 LEAs were able to take corrective action. However, an additional 5 LEAs that had filed a positive first-interim certification subsequently filed qualified or negative second-period interim reports, for a total of 92 qualified (84) or negative (8) certifications for the second-period interim reporting period (Figure 1). Thus, 128 LEAs reported qualified or negative certifications for at least one of the two periods (Appendix A), and 103 LEAs remained on the list from the prior year. LEAs filing qualified or negative interim reports for two or more years are monitored closely by the State Controller's Office through continuous contact with the California Department of Education.

The most common causes of fiscal problems cited in the 128 qualified or negative certifications as summarized in Appendix B were:

- Deficit Spending: 124 LEAs (97%)
- Other Expenditures (projected operating expenditure changes): 115 LEAs (90%)
- Revenue Limit (projected revenue limit for any of the current or two subsequent fiscal years has changed by more than 2% since budget adoption or first interim report): 110 LEAs (86%)
- Contributions (contributions from unrestricted to restricted resources, or transfers to or from the general fund to cover operating deficits, changed since budget adoption or first interim report by more than \$20,000 and more than 5% for any of the current or two subsequent fiscal years): 104 LEAs (81%)
- Other Revenues (projected operating revenue change): 94 LEAs (73%)

An analysis of the 5 LEAs that changed from a positive first interim certification to a negative or qualified second-period interim certification revealed four of the same top five common causes listed above.

Figure 1

Second-period Interim Report Certifications					
Five-year History					
	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13*</u>
Positive	926	853	881	835	924
Qualified	86	159	127	172	84
Negative	<u>19</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>8</u>
Totals	<u>1,031</u>	<u>1,025</u>	<u>1,021</u>	<u>1,020</u>	<u>1,016</u>

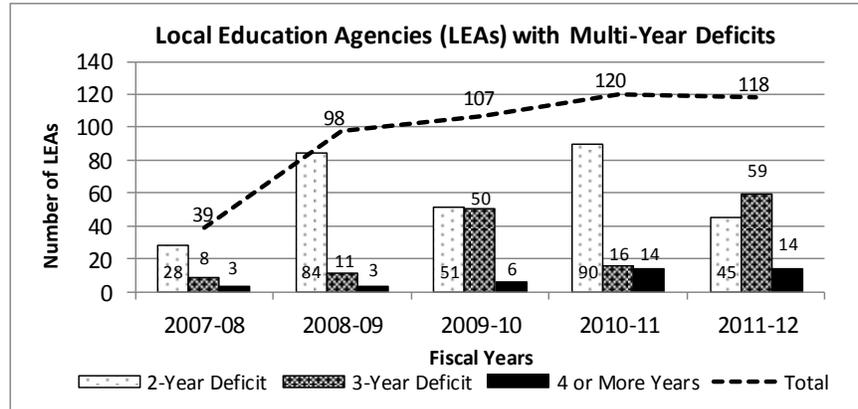
*Additional information regarding LEAs that filed qualified or negative interim reports during FY 2012-13 is provided in Appendices A and B

Deficit Spending

LEA multi-year deficit spending decreased

In FY 2011-12, the overall number of LEAs relying on multi-year deficit spending decreased from 120 to 118 (Figure 2). Deficit spending patterns are monitored closely by the county offices of education and the California Department of Education to determine whether the districts are facing serious financial problems.

Figure 2



Emergency Apportionments

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

During the past 31 years, the State has granted more than \$226 million in emergency apportionment loans from the General Fund to school districts. The emergency loans are designed to provide an advance of apportionments owed to the districts from the State School Fund. California Education Code sections 41329.50 through 41329.54 and 41329.56 specify the requirements for emergency apportionment financing.

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

During FY 2012-13, Inglewood Unified School District received a General Fund emergency loan in the amount of \$29 million. The district will refinance the total amount of the loan with the California Infrastructure and Economic Development Bank (I-Bank) in FY 2013-14.

Annual payment on the initial emergency loans for the Oakland Unified School District is due in June. Vallejo City Unified School District received two emergency loans from the General Fund, which are due in June and August. As of June 30, 2013, the outstanding General Fund loan balances for Oakland Unified School District, Vallejo City Unified School District, and Inglewood Unified School District ranged from \$24.5 million to \$29 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 the bonds to finance the emergency apportionments and related costs. I-Bank issued bonds to reduce or eliminate the initial loans, as identified in Figure 3.

Lease financing payments for Vallejo City Unified School District, West Contra Costa Unified School District, and Oakland Unified School District are due monthly over a seven-month period, from July through January of each fiscal year. The principal payments for these three districts are due annually on August 15. The lease financing payments for King City Joint Union High School District are due monthly over a four-month period from July through October of each fiscal year. The principal payment for King City Joint Union High School District also is due annually on August 15. Figure 3 displays the outstanding balances of the lease revenue bonds for each school district.

Figure 3

School Districts with Outstanding Loans (in \$Millions)							
Fiscal Year	School District	Initial Loan (General Fund)¹			Lease Revenue Bonds (I-Bank)²		
		Amount of Loan	Out-standing Balance	Final Repay-ment Date	Amount Issued	Out-standing Balance	Final Repayment Date
1990-91	West Contra Costa	\$ 28.5	\$ —	12/08/2005	\$ 15.7	\$ 8.8	08/15/2018
2002-03	Oakland USD	100.0	25.7	06/29/2026	59.6	46.8	08/15/2023
2003-04	Vallejo City USD	60.0	24.5	08/14/2024	21.2	15.7	08/15/2024
2009-10	King City JUHSD ³	2.0	—	04/14/2010	14.4	13.6	08/15/2029
2012-13	Inglewood USD ⁴	29.0	29.0				

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

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

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

⁴ Inglewood Unified School District (USD) received a General Fund emergency loan in November 2012. The district will refinance the amount of the total loan with I-Bank in fiscal year 2013-14. There is currently no schedule of payments for Inglewood USD.

General Fund Revenues and Expenditures

For FY 2011-12, LEA General Fund revenues exceeded expenditures by \$0.419 million (Figure 4).

Figure 4

LEA General Fund Revenues And Expenditures (In \$Billions)					
	Fiscal Years				
	2007-08	2008-09	2009-10	2010-11	2011-12
Revenues	\$52.305	\$59.476	\$56.132	\$57.665	\$54.879
Expenditures	(51.581)	(57.708)	(56.387)	(55.890)	(54.460)
Surplus/(Deficit)	\$ 0.724	\$ 1.768	\$ (0.255)	\$ 1.775	\$ 0.419

The cumulative fund balance, or surplus for LEAs, totaled \$12.726 billion at the end of FY 2011-12, an increase of \$194 million from the prior year's total of \$12.532 billion. Federal revenues decreased by \$1.787 billion from the prior fiscal year (\$7.678 billion in FY 2010-11, compared with \$5.891 billion in FY 2011-12). As part of the total fund balance, the LEAs are to maintain reserves as a defense against economic uncertainties. The California Department of Education issues guidelines regarding the amount of reserve each district should maintain based on its total average daily attendance (ADA).

Debt Issuance

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

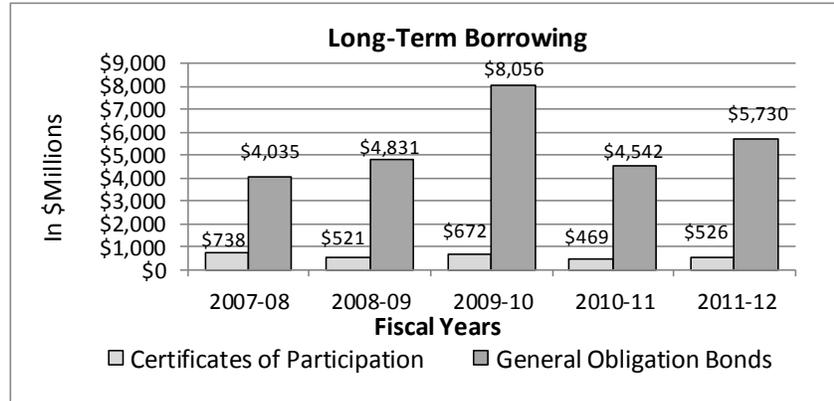
LEA debt issuance increased

During FY 2011-12, LEAs issued \$6.840 billion in debt, an increase of \$1.159 billion (20%) from the prior year. In FY 2011-12, the total number of LEAs that issued debt increased by 13% from the prior fiscal year. LEAs issued the following types of debt:

- **General Obligation Bonds (\$5.730 billion, or 84%)**—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 (\$526 million, or 8%)**—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.
- **Bond Anticipation Notes (\$168 million, or 2%)**—A financing technique that provides short-term financing for construction, equipment, furnishings, and improvements for school facilities.
- **Limited Tax Obligation Bonds and Other Debt Instruments (\$341 million, or 5%)**—A financing technique that provides long-term financing of capital projects. The bonds are repaid from incremental taxes on property in a redevelopment area.

