

ANNUAL FINANCIAL REPORT OF CALIFORNIA K-12 SCHOOLS

Report to the Superintendent of Public Instruction

For the Period of July 1, 2010, through June 30, 2011



JOHN CHIANG
California State Controller

June 2012



JOHN CHIANG
California State Controller

June 29, 2012

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 2011. 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) 2010-11, unless otherwise specified. For FY 2010-11, there were a total of 1,939 local education agencies (LEAs), including 962 school districts, 58 county offices of education, and 919 charter schools.

For FY 2010-11, California LEA revenues exceeded expenditures by \$1.775 billion. For FY 2010-11, the American Recovery and Reinvestment Act (ARRA) expenditures were \$2.2 billion compared with \$3.5 billion expended in the prior fiscal year. The number of LEAs engaged in multi-year deficit spending increased from 107 to 120. The number of districts and county offices of education filing negative or qualified first- or second-interim certifications for FY 2011-12 increased from 158 to 204. The reasons for filing negative or qualified certifications primarily are deficit spending, contributions changes, projected revenue limit changes, projected operating expenditure changes, and projected operating revenue changes.

State and federal compliance findings noted in the independent auditors' reports of LEAs increased from the prior year. Auditors reported 916 compliance findings in FY 2010-11, a 6% increase from the 867 reported in FY 2009-10. Moreover, 18% 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 113 findings pertaining to the After School Education and Safety Program.

The Honorable Tom Torlakson
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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 John Hiber, 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' audit reports, maintaining a database with financial and statistical data on local education agencies' 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 local education agencies (LEAs) by independent certified public accountants for Fiscal Year (FY) 2010-11. Additional data was taken from interim financial report certifications submitted by LEAs during FY 2011-12. 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 increased from 107 to 120. Although some LEAs legitimately may need to engage in multi-year deficit spending (such as for building projects), this practice often is an indication that a district is facing financial difficulties.
- The number of LEAs filing negative or qualified certifications during at least one of the two reporting periods increased from 158 in FY 2010-11 to 204 in FY 2011-12. In the second reporting period of FY 2011-12, 172 LEAs filed qualified interim financial reports and 13 LEAs filed negative interim financial reports. Continuing financial difficulties may have a negative impact on these LEAs' educational programs.
- Debt issuance decreased by \$3.690 billion to a total of \$5.682 billion, a 39% decrease from the \$9.372 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 increased from the prior year. Approximately 18% of the compliance findings for FY 2010-11 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 113 audit findings pertaining to the After School Education and Safety Program.
- FY 2010-11 was the second full year in which LEAs received American Recovery and Reinvestment Act of 2009 (ARRA) federal funds. ARRA expenditures represented 22% of total federal expenditures reported.
- The number of rejected reports increased by 84, from 401 to 485. This represents a 21% increase over 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 2010-11, ARRA expenditures were \$2.2 billion compared with \$3.5 billion expended in the prior fiscal year. For FY 2010-11, there were 94 ARRA findings and questioned costs of \$4.1 million, compared with 127 ARRA findings and questioned costs of \$9.1 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, Education Code section 47634.2(d) rendered charter schools subject to audits pursuant to Education Code section 41020. That 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 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 local education agency's audit report. The audit guide provides guidance to independent auditors conducting school district audits.¹
- Reviewing each local education agency'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 are presented in this section of the report. Data comes from interim financial report certifications submitted by school districts during FY 2011-12.

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 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.

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

During FY 2011-12, a total of 125 of the 1,020 LEAs required to file interim reports, filed a qualified or negative certification for the first-period interim report (118 were qualified, and 7 were negative). Of these 125, 94 filed a second-period qualified interim report, 12 filed a second-period negative interim report, and 19 LEAs were able to take corrective action. However, an additional 79 LEAs that had filed a positive first-interim certification subsequently filed qualified or negative second-period interim reports, for a total of 185 qualified (172) or negative (13) certifications for the second-period interim reporting period (Figure 1). Thus, 204 LEAs reported qualified or negative certifications for at least one of the two periods (Appendix A), and 125 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 204 qualified or negative certifications as summarized in Appendix B were:

- Deficit Spending: 198 LEAs (97%)
- 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): 177 LEAs (87%)
- 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): 174 LEAs (85%)
- Other Expenditures (projected operating expenditure changes): 173 LEAs (85%)
- Projected Operating Revenue Change: 146 LEAs (72%)

An analysis of the 79 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

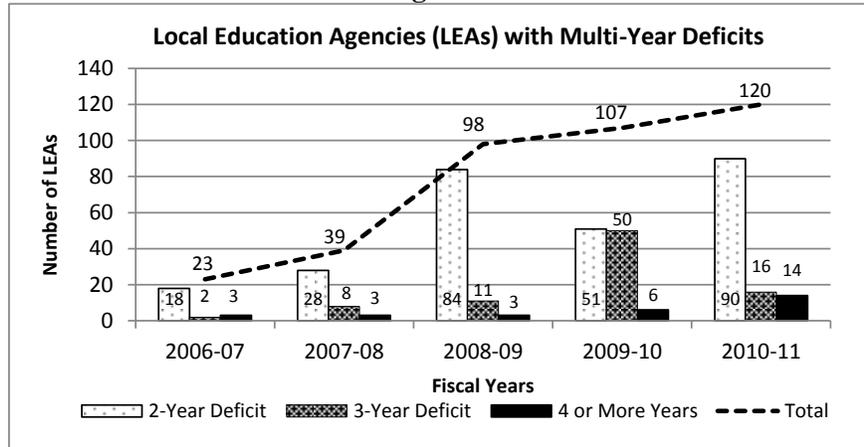
Second-Period Interim Report Certifications					
Five-Year History					
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12*</u>
Positive	914	926	853	881	835
Qualified	108	86	159	127	172
Negative	<u>13</u>	<u>19</u>	<u>13</u>	<u>13</u>	<u>13</u>
Totals	<u>1,035</u>	<u>1,031</u>	<u>1,025</u>	<u>1,021</u>	<u>1,020</u>
* Additional information regarding LEAs that filed qualified or negative interim reports during FY 2011-12 is provided in Appendices A and B.					

Deficit Spending

LEA multi-year deficit spending increased

LEAs continue to face fiscal challenges as demonstrated by the multi-year deficit spending patterns. In FY 2010-11, the overall number of LEAs relying on multi-year deficit spending increased from 107 to 120 (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 30 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. Education Code sections 41329.50 through 41329.54 and 41329.56 specify the requirements for emergency apportionment financing. During FY 2011-12, two districts had General Fund loan balances in amounts of approximately \$27 million.

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.

The lease financing is made available by the California Infrastructure and Economic Development Bank (I-Bank) and the term cannot exceed 20 years. The I-Bank issues the bonds to finance the emergency apportionments and related costs. The 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.

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.

Figure 3

School Districts with Outstanding Loans (in \$Millions)							
Fiscal Year	School District	Initial Loan (General Fund)¹			Lease Revenue Bonds (I-Bank)²		
		Loan Amount	Out-standing Balance	Final Repay-ment Date	Amount Issued	Out-standing Balance	Final Repay-ment Date
1990-91	West Contra Costa	\$28.5	\$—	12/8/2005	\$15.7	\$10.1	8/15/2018
2002-03	Oakland Unified	\$100.0	\$27.4	6/29/2026	\$59.6	\$50.1	8/15/2023
2003-04	Vallejo City Unified	\$60.0	\$26.4	8/14/2024	\$21.2	\$16.7	8/15/2024
2009-10	King City JUHSD ³	\$2.0	\$—	4/14/2010	\$14.4	\$14.1	8/15/2029

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

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

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

General Fund Revenues and Expenditures

For FY 2010-11, LEA General Fund revenues exceeded expenditures by \$1.775 billion (Figure 4).

Figure 4

LEA General Fund Revenues And Expenditures (In \$Billions)					
	Fiscal Years				
	2006-07	2007-08	2008-09	2009-10	2010-11
Revenues	51.379	52.305	59.476	56.132	57.665
Expenditures	(48.754)	(51.581)	(57.708)	(56.387)	(55.890)
Surplus/(Deficit)	2.625	0.724	1.768	(0.255)	1.775

The cumulative fund balance, or surplus for LEAs, totaled \$12.532 billion at the end of FY 2010-11, an increase of \$2.733 billion from the prior year's total of \$9.8 billion. Federal revenues increased by \$264 million from the prior fiscal year (\$7.414 billion in FY 2009-10, compared with \$7.678 billion in FY 2010-11). 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

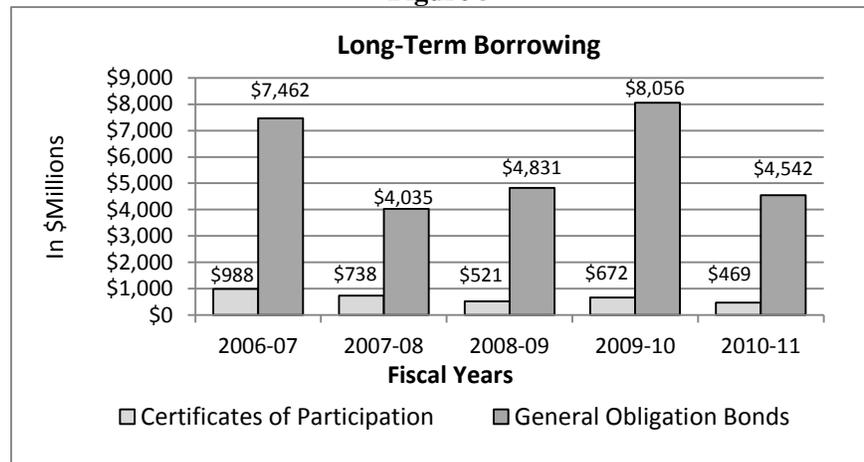
Generally, LEAs issue debt to fund the purchase, construction, or lease of buildings and equipment; refinance existing debt; or buy land for future use. In the past, it was not uncommon for financially troubled LEAs to issue debt in order to finance current operations.

LEA debt issuance decreased

During FY 2010-11, LEAs issued \$5.682 billion in debt, a decrease of \$3.690 billion from the prior year (39%). In FY 2010-11, the total number of LEAs that issued debt increased by 18% from the prior fiscal year. LEAs issued the following types of debt:

- **General Obligation Bonds (\$4.542 billion, or 80%)**—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 (\$469 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 (\$498 million, or 9%)**—A financing technique that provides short-term financing for construction, equipment, furnishings, and improvements for school facilities.
- **Limited Tax Obligation Bond Instruments and Other Debt (\$174 million, or 3%)**—A financing technique that provides long-term financing of capital projects. The bonds are repaid from incremental taxes on property in a redevelopment area.

Figure 5



LEAs issued \$5.011 billion in Certificates of Participation and General Obligation Bonds during FY 2010-11, a decrease of \$3.717 billion (43%) from \$8.728 billion issued in the prior fiscal year (Figure 5).

LEA financing through Certificates of Participation decreased by \$203 million, and financing through General Obligation Bonds decreased by \$3.514 billion from the prior year.

General Obligation Bonds accounted for 80% of LEA debt issuance in FY 2010-11, a decrease of 44% from the prior year. In comparison, Certificates of Participation accounted for 8% of debt issuance in FY 2010-11, a 30% decrease from the prior year.