- Public Lease Revenue Bonds (\$27 million, or 0.4%)**—A financing technique that provides long-term financing for the acquisition, purchase, financing, and leasing of certain equipment for the public benefit.

Figure 5



LEAs issued \$6.256 billion in Certificates of Participation and General Obligation Bonds during FY 2011-12, an increase of \$1.245 billion (25%) from \$5.011 billion issued in the prior fiscal year (Figure 5).

LEA financing through Certificates of Participation increased by \$57 million, and financing through General Obligation Bonds increased by \$1.188 billion from the prior year.

General Obligation Bonds accounted for 84% of LEA debt issuance in FY 2011-12, an increase of 26% from the prior year. In comparison, Certificates of Participation accounted for 8% of debt issuance in FY 2011-12, a 12% increase from the prior year.

Lottery Revenues

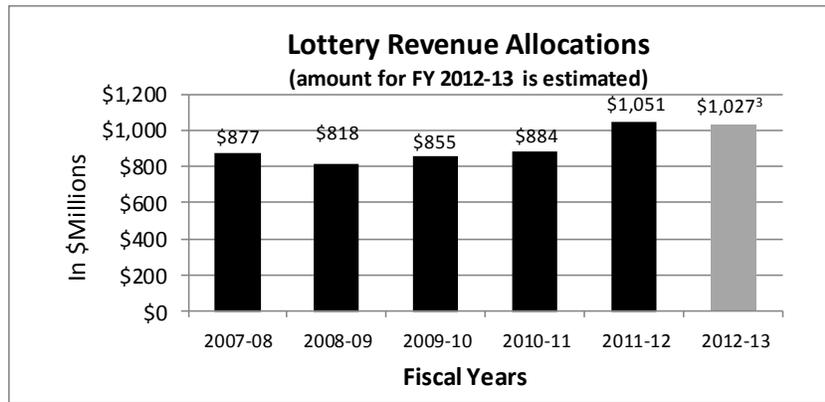
The allocation of Lottery revenues to K-12 school districts is based on a percentage of total Lottery sales for the year. Under state law (Proposition 37, California State Lottery Act of 1984), a minimum of 34% of Lottery sales must be distributed to school districts, community colleges, and other educational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

Lottery revenues 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 the State Controller’s Office and the California State Lottery.

Lottery revenue for FY 2012-13 is projected to decrease by 2% over FY 2011-12, from \$1,051 to \$1,027 million³ (Figure 6).

Figure 6



³ The Lottery revenue information is obtained from the California Department of Education, based on State Lottery projections.

Program Compliance

Overview

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

Compliance Findings

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

The number of compliance findings reported in the fiscal year (FY) 2011-12 LEA financial reports submitted by CPAs decreased from the prior year. There were 741 compliance findings in FY 2011-12, a 19% decrease from the 916 reported in FY 2010-11 (Appendix C). The number of attendance accounting findings decreased by 16 from the prior year, from 169 to 153, or 9%.

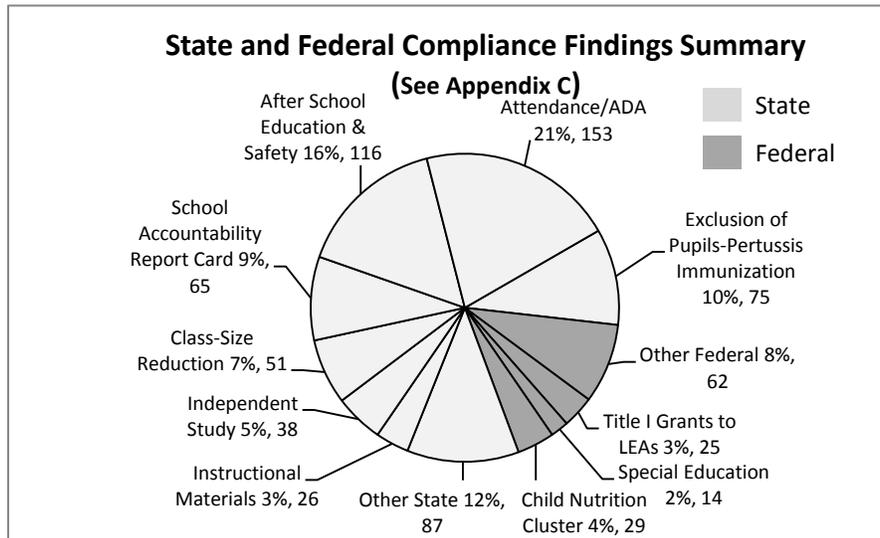
Some of the problems identified in the compliance findings may have a fiscal impact on LEA operations, as they may result in a loss of state and federal funding. Of the 741 audit findings, 611 (82%) pertained to state programs and requirements and 130 (18%) pertained to federal programs and requirements (Figure 7). Attendance-related findings accounted for 21% of compliance findings. The majority of the attendance findings, representing 80% of all attendance findings, were related to:

- Understated or overstated average daily attendance;
- Attendance reports did not reconcile to supporting documentation;
- Attendance reports inaccurate/incomplete; and
- Attendance registers/scantrons not signed by teachers.

The audit reports disclosed 116 findings pertaining to the After School Education and Safety Program. This program funds the establishment of local after school education and enrichment programs. The types of findings are as follows:

- Reported number of students served not supported by documentation;
- Reported students served inconsistent with early release policy;
- Lack of documentation/records;

- Reported students served was inconsistent with late arrival policy;
- Non-compliance with matching requirements;
- Program did not operate a minimum of 15 hours per week;
- Administrative costs exceeded 15% of State funding;
- Indirect costs overstated;
- LEA did not establish policy regarding reasonable early release; and
- Other findings.



ARRA Expenditures and Compliance Findings

The American Recovery and Reinvestment Act of 2009 (ARRA, commonly referred to as the Stimulus or the Recovery Act) is an economic stimulus package enacted by the United States Congress in February 2009. ARRA was intended to create jobs and promote investment and consumer spending during the recession. For more information on ARRA, see Appendix E.

ARRA increased federal funds available for education. Some of the programs funded to the State of California through the U.S. Department of Education by Recovery Act grants include State Fiscal Stabilization Funds; Title I, Part A—Supporting Low-Income Schools; IDEA Grants, Parts B and C—Improving Special Education Programs; and Education Technology Grants.

For FY 2011-12, LEAs reported a total of \$8.714 billion in federal award expenditures. Of this amount, \$382 million, or 4%, was ARRA-related expenditures.

The audit reports disclosed 11 findings pertaining to ARRA (Figure 8). The related questioned costs totaled \$14,368.

Figure 8

ARRA-Related Findings		
<u>ARRA Funds</u>	<u>Number of Findings</u>	<u>Percentage</u>
Special Education	5	46%
Title I	3	27%
State Fiscal Stabilization Fund	2	18%
Title II	<u>1</u>	<u>9%</u>
Total	<u>11</u>	<u>100%</u>

Audit Resolution Process

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

In FY 2012-13, the State Controller's Office did not perform any reviews of the audit resolution process.

Quality Control

Overview

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

Audit Report Certifications

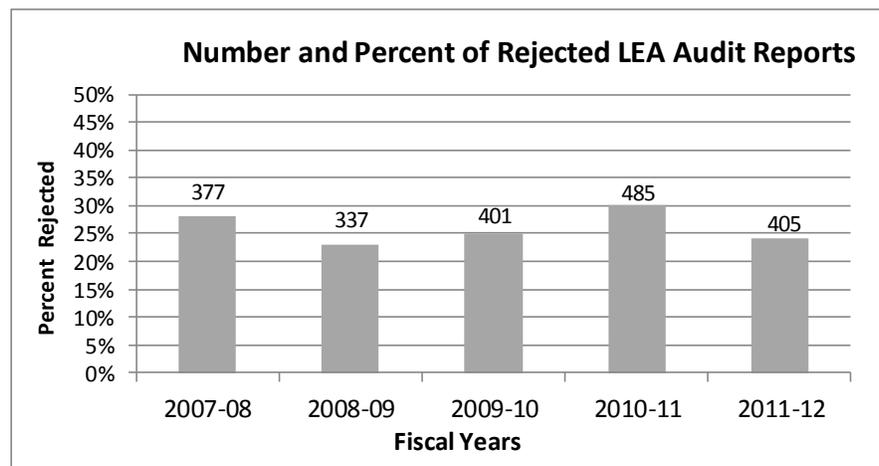
The State Controller’s Office determines whether audit reports conform to reporting provisions of the K-12 Audit Guide and notifies each local education agency (LEA), independent auditor, and the State Superintendent of Public Instruction whether a report has been accepted or rejected, based on conformity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

For fiscal year (FY) 2011-12, the State Controller’s Office accepted 76% of the audit reports; the remaining 24% were rejected upon initial review. The State Controller’s Office subsequently accepted the rejected audit reports after the independent auditors made the requested corrections. LEAs withhold 10% of the independent auditors’ fees until the State Controller’s Office certifies the report. In addition, if an independent auditor has had a report rejected (and has not subsequently corrected it) for the same LEA for two consecutive years, the State Controller’s Office may refer the independent auditor to the State Board of Accountancy for professional review.

Decrease in number of rejected audit reports

Upon initial review, the State Controller’s Office certified 1,294 (76%) of the 1,699 audit reports submitted by LEAs for FY 2011-12. The number of rejected reports decreased by 80 over the prior year, from 485 to 405, a 17% decrease (Figure 9).

Figure 9



Reporting Deficiencies

Reporting deficiencies decreased

In FY 2011-12, the State Controller's Office identified 1,002 reporting deficiencies, a decrease of 606 from 1,608 in the prior year (Figure 10).

Figure 10

	Fiscal Years	
	<u>2010-11</u>	<u>2011-12</u>
Auditor's Report on the Financial Statements	31	26
Management's Discussion & Analysis	2	0
Basic Financial Statements	46	61
Notes to the Financial Statements	175	204
Required Supplementary Information	7	0
Supplementary Information Section	116	68
Schedule of Expenditures of Federal Awards	46	16
Government Auditing Standards Report	84	77
Single Audit Report	35	8
State Compliance Report	431	124
Findings and Recommendations Section	614	413
Other	<u>21</u>	<u>5</u>
Total	<u>1,608</u>	<u>1,002</u>

*See Appendix D.

The following categories show the largest decrease in the number of reporting deficiencies: State Compliance Report, and Findings and Recommendations Section.

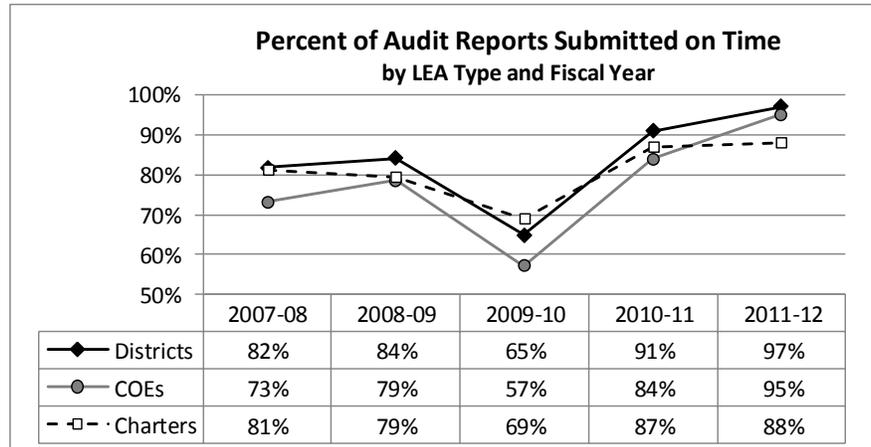
For FY 2011-12, there were 41 reporting deficiencies related to federal programs, including ARRA programs. This represents a decrease of 74 reporting deficiencies, or 64%, from the 115 reporting deficiencies during the prior fiscal year. This decrease in federal program reporting deficiencies is due, in part, to independent auditors correcting deficiencies that were identified by the State Controller's Office in the prior year.

On-Time Submissions

Annual audit reports submitted on time

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

Figure 11



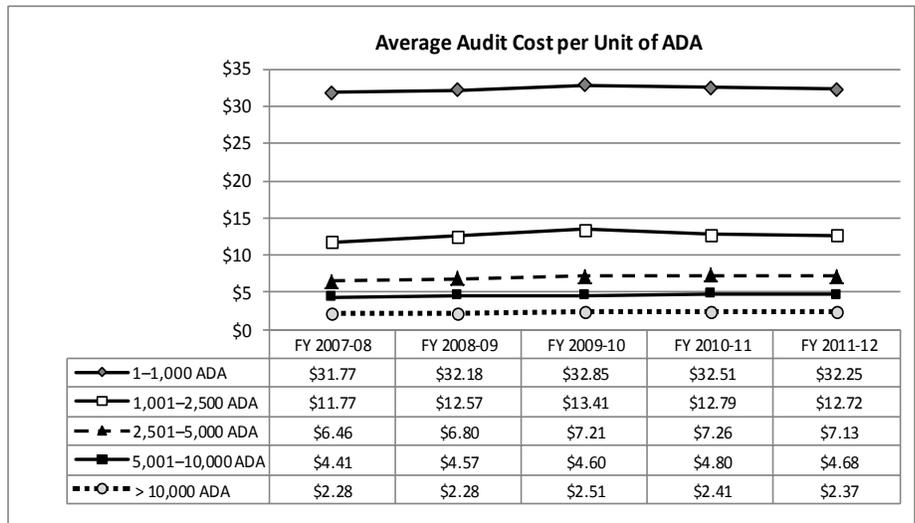
The percentage of school district, county office of education, and charter school annual audit reports submitted by the deadline increased over the prior year (Figure 11). A total of 1,587, or 93%, of the 1,706⁴ required LEA reports were received by the December 15, 2012 deadline.

Average Audit Cost per ADA

Average audit costs decreased

The State Controller’s Office maintains a database of information pertaining to audit contracts between LEAs and independent auditors. From that database, the State Controller’s Office determined the total audit costs and cost per unit of ADA for LEA annual audits. Audit costs for FY 2011-12 totaled \$32 million, an increase of \$229,368, or 1%, more than total audit costs of \$31.9 million for FY 2010-11. The current year average cost per ADA decreased over the prior year for all ADA categories (Figure 12).

Figure 12



⁴ For FY 2011-12, there were 2,034 LEAs. Some of the LEAs, primarily charter schools, were combined for reporting purposes, resulting in 1,706 required LEA reports.

Quality Control Reviews

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

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

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

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

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

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

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

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

In FY 2012-13, the State Controller's Office issued two quality control review reports. The quality control reviews disclosed deficiencies in the following areas:

Planning:

- No documentation of follow-up on prior audit findings; and
- Engagement letter did not contain all of the required elements or language.

Internal Control:

- Assessment of risk of material misstatement was not adequately documented.

Federal Compliance:

- Required testing for some of the applicable compliance requirements was not performed;
- Schedule of Expenditures of Federal Awards did not include the name of the pass-through entity for federal awards received as a subrecipient;
- Schedule of Expenditures of Federal Awards did not report the amount of federal awards expended by the district;
- High Risk Type B programs were not audited; and
- Samples selected not representative of the population.

State Compliance:

- Exceptions identified in the working papers were not reported;
- Sample selection was not random as required by the K-12 Audit Guide;
- No documentation of audit work performed for some state compliance requirements;
- Samples selected not representative of the population; and
- Not reporting state compliance findings because the auditor considered the non-compliance immaterial or an isolated instance, or believes the LEA substantially complied.

Working Papers:

- Sampling methodology was not documented;
- Working papers did not contain the results of the audit tests and procedures performed;
- Working papers did not contain written programs or written audit procedures;
- Working papers did not support the auditor's opinion and findings and recommendations for one program.

Reporting:

- Balance sheet presentation was deficient.

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	2011-12 Average Daily Attendance	2012-13 Interim Report		2011-12 Interim Report Second
				First	Second	
Alameda County						
1. Oakland Unified	N/A	N/A	N/A	Q	Q	Q
Amador County						
2. Amador COE	No	Yes	267	Q	P	Q
3. Amador Co. Unified	No	Yes	3,740	Q	Q	Q
Butte County						
4. Chico Unified	No	Yes	11,715	Q	P	P
5. Durham Unified	No	Yes	972	Q	Q	Q
6. Oroville City Elem.	No	Yes	2,497	Q	Q	P
Calaveras County						
7. Calaveras Unified	No	Yes	3,143	Q	P	P
Contra Costa County						
8. John Swett Unified	No	Yes	1,532	Q	Q	Q
9. Mt. Diablo Unified	No	Yes	32,384	Q	P	Q
Humboldt County						
10. Fortuna Union Elem.	No	Yes	615	Q	P	P
11. Klamath-Trinity Jt. Unified	No	Yes	957	P	Q	Q
Imperial County						
12. Imperial Unified	No	Yes	3,560	Q	P	Q
Kern County						
13. El Tejon Unified	No	No	939	P	Q	Q
14. Muroc Jt. Unified	No	Yes	2,008	P	Q	Q
15. Taft City Elem.	No	Yes	1,978	Q	P	Q
Lake County						
16. Upper Lake Union Elem.	No	Yes	484	Q	P	Q ¹
Lassen County						
17. Janesville Union Elem.	No	No	344	Q	P	Q

Appendix A (continued)