Lottery Revenues

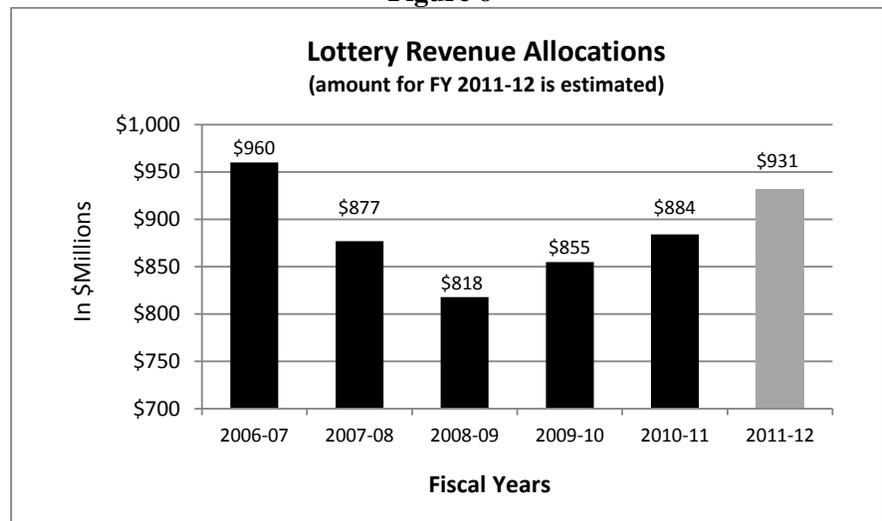
The allocation of Lottery revenues to K-12 school districts is based on a percentage of total Lottery sales for the year. Under state law (Proposition 37, California State Lottery Act of 1984), a minimum of 34% of Lottery sales must be distributed to school districts, community colleges, and other educational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

***Lottery revenues
projected to increase***

The amount is distributed to each district based on its K-12 average daily attendance. The data regarding sales and allocations are maintained by the State Controller’s Office and the California State Lottery.

Lottery revenue for FY 2011-12 is projected to increase by 5% over FY 2010-11, up to \$931 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 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 FY 2010-11 LEA financial reports submitted by CPAs increased from the prior year. There were 916 compliance findings in FY 2010-11, a 6% increase over the 867 reported in FY 2009-10 (Appendix C). The number of attendance accounting findings decreased by 12 from the prior year, from 181 to 169, or 7%.

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 916 audit findings, 610 (67%) pertained to state programs and requirements and 306 (33%) pertained to federal programs and requirements (Figure 7). Attendance-related findings accounted for 18% of compliance findings. The majority of the attendance findings, representing 80% of all attendance findings, were related to:

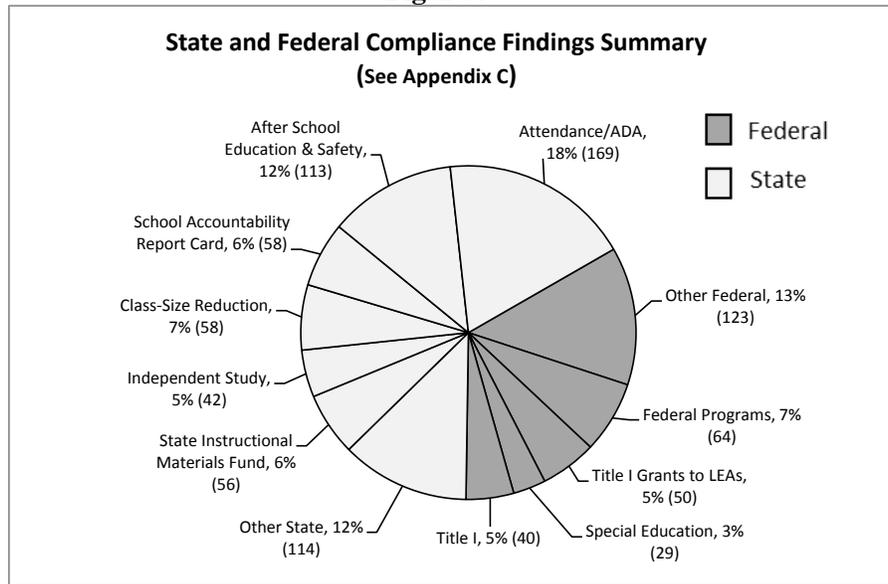
- Understated or overstated average daily attendance;
- Attendance reports did not reconcile to supporting documentation;
- Attendance reports inaccurate/incomplete; and
- Absences were claimed for apportionment.

The audit reports disclosed 113 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 was not supported by written records or did not reconcile to supporting documents;
- Reported number of students served was inconsistent with early release policy;

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

Figure 7



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. The stimulus 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 2010-11, LEAs reported a total of \$10.393 billion in federal award expenditures. Of this amount, \$2.24 billion, or 22%, was ARRA-related expenditures.

The audit reports disclosed 94 findings pertaining to ARRA (Figure 8). The related questioned costs totaled \$4,114,976, which represents 0.18% of total ARRA expenditures.