County School District/County Office	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2011-12 Average Daily Attendance	2012-13 Interim Report		2011-12 Interim Report Second
				First	Second	
Los Angeles County						
18. Antelope Valley Union High	No	Yes	21,509	Q	Q	Q
19. Azusa Unified	No	Yes	9,807	Q	Q	P
20. Bassett Unified	No	Yes	4,133	Q	Q	Q
21. Burbank Unified	No	No	14,890	Q	P	Q
22. Compton Unified	No	Yes	23,394	Q	P	Q
23. Eastside Union Elem.	No	Yes	3,265	Q	Q	Q
24. El Monte Union High	No	Yes	9,479	Q	P	P
25. Garvey Elem.	No	Yes	5,222	Q	P	Q
26. Inglewood Unified	Yes	Yes	11,704	N	N	N ¹
27. Lennox Elem.	No	Yes	5,583	Q	Q	P
28. Los Angeles Unified	No	No	550,935	Q	Q	Q
29. Palmdale Elem.	No	Yes	19,158	Q ¹	Q	P
30. Paramount Unified	No	No	15,099	Q	P	Q
31. Pasadena Unified	No	No	17,697	Q	Q	P
32. Pomona Unified	No	Yes	26,466	Q	Q	Q
33. Rosemead Elem.	No	Yes	2,800	Q	P	Q
34. Saugus Union Elem.	No	Yes	10,027	Q	P	Q
35. Walnut Valley Unified	No	Yes	14,361	N	P	Q
36. Wilsona Elem.	No	Yes	1,362	N	N	Q
Madera County						
37. Chawanakee Unified	No	Yes	993	Q	Q	P
38. Yosemite Unified	No	Yes	1,756	Q	Q	Q
Mariposa County						
39. Mariposa Co. Unified	No	Yes	1,778	Q	Q	Q
Mendocino County						
40. Willits Unified	No	Yes	1,573	Q	Q	Q
Monterey County						
41. South Monterey Co. Jt. Union High	Yes	Yes	1,838	N	N	N
Nevada County						
42. Pleasant Ridge Union Elem.	No	Yes	1,422	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	2011-12 Average Daily Attendance	2012-13 Interim Report		2011-12 Interim Report Second
				First	Second	
Orange County						
43. Anaheim City Elem.	No	Yes	18,751	Q	Q	Q
44. Brea Olinda Unified	No	No	5,758	P	Q	P
45. Buena Park Elem.	No	Yes	5,162	Q	Q	Q
46. Capistrano Unified	No	Yes	48,717	Q	Q	Q
47. Fullerton Jt. Union High	No	Yes	14,133	Q	Q	Q
48. Garden Grove Unified	No	Yes	46,644	Q	Q	Q
49. La Habra City Elem.	No	Yes	5,097	Q	Q	Q
50. Ocean View Elem.	No	Yes	9,240	Q	Q	P
51. Placentia-Yorba Linda Unified	No	Yes	24,978	Q	Q	Q
52. Santa Ana Unified	No	Yes	51,787	Q	Q	Q
53. Westminster Elem.	No	Yes	9,431	Q	Q	Q
Placer County						
54. Placer Hills Union Elem.	No	Yes	893	Q	Q	Q
Riverside County						
55. Banning Unified	No	Yes	4,193	Q	Q	Q
56. Coachella Valley Unified	No	Yes	17,623	Q	Q	Q
57. Desert Sands Unified	No	Yes	27,424	Q	Q	Q
58. Hemet Unified	No	Yes	20,777	Q	P	Q
59. Jurupa Unified	No	Yes	18,984	Q	Q	Q
60. Lake Elsinore Unified	No	Yes	20,638	Q	Q	Q ¹
61. Menifee Union Elem.	No	Yes	8,546	Q	Q	Q
62. Murrieta Valley Unified	No	Yes	21,752	Q	Q	Q ¹
63. Palo Verde Unified	No	Yes	3,298	Q	Q	Q
64. Perris Union High	No	Yes	9,948	Q ¹	Q	Q
65. Temecula Valley Unified	No	Yes	27,431	Q	P	Q
66. Val Verde Unified	No	Yes	18,816	Q	P	Q
Sacramento County						
67. Center Jt. Unified	No	Yes	4,634	Q	Q	Q
68. Elk Grove Unified	No	Yes	59,487	Q	P	Q
69. Folsom-Cordova Unified	No	Yes	18,436	Q	Q	Q
70. Galt Jt. Union High	No	Yes	2,122	Q	Q	Q
71. Natomas Unified	No	Yes	10,736	Q	Q	Q
72. Robla Elem.	No	Yes	1,976	Q	P	Q
73. Sacramento City Unified	No	Yes	42,842	Q	Q	Q
74. San Juan Unified	No	Yes	42,591	Q	Q	Q

Appendix A (continued)

County	School District/County Office	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2011-12 Average Daily Attendance	2012-13 Interim Report		2011-12 Interim Report Second
					First	Second	
San Benito County							
	75. Southside Elem.	No	Yes	232	Q	P	P
San Bernardino County							
	76. Adelanto Elem.	No	Yes	8,009	Q	Q	Q
	77. Bear Valley Unified	No	Yes	2,549	Q	P	Q
	78. Colton Jt. Unified	No	Yes	21,979	Q	Q	Q
	79. Lucerne Valley Unified	No	No	775	Q	Q	Q
	80. Mountain View Elem.	No	No	7,541	Q	Q	Q
	81. Rim of the World Unified	No	Yes	3,856	Q	Q	Q
	82. Upland Unified	No	Yes	11,455	Q ¹	N ¹	Q
	83. Victor Valley Union High	Yes	Yes	9,683	N	N	P
	84. Yucaipa-Calimesa Jt. Unified	No	Yes	8,575	Q	Q	Q
San Diego County							
	85. Alpine Union Elem.	No	Yes	1,939	Q	Q	P
	86. Borrego Springs Unified	No	Yes	450	Q	Q	Q
	87. Carlsbad Unified	No	Yes	10,619	Q	Q	Q
	88. Fallbrook Union High	No	Yes	2,797	Q	P	Q
	89. Ramona Unified	No	Yes	5,863	Q	Q	Q
	90. San Diego Unified	No	Yes	109,207	Q	Q	Q
	91. San Marcos Unified	No	Yes	18,258	Q	P	Q
	92. San Ysidro Elem.	No	Yes	4,999	Q	N	Q
	93. Vallecitos Elem.	No	Yes	209	Q	Q	P
San Luis Obispo County							
	94. Atascadero Unified	No	Yes	4,681	Q	Q	Q
	95. Paso Robles Jt. Unified	No	Yes	6,421	Q	Q	N
	96. San Miguel Jt. Union Elem.	No	Yes	558	Q	P	Q
	97. Shandon Jt. Unified	No	Yes	292	Q	Q	Q
San Mateo County							
	98. Bayshore Elem.	No	Yes	399	Q	P	P
	99. San Bruno Park Elem.	No	Yes	2,546	Q	Q	P
Santa Clara County							
	100. Alum Rock Union Elem.	No	Yes	12,031	Q	Q	Q
	101. Evergreen Elem.	No	Yes	13,053	Q	Q	Q
	102. Franklin-McKinley Elem.	No	Yes	9,383	Q	Q	P
	103. Gilroy Unified	No	No	10,560	Q ¹	Q	Q

Appendix A (continued)

County School District/County Office	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2011-12 Average Daily Attendance	2012-13 Interim Report		2011-12 Interim Report Second
				First	Second	
Santa Cruz County						
104. Santa Cruz City Schools	No	Yes	6,535	Q	P	Q
Shasta County						
105. Anderson Union High	No	Yes	1,881	Q	P	Q
106. Cascade Union Elem.	No	Yes	1,318	Q	Q	Q
107. Cottonwood Union Elem.	No	Yes	910	Q	Q	N
108. North Cow Creek Elem.	No	Yes	256	Q	Q	Q
Sierra County						
109. Sierra-Plumas Jt. Unified	No	Yes	383	Q	Q	Q
Solano County						
110. Dixon Unified	No	No	3,406	Q	Q	Q
111. Travis Unified	Yes	Yes	5,184	Q	Q	N
Sonoma County						
112. Cotati-Rohnert Park Unified	Yes	Yes	5,611	N	Q	N
113. Geyserville Unified	No	Yes	249	Q	P	Q
114. West Sonoma Co. Union High	No	Yes	2,080	Q	Q	Q
115. Windsor Unified	No	No	5,051	P	N ¹	P
116. Wright Elem.	No	Yes	1,031	Q	P	P
Stanislaus County						
117. Denair Unified	Yes	Yes	1,527	N	N	P
118. Knights Ferry Elem.	No	Yes	113	Q	P	P
119. Riverbank Unified	No	Yes	2,646	Q	Q	Q
120. Stanislaus Union Elem.	No	Yes	2,979	Q	P	Q
121. Waterford Unified	No	Yes	1,681	Q	Q	Q
Tehama County						
122. Los Molinos Unified	No	Yes	547	Q	P	P
123. Manton Jt. Union Elem.	No	Yes	37	Q	Q	P
124. Plum Valley Elem.	No	Yes	12	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	2011-12 Average Daily Attendance	2012-13 Interim Report		2011-12 Interim Report Second
				First	Second	
Tulare County						
125. Hot Springs Elem.	No	Yes	15	Q	Q	N ¹
Tuolumne County						
126. Sonora Union High	No	Yes	1,146	Q	P	Q
Ventura County						
127. Simi Valley Unified	No	Yes	18,667	Q	Q	P
Yuba County						
128. Wheatland Union High	No	Yes	701	Q	Q	Q

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							Independent Position Control ⁹	
			Deficit Spending ¹	Other Expenditures ²	Revenue Limit ³	Contributions ⁴	Other Revenues ⁵	Reserves ⁶	Long-term Commitments ⁷		Declining Enrollment ⁸
Alameda County:											
	1. Oakland Unified	Q / Q		✓		✓	✓		✓	✓	✓
Amador County:											
	2. Amador COE	Q / P	✓	✓							✓
	3. Amador Co. Unified	Q / Q	✓	✓		✓	✓			✓	✓
Butte County:											
	4. Chico Unified	Q / P	✓	✓			✓	✓		✓	✓
	5. Durham Unified	Q / Q	✓		✓	✓	✓	✓	✓	✓	✓
	6. Oroville City Elem.	Q / Q	✓	✓	✓	✓		✓	✓		✓
Calaveras County:											
	7. Calaveras Unified	Q / P	✓	✓	✓			✓	✓	✓	✓
Contra Costa County:											
	8. John Swett Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
	9. Mt. Diablo Unified	Q / P	✓	✓	✓		✓	✓		✓	
Humboldt County:											
	10. Fortuna Union Elem.	Q / P	✓	✓	✓	✓	✓		✓	✓	
	11. Klamath-Trinity Jt. Unified	P / Q	✓			✓	✓				
Imperial County:											
	12. Imperial Unified	Q / P		✓	✓		✓				
Kern County:											
	13. El Tejon Unified	P / Q	✓		✓	✓		✓		✓	✓
	14. Muroc Jt. Unified	P / Q	✓					✓	✓		✓
	15. Taft City Elem.	Q / P	✓	✓	✓		✓	✓	✓	✓	✓
Lake County:											
	16. Upper Lake Union Elem.	Q / P	✓	✓	✓	✓	✓	✓			

Appendix B (continued)

<u>County</u>	<u>1st/2nd</u> <u>Certification</u>	Analysis of Key Indicators for Financial Difficulties								Independent Position Control ⁹
		Deficit Spending ¹	Other Expenditures ²	Revenue Limit ³	Contributions ⁴	Other Revenues ⁵	Reserves ⁶	Long-term Commitments ⁷	Declining Enrollment ⁸	
Lassen County:										
17. Janesville Union Elem.	Q / P	✓	✓	✓		✓			✓	✓
Los Angeles County:										
18. Antelope Valley Union High	Q / Q	✓	✓	✓	✓	✓		✓	✓	
19. Azusa Unified	Q / Q	✓	✓	✓	✓	✓			✓	✓
20. Bassett Unified	Q / Q	✓	✓	✓		✓	✓	✓	✓	✓
21. Burbank Unified	Q / P	✓	✓		✓	✓	✓	✓		✓
22. Compton Unified	Q / P	✓	✓	✓	✓		✓	✓		✓
23. Eastside Union Elem.	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
24. El Monte Union High	Q / P	✓	✓	✓	✓		✓	✓	✓	✓
25. Garvey Elem.	Q / P	✓					✓	✓	✓	
26. Inglewood Unified	N / N	✓	✓	✓	✓	✓	✓	✓	✓	
27. Lennox Elem.	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
28. Los Angeles Unified	Q / Q	✓	✓	✓	✓	✓	✓		✓	✓
29. Palmdale Elem.	Q / Q	✓	✓		✓	✓		✓	✓	✓
30. Paramount Unified	Q / P	✓	✓	✓		✓	✓	✓		
31. Pasadena Unified	Q / Q	✓	✓	✓	✓	✓		✓	✓	
32. Pomona Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
33. Rosemead Elem.	Q / P	✓		✓	✓		✓		✓	✓
34. Saugus Union Elem.	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
35. Walnut Valley Unified	N / P	✓		✓	✓		✓	✓		
36. Wilsona Elem.	N / N	✓	✓	✓	✓	✓	✓		✓	✓
Madera County:										
37. Chawanakee Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		
38. Yosemite Unified	Q / Q	✓	✓	✓	✓	✓	✓		✓	

Appendix B (continued)

County	1st/2nd Certification	Analysis of Key Indicators for Financial Difficulties								Independent Position Control ⁹
		Deficit Spending ¹	Other Expenditures ²	Revenue Limit ³	Contributions ⁴	Other Revenues ⁵	Reserves ⁶	Long-term Commitments ⁷	Declining Enrollment ⁸	
School District/County Office										
Mariposa County:										
39. Mariposa Co. Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		✓
Mendocino County:										
40. Willits Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
Monterey County:										
41. South Monterey Co. Jt. Union High	N / N	✓	✓	✓	✓		✓	✓		✓
Nevada County:										
42. Pleasant Ridge Union Elem.	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
Orange County:										
43. Anaheim City Elem.	Q / Q	✓	✓	✓	✓		✓	✓		✓
44. Brea Olinda Unified	P / Q	✓		✓				✓		✓
45. Buena Park Elem.	Q / Q	✓	✓			✓	✓	✓		
46. Capistrano Unified	Q / Q	✓	✓	✓	✓	✓		✓	✓	✓
47. Fullerton Jt. Union High	Q / Q	✓	✓	✓	✓	✓	✓			✓
48. Garden Grove Unified	Q / Q	✓	✓	✓	✓			✓	✓	
49. La Habra City Elem.	Q / Q	✓	✓	✓		✓	✓	✓		✓
50. Ocean View Elem.	Q / Q	✓	✓	✓	✓			✓	✓	
51. Placentia-Yorba Linda Unified	Q / Q	✓	✓		✓	✓		✓	✓	✓
52. Santa Ana Unified	Q / Q	✓	✓	✓	✓	✓				✓
53. Westminster Elem.	Q / Q	✓	✓	✓	✓		✓	✓	✓	
Placer County:										
54. Placer Hills Union Elem.	Q / Q	✓	✓	✓	✓	✓			✓	

Appendix B (continued)

County	1st/2nd Certification	Analysis of Key Indicators for Financial Difficulties							Independent Position Control ⁹	
		Deficit Spending ¹	Other Expenditures ²	Revenue Limit ³	Contributions ⁴	Other Revenues ⁵	Reserves ⁶	Long-term Commitments ⁷		Declining Enrollment ⁸
School District/County Office										
Riverside County:										
55. Banning Unified	Q / Q	✓	✓	✓	✓	✓	✓		✓	✓
56. Coachella Valley Unified	Q / Q	✓	✓	✓	✓		✓			✓
57. Desert Sands Unified	Q / Q	✓	✓		✓	✓	✓	✓	✓	
58. Hemet Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
59. Jurupa Unified	Q / Q	✓	✓	✓		✓	✓	✓	✓	✓
60. Lake Elsinore Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		✓
61. Menifee Union Elem.	Q / Q	✓	✓	✓	✓		✓	✓		✓
62. Murrieta Valley Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		✓
63. Palo Verde Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
64. Perris Union High	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	
65. Temecula Valley Unified	Q / P	✓		✓			✓	✓		
66. Val Verde Unified	Q / P	✓	✓		✓	✓	✓			✓
Sacramento County:										
67. Center Jt. Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
68. Elk Grove Unified	Q / P	✓	✓	✓	✓	✓	✓	✓		
69. Folsom-Cordova Unified	Q / Q	✓	✓	✓	✓	✓		✓		✓
70. Galt Jt. Union High	Q / Q	✓	✓	✓	✓	✓		✓		✓
71. Natomas Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
72. Robla Elem.	Q / P	✓	✓	✓	✓					
73. Sacramento City Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	
74. San Juan Unified	Q / Q	✓	✓	✓	✓	✓		✓	✓	
San Benito County:										
75. Southside Elem.	Q / P	✓					✓			✓

Appendix B (continued)

County	1st/2nd Certification	Analysis of Key Indicators for Financial Difficulties								Independent Position Control ⁹
		Deficit Spending ¹	Other Expenditures ²	Revenue Limit ³	Contributions ⁴	Other Revenues ⁵	Reserves ⁶	Long-term Commitments ⁷	Declining Enrollment ⁸	
San Bernardino County:										
76. Adelanto Elem.	Q / Q	✓	✓	✓		✓		✓		
77. Bear Valley Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	
78. Colton Jt. Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	
79. Lucerne Valley Unified	Q / Q	✓	✓	✓	✓		✓			✓
80. Mountain View Elem.	Q / Q	✓		✓	✓	✓		✓	✓	
81. Rim of the World Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	
82. Upland Unified	Q / N	✓	✓	✓	✓	✓	✓	✓		✓
83. Victor Valley Union High	N / N	✓	✓	✓	✓	✓	✓		✓	
84. Yucaipa-Calimesa Jt. Unified	Q / Q	✓	✓	✓	✓	✓	✓		✓	✓
San Diego County:										
85. Alpine Union Elem.	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
86. Borrego Springs Unified	Q / Q	✓	✓	✓	✓	✓	✓		✓	✓
87. Carlsbad Unified	Q / Q	✓	✓	✓	✓	✓		✓		✓
88. Fallbrook Union High	Q / P	✓	✓	✓	✓		✓		✓	✓
89. Ramona Unified	Q / Q	✓	✓	✓	✓		✓	✓	✓	✓
90. San Diego Unified	Q / Q	✓	✓	✓	✓	✓		✓	✓	✓
91. San Marcos Unified	Q / P	✓	✓			✓	✓	✓		✓
92. San Ysidro Elem.	Q / N	✓	✓	✓	✓	✓	✓	✓		✓
93. Vallecitos Elem.	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	
San Luis Obispo County:										
94. Atascadero Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	
95. Paso Robles Jt. Unified	Q / Q	✓	✓	✓	✓	✓		✓	✓	✓
96. San Miguel Jt. Union Elem.	Q / P	✓	✓	✓	✓		✓	✓		
97. Shandon Jt. Unified	Q / Q	✓	✓	✓	✓		✓	✓		

Appendix B (continued)

County	1st/2nd Certification	Analysis of Key Indicators for Financial Difficulties							Independent Position Control ⁹
		Deficit Spending ¹	Other Expenditures ²	Revenue Limit ³	Contributions ⁴	Other Revenues ⁵	Reserves ⁶	Long-term Commitments ⁷	
San Mateo County:									
98. Bayshore Elem.	Q / P	✓	✓	✓	✓		✓		
99. San Bruno Park Elem.	Q / Q	✓	✓	✓	✓	✓		✓	
Santa Clara County:									
100. Alum Rock Union Elem.	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓
101. Evergreen Elem.	Q / Q	✓	✓	✓		✓	✓		✓
102. Franklin-McKinley Elem.	Q / Q	✓		✓	✓		✓	✓	✓
103. Gilroy Unified	Q / Q	✓	✓	✓				✓	✓
Santa Cruz County:									
104. Santa Cruz City Schools	Q / P	✓	✓	✓		✓	✓	✓	
Shasta County:									
105. Anderson Union High	Q / P	✓	✓	✓	✓	✓		✓	
106. Cascade Union Elem.	Q / Q	✓	✓	✓	✓	✓		✓	
107. Cottonwood Union Elem.	Q / Q	✓	✓	✓	✓	✓			✓
108. North Cow Creek Elem.	Q / Q		✓	✓	✓				
Sierra County:									
109. Sierra-Plumas Jt. Unified	Q / Q	✓	✓	✓	✓	✓		✓	✓
Solano County:									
110. Dixon Unified	Q / Q	✓	✓		✓	✓	✓		✓
111. Travis Unified	Q / Q	✓	✓	✓		✓	✓	✓	
Sonoma County:									
112. Cotati-Rohnert Park Unified	N / Q	✓	✓	✓	✓	✓	✓	✓	✓
113. Geyserville Unified	Q / P		✓		✓	✓		✓	
114. West Sonoma Co. Union High	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓
115. Windsor Unified	P / N	✓	✓		✓	✓			
116. Wright Elem.	Q / P	✓		✓	✓		✓		

Appendix B (continued)

<u>County</u>	<u>1st/2nd</u> <u>Certification</u>	Analysis of Key Indicators for Financial Difficulties								Independent Position Control ⁹
		Deficit Spending ¹	Other Expenditures ²	Revenue Limit ³	Contributions ⁴	Other Revenues ⁵	Reserves ⁶	Long-term Commitments ⁷	Declining Enrollment ⁸	
Stanislaus County:										
117. Denair Unified	N / N	✓	✓	✓	✓	✓	✓	✓	✓	✓
118. Knights Ferry Elem.	Q / P	✓	✓	✓	✓	✓	✓		✓	
119. Riverbank Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
120. Stanislaus Union Elem.	Q / P	✓	✓	✓	✓	✓	✓			✓
121. Waterford Unified	Q / Q	✓	✓	✓	✓		✓	✓	✓	✓
Tehama County:										
122. Los Molinos Unified	Q / P	✓	✓	✓	✓	✓	✓			
123. Manton Jt. Union Elem.	Q / Q	✓	✓	✓	✓		✓			
124. Plum Valley Elem.	Q / Q	✓	✓	✓		✓	✓			
Tulare County:										
125. Hot Springs Elem.	Q / Q	✓	✓	✓	✓	✓	✓			✓
Tuolumne County:										
126. Sonora Union High	Q / P	✓	✓	✓	✓	✓		✓	✓	✓
Ventura County:										
127. Simi Valley Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
Yuba County:										
128. Wheatland Union High	Q / Q	✓	✓	✓	✓				✓	

Legend: P=Positive Q=Qualified N=Negative

Appendix B (continued)

-
- ¹ Unrestricted deficit spending has exceeded the standard in any of the current or two subsequent fiscal years.
 - ² Projected operating expenditures (e.g., books and supplies) for the current and two subsequent fiscal years changed by more than 5% since budget adoption or first interim.
 - ³ Projected revenue limit for any of the current or two subsequent fiscal years changed by more than 2% 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 since budget adoption by more than \$20,000 and more than 5% for any of 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 by more than 5% since budget adoption or first interim.
 - ⁶ Available reserves (e.g., reserve for economic uncertainties, unassigned/unappropriated amounts) did not meet minimum requirements for the current and two subsequent fiscal years.
 - ⁷ Long-term (multiyear) commitments or debt agreements annual payments for the current or two subsequent fiscal years increased over prior year's annual payment and funding sources used to pay decrease or expire prior to the end of the commitment period, or they are one-time sources.
 - ⁸ Enrollment decreased in both the prior and the current fiscal years.
 - ⁹ The system of personnel position control is independent from the payroll system.

Appendix C— Summary of Audit Report Compliance Findings

<i>APPENDIX C</i>		
<i>Program</i>	<i>Description of Problem</i>	<i>Number of Findings</i>
STATE		
Attendance Requirements	ADA overstated by 0-5 ADA	29
	ADA overstated by 5-10 ADA	2
	ADA understated by 0-5 ADA	25
	ADA understated by 10-20 ADA	3
	ADA understated by 5-10 ADA	2
	ADA understated by over 20 ADA	5
	Absences were claimed for apportionment	12
	Attendance accounting system not approved by CDE	1
	Attendance registers/scantrons not signed by teachers	15
	Attendance report does not reconcile to supporting documentation	25
	Attendance report inaccurate/incomplete	16
	Excused absences - problems with verification procedures/documentation	2
	Excused/unexcused absences improperly recorded	1
	Lack of documentation/records	4
	Minimum day requirements not met	1
	Enrollment is not reconciled to monthly attendance reports	1
	Other Finding	2
Teacher Certification and Misassignments	Teacher not authorized to instruct limited-English-proficient pupils	5
	Teacher(s) did not possess a valid certification document	2
Community Day Schools	Attendance report inaccurate	1
Continuation Education	Attendance accounting deficiency	7
Independent Study	Attendance overstated	10
	Contract(s) did not include all required elements	20
	Other finding	2
	Ratio of pupils to teachers exceeded maximum allowable	2
	Work samples not maintained	1
	Work samples not signed and dated by teacher	3
Kindergarten Continuation	Retention forms are not maintained and/or properly approved	23
After School Education and Safety Program	Administrative costs exceeded 15% of state funding	1
	Indirect costs overstated	1
	Lack of documentation/records	1
	LEA did not establish policy regarding reasonable early daily release of pupils	10
	Noncompliance with matching requirements	1
	Other finding	5
	Program did not operate a minimum of 15 hours per week	1
	Reported number of students served not supported by written records or did not reconcile to supporting documents	2
	Reported students served inconsistent with late arrival policy	59
Reported students served inconsistent with early release policy	30	
	6	

Appendix C (continued)

<i>Program</i>	<i>Description of Problem</i>	<i>Number of Findings</i>
Child Development	Financial report inaccurate	1
Class Size Reduction	Number of classes & pupils reported on FORM J-7CSR overstated	19
	Number of classes & pupils reported on Form J-7CSR understated	27
	Other Finding	5
Classroom Teacher Salaries	District did not meet the current expense of education percentage required for payment of classroom teacher salaries	18
Determination of Funding for Nonclassroom-Based Instruction	Other finding	5
Exclusion of Pupils - Pertussis Immunization	Immunization not received within 30 days from the first day of school	40
	Other finding	4
	Proof of immunization not on file	31
Instructional Materials	Board resolution did not address sufficiency of textbooks/instructional materials	2
	Notice of public hearing deficiency	9
	Other Finding	1
	Public hearing on instructional materials not held or held after the required time	14
Instructional Time	Instructional days requirements not met	1
	Other finding	3
Inventory of Equipment	Inventory of equipment not maintained	17
Other State Program	Financial report/claim not filed/not filed timely	2
	Other finding	2
Public Hearing Requirement - Receipt of Funds:	Governing board did not discuss or approve/disapprove the proposed use of funding for 39 programs at a public hearing	2
Ratios of Administrative Employees to Teachers	Number of administrators per hundred teachers exceeded the allowable ratio	4
	Ratio calculation was incorrect	1
School Accountability Report Card	District did not follow uniform complaint process	2
	Facility Inspection Tool (FIT) not prepared or missing	16
	SARC information inconsistent with availability of sufficient textbooks and other instructional materials	1
	SARC information inconsistent with complaints related to teacher misassignments or vacancies	1
	SARC information inconsistent with Facility Inspection Tool (FIT) or local evaluation instrument	37
	School accountability report card not published	8
Total state findings		611

Appendix C (continued)

<i>Program</i>	<i>Description of Problem</i>	<i>Number of Findings</i>
FEDERAL		
Federal ARRA Program	Special Education: Allowable costs/cost principles	1
	Special Education: Cash management	1
	Special Education: Davis-Bacon Act	1
	Special Education: Procurement and suspension and debarment	2
	State Fiscal Stabilization Fund: Cash management	1
	State Fiscal Stabilization Fund: Procurement and suspension and debarment	1
	Title I: Eligibility	1
	Title I: Procurement and suspension and debarment	1
	Title I: Special tests and provisions	1
	Title II, Part D: Procurement and suspension and debarment	1
Child Care & Development Block Grant:	Eligibility	1
Child Care Food:	Eligibility	1
Child Nutrition Cluster	Activities allowed or unallowed	5
	Allowable costs/cost principles	2
	Eligibility	6
	Financial report inaccurate/not complete	3
	Other finding	2
	Procurement and suspension and debarment	1
	Special tests and provisions	10
Education Jobs Fund (84.410):	Allowable costs/cost principles	
	Cash management	2
	Reporting	4
		9
English Language Acquisition Grants (84.365):	Special tests and provisions	1
Federal Programs	Allowable costs/cost principles	3
	Cash management	3
	Equipment and real property management	1
	Matching, level of effort, earmarking	1
	Other finding	3
	Procurement and suspension and debarment	2
	Reporting	1
Medi-Cal Billing (93.778):	Allowable costs/cost principles	1

Appendix C (continued)

<i>Program</i>	<i>Description of Problem</i>	<i>Number of Findings</i>
National School Lunch	Eligibility	2
	Financial report/claim not filed/not filed timely	1
	Procurement and suspension and debarment	1
	Special tests and provisions	1
Other Federal Program	Equipment and real property management	1
	Lack of documentation/records	2
	Other finding	3
	Reporting	1
	Special tests and provisions	1
School Breakfast Program (10.553)	Special tests and provisions	1
	Activities allowed or unallowed	2
	Financial report inaccurate/not complete	1
Special Education Cluster	Allowable costs/cost principles	2
	Cash management	2
	Reporting	1
	Allowable costs/cost principles	2
	Procurement and suspension and debarment	1
	Special tests and provisions	1
Title I Grants to LEAs	Allowable costs/cost principles	9
	Cash management	4
	Eligibility	3
	Equipment and real property management	1
	Matching, level of effort, earmarking	2
	Other finding	1
	Special tests and provisions	5
Title II, Improving Teacher Quality State Grants (84.367)	Allowable costs/cost principles	1
Twenty-First Century Community Learning Centers (84.287)	Allowable costs/cost principles	1
	Reporting	1
	Subrecipient monitoring	1
Vocational Education (84.048)	Matching, level of effort, earmarking	1
	Reporting	1
Total federal findings		<u>130</u>
Total state and federal findings		<u>741</u>

Appendix D— Summary of Audit Report Deficiencies

	Number of Deficiencies	
	FY 2010-11	FY 2011-12
<u>Auditor's Report on the Financial Statements</u>		
Auditor's report did not include an opinion on supplementary information.	6	8
Auditor's report did not identify the supplementary information, including Schedule of Expenditures of Federal Awards.	6	6
Auditor's opinion did not state that the financial statements conform with accounting principles generally accepted in the USA.	4	2
Disclaimer of opinion was issued, but did not include sufficient information.	1	2
Reference to a separate report on internal control over financial reporting and on compliance was deficient.	3	2
Auditor's report did not reference auditing standards generally accepted in the USA and Government Auditing Standards.	1	1
Independent Auditor's Report on the financial statements was not included.	1	1
Introductory paragraph of auditor's report did not clearly identify financial statements covered by auditor's opinion.	2	1
Qualified opinion due to departure from GAAP: substantive reasons and/or principal effects on financial statements were not disclosed.	1	1
Reference to a separate report on internal control over financial reporting and on compliance was not included.	2	1
Report did not reference the required supplementary information (RSI).	1	1
Qualified opinion due to scope limitation: explanatory paragraph and/or possible effects on financial statements were not disclosed.	1	0
Report did not state that the auditor applied certain limited procedures to the RSI.	1	0
Substantive reasons for adverse opinion or disclaimer were not adequately disclosed.	1	0
Subtotal	<u>31</u>	<u>26</u>
<u>Management's Discussion and Analysis</u>		
Management's Discussion and Analysis was not included.	2	0
Subtotal	<u>2</u>	<u>0</u>
<u>Basic Financial Statements</u>		
All entities: Each financial statement did not include a reference to the notes to the financial statements.	0	18
Governmental entity: Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds was not presented properly.	13	11
Non-profit entity: Statement of Activities was not presented properly.	10	10
Governmental entity: Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to Statement of Activities was not presented properly.	2	8
Governmental entity: Balance Sheet - Governmental Funds was not presented properly.	4	4
Non-profit entity: Statement of Cash Flows was not presented properly.	2	2
Non-profit entity: Statement of Financial Position was not presented properly.	2	2
Governmental entity: Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets was not presented properly.	4	1
Governmental entity: Statement of Activities was not presented properly.	2	1
Governmental entity: Statement of Cash Flows - Proprietary Funds was not presented properly.	0	1
Governmental entity: Statement of Changes in Fiduciary Net Assets - Fiduciary Funds was not presented properly.	3	1
Governmental entity: Statement of Fiduciary Net Assets - Fiduciary Funds was not presented properly.	2	1
Governmental entity: Statement of Net Assets was not presented properly.	2	1
Subtotal	<u>46</u>	<u>61</u>

Appendix D (continued)

	Number of Deficiencies	
	FY 2010-11	FY 2011-12
Notes to the Financial Statements		
Notes did not include deposit policies regarding custodial credit risk, or a statement that the entity had no such policies.	19	45
Risk management and related financing activities were not adequately disclosed.	14	43
Policy for defining operating and nonoperating revenues of proprietary funds was not included.	10	18
Policy for elimination of internal activity in the government-wide financial statements was not included.	10	18
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	17
Definition of cash and cash equivalents used in the statement of cash flows was not included.	12	10
For long-term liabilities, the debt service requirements were not shown yearly for the first 5 years and, thereafter, shown in 5-year increments.	16	7
Notes did not include adequate disclosure of interfund balances and transfers.	3	7
Notes did not disclose the policy regarding whether restricted or unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.	16	6
Notes did not include the basis for stating inventories, including the method of determining cost.	7	6
STRS early retirement note did not include all the required disclosures.	2	6
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.	18	5
Material prior period restatements or adjustments were not adequately disclosed.	7	4
Notes did not include the types of transactions included in program revenues.	2	4
Summary of significant accounting policies did not include a description of the component units, their relationships to the primary government, and how to obtain separate financial statements for component units.	2	2
Notes did not disclose deficit fund balances or net assets of individual funds, not apparent on the face of the financial statements.	0	1
Notes did not include adequate disclosure of capital assets and depreciation, including the method used to compute depreciation.	2	1
Notes did not include the summary of significant accounting policies.	0	1
Other postemployment benefits were not adequately disclosed.	0	1
Revenue recognition policies used in fund financial statements was not included.	0	1
Summary of significant accounting policies did not include a description of the government-wide financial statements, noting the exclusion of fiduciary activities and component units.	7	1
Fund balance classification policies and procedures related to committed and assigned fund balances were not disclosed.	13	0
Nature of the primary government's accountability for related organizations and joint ventures was not included.	1	0
Notes did not include a description of the activities accounted for in the columns for major funds, internal service funds, and fiduciary fund types.	1	0
Notes did not describe restricted cash and investments.	4	0
STRS early retirement note was not included.	3	0
Subtotal	175	204

Appendix D (continued)

	Number of Deficiencies	
	FY 2010-11	FY 2011-12
<u>Required Supplementary Information</u>		
Schedule of budgetary comparison data for general fund and major special revenue fund(s) were not included as RSI.	1	0
Schedule of budgetary comparison data was not shown by object.	6	0
Subtotal	<u>7</u>	<u>0</u>
<u>Supplementary Information Section</u>		
Schedule of Instructional Time did not contain all the required information.	15	16
Schedule of Average Daily Attendance did not display final ADA after audit finding adjustment(s).	12	9
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.	9	8
Schedule of Instructional Time did not state whether the district complied with the instructional minutes and days provisions.	5	7
Schedule of Charter Schools was deficient.	7	6
A note stating that the LEA received funding for increasing instructional time was not included.	10	4
Local Education Agency Organization Structure description was not included or was deficient.	7	4
Schedule of Average Daily Attendance for charter school did not include classroom-based ADA.	12	3
Schedule of Average Daily Attendance was deficient.	8	3
Schedule of Charter Schools was not included.	3	3
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements was not included.	6	2
Schedule of Financial Trends and Analysis was not included; or schedule was deficient.	3	1
Schedule of Financial Trends and Analysis: Available reserves are below minimum required; and management's plans and/or going concern note were not included.	5	1
Schedule of Instructional Time indicates noncompliance, but a finding was not included in the audit report.	1	1
Schedule of Average Daily Attendance was not included.	3	0
Schedule of Instructional Time was not included.	10	0
Subtotal	<u>116</u>	<u>68</u>
<u>Schedule of Expenditures of Federal Awards</u>		
Schedule of Expenditures of Federal Awards was deficient.	46	15
Schedule of Expenditures of Federal Awards was not included.	0	1
Subtotal	<u>46</u>	<u>16</u>

Appendix D (continued)

	Number of Deficiencies	
	FY 2010-11	FY 2011-12
<u>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters</u>		
Management letter not included in audit report.	33	20
Report did not include a statement regarding the auditee's response to findings.	11	16
Report on internal control over financial reporting was deficient.	23	16
Report did not include a reference to the management letter.	0	8
Report on compliance and other matters did not include a statement regarding test results.	7	7
Report on internal control and compliance Government Auditing Standards (GAS) did not reference the Independent Auditor's Report.	5	5
Report did not state that audit was conducted in accordance with auditing standards generally accepted in the USA and Government Auditing Standards.	4	1
Report on compliance and other matters did not include a statement that the auditor performed tests of compliance.	0	1
Report on compliance and other matters was deficient.	0	1
Report on internal control and compliance (GAS) did not include a statement regarding legal restrictions on report distribution.	0	1
Report on Internal Control over Financial Reporting and on Compliance and Other Matters (GAS) was not included.	1	1
Subtotal	84	77
<u>Report on Major Program Compliance and on Internal Control over Compliance (OMB Circular A-133)</u>		
Report on internal control over compliance was deficient.	10	2
Report on major program compliance and on internal control over compliance (OMB Circular A-133) was deficient.	0	2
Report on major program compliance and on internal control over compliance did not include a statement regarding legal restrictions on report distribution.	1	2
Report on major program compliance and on internal control over compliance (OMB Circular A-133) was not included.	4	1
Report on major program compliance did not include an opinion on whether the entity complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major federal programs.	3	1
Report did not include a statement regarding the auditee's response to findings.	3	0
Report on compliance with requirements applicable to each major federal program was deficient.	7	0
Single Audit Report was not updated in accordance with SAS 117.	7	0
Subtotal	35	8
<u>State Compliance Report</u>		
Auditor's Report on State Compliance was deficient.	182	114
Auditor's Report on State Compliance did not include an opinion on whether the entity complied, in all material respects, with the state program compliance requirements.	245	9
Auditor's Report on State Compliance did not include a statement regarding legal restrictions on report distribution.	3	1
Auditor's Report on State Compliance was not included.	1	0
Subtotal	431	124

Appendix D (continued)

<u>Findings and Recommendation Section</u>	Number of Deficiencies	
	FY 2010-11	FY 2011-12
Financial statement finding did not include the cause.	102	89
State Program Finding(s): Noncompliance was reported; however, the finding(s) did not include sufficient information.	94	84
Financial statement finding did not include the criteria.	77	57
Financial statement finding did not include the effect or potential effect.	74	55
Audit finding was not coded with the correct five-digit number.	27	24
Federal Program Finding(s): Noncompliance was reported; however, the finding(s) did not include sufficient information.	39	23
State Program Finding: Questioned costs, consistent with its basis of funding, not included.	42	16
Attendance Finding: ADA inappropriately reported for apportionment not included.	19	13
Financial statement finding did not include the perspective.	34	12
Summary of Auditor's Results was deficient.	17	10
Schedule of Findings and Questioned Costs was not included.	2	9
Schedule of Prior Audit Findings was not included.	16	7
Financial statement finding did not include the condition.	10	6
Auditee's corrective action plan to eliminate noncompliance was not included.	3	2
Federal Program Finding(s): Questioned costs and/or how they were calculated not included.	11	2
Audit findings for ARRA federal award programs were not clearly identified.	19	1
Financial statement finding did not include the evaluation of the comments.	5	1
Financial statement finding did not include the recommendation.	6	1
Financial statement finding did not include the views of responsible officials and planned corrective actions.	9	1
Major federal programs were not identified.	1	0
Sufficient information for judging the prevalence and consequences of noncompliance was not included.	6	0
Summary of Auditor's Results was not included.	1	0
Subtotal	614	413
 <u>Other</u>		
LEA had an approved extension due to problems with financial statement preparation, but an internal control finding or management letter comment was not included in the audit report.	15	4
Auditor's reports did not include a manual or printed signature of the auditor's firm and date of the report.	6	1
Subtotal	21	5
Total number of deficiencies	1608	1002

Appendix E— American Recovery and Reinvestment Act (ARRA)

The American Recovery and Reinvestment Act of 2009 (ARRA), commonly referred to as the Stimulus or the Recovery Act, is an economic stimulus package enacted by the 111th United States Congress in February 2009.

The ARRA was intended to create jobs and promote investment and consumer spending during the recession. A direct response to the economic crisis, the Recovery Act had three immediate goals:

- Create new jobs and save existing ones.
- Spur economic activity and invest in long-term growth.
- Foster unprecedented levels of accountability and transparency in government spending.

The Recovery Act intended to achieve those goals by:

- Providing \$288 billion in tax cuts and benefits for millions of working families and businesses.
- Increasing federal funds for education and health care as well as entitlement programs (such as extending unemployment benefits) by \$224 billion.
- Making \$275 billion available for federal contracts, grants, and loans.
- Requiring recipients of Recovery funds to report quarterly on how they are using the money. To ensure transparency and accountability of Recovery Act spending, recipients are required to report quarterly on ARRA awards, spending, and jobs impact. The information is posted on www.Recovery.gov so the public can track the Recovery funds.

As of September 30, 2010, the U.S. Department of Education's entire \$97.4 billion in Recovery Act appropriation had been awarded. Some of the programs funded through the Education Recovery Act by the U.S. Department of Education to the State of California include the following:

State Fiscal Stabilization Funds

The State Fiscal Stabilization Fund (SFSF) program is a new one-time appropriation of \$53.6 billion under the ARRA. These funds are distributed directly to states to:

- Help stabilize state and local government budgets in order to minimize and avoid reductions in education and other essential public services.
- Help ensure that local education agencies and public institutions of higher education have the resources needed to avert cuts and retain personnel.
- Help support the modernization, renovation, and repair of school and college facilities.
- Help advance early learning through post-secondary education reforms to benefit students and families.

A total of \$6,054,920,525 in State Fiscal Stabilization funds has been awarded to the State of California.

Appendix E (continued)

Title I, Part A—Supporting Low-Income Schools

The ARRA provides \$10 billion in additional Title I, Part A funds to state education agencies (SEAs) and local education agencies (LEAs) to support schools that have high concentrations of students from families who live in poverty, in order to help improve teaching and learning for students most at risk of failing to meet state academic achievement standards.

A total of \$1,124,920,473 in Title I funds has been awarded to the State of California.

IDEA Grants, Parts B and C—Improving Special Education Programs

The ARRA provides \$12.2 billion in additional funding for Parts B and C of the Individuals with Disabilities Education Act (IDEA). Part B of the IDEA provides funds to SEAs and LEAs to help them ensure that children with disabilities, including children ages three through five, have access to a free appropriate public education to meet each child's unique needs and prepare him or her for further education, employment, and independent living. Part C of the IDEA provides funds to each state lead agency designated by the Governor to implement statewide systems of coordinated, comprehensive, multi-disciplinary interagency programs and make early intervention services available to infants and toddlers with disabilities and to their families.

A total of \$1,327,483,662 in IDEA grants has been awarded to the State of California.

Education Technology Grants

The ARRA provides \$650 million in additional funding for Education Technology Grants. The primary goal of the Education Technology Grants program is to improve student academic achievement through the use of technology in schools. It also is designed to help ensure that every student is technologically literate by the end of eighth grade and to encourage the effective integration of technology with teacher training and curriculum development.

A total of \$71,578,424 in Education Technology Grants has been awarded to the State of California.

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