Figure 8

ARRA-Related Findings		
<u>ARRA Funds</u>	<u>Number of Findings</u>	<u>Percentage</u>
Title I	40	43%
Special Education	21	22%
State Fiscal Stabilization Fund	15	16%
Other	<u>18</u>	<u>19%</u>
Totals	<u>94</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 2011-12, the State Controller's Office did not perform any reviews of the audit resolution process.

Quality Control

Overview

The State Controller, by authority of 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

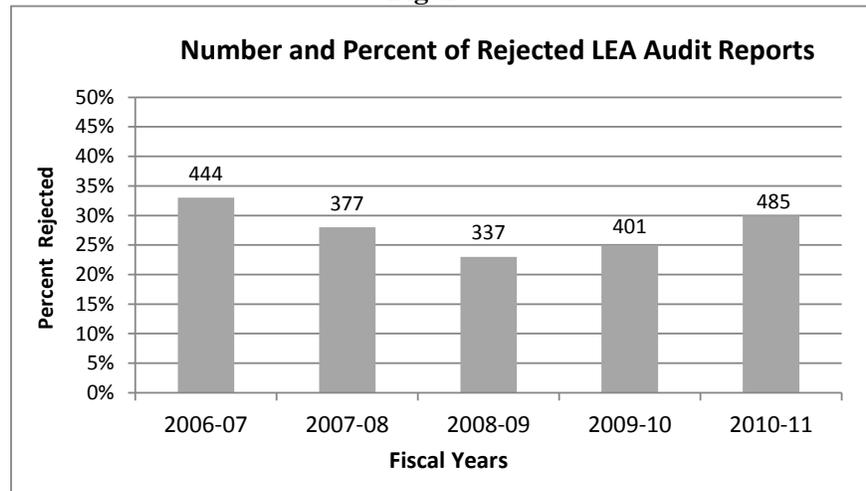
The State Controller’s Office determines whether audit reports conform to reporting provisions of the K-12 Audit Guide and notifies each local education agency (LEA), independent auditor, and the State Superintendent of Public Instruction whether a report has been accepted or rejected, based on conformity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

For FY 2010-11, the State Controller’s Office accepted 70% of the audit reports; the remaining 30% 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.

Increase in number of rejected audit reports

Upon initial review, the State Controller’s Office certified 1,151 (70%) of the 1,636 audit reports submitted by LEAs for FY 2010-11. The number of rejected reports increased by 84 over the prior year, from 401 to 485, a 21% increase (Figure 9).

Figure 9



Reporting Deficiencies

Reporting deficiencies were increased

In FY 2010-11, the State Controller's Office identified 1,608 reporting deficiencies, an increase of 929 from 679 in the prior year (Figure 10).

Figure 10

	Fiscal Years	
	<u>2009-10</u>	<u>2010-11</u>
Independent Auditor's Report	62	31
Management's Discussion & Analysis	5	2
Basic Financial Statements	16	46
Notes to the Financial Statements	22	175
Required Supplementary Information	0	7
Supplementary Information Section	114	116
Government Auditing Standards Report	64	46
Management Letter	57	84
Single Audit Report	118	35
State Compliance Report	41	431
Findings and Recommendations Section	178	614
Other	<u>2</u>	<u>21</u>
Total	<u>679</u>	<u>1,608</u>

*See Appendix D.

Note: Due to revisions made to the State Controller's Office Desk Review Checklist for FY 2009-10, some of the numbers reported for several categories changed from what was reported in the prior year's report. Also, for FY 2010-11, additional questions were added to several categories, including the Notes to the Financial Statements, State Compliance Report, and the Findings and Recommendation section.

The following categories show the greatest increase in the number of report deficiencies: Notes to the Financial Statements, State Compliance Report, and Findings and Recommendations section. For FY 2010-11, reporting deficiencies increased by 929. This increase was due primarily to additional questions that were added to the Desk Review Checklist, including additional note disclosure requirements, new State Compliance Report language, and the inclusion of financial statement finding requirements.

For FY 2010-11, there were 96 reporting deficiencies related to federal programs, including ARRA programs. This represents a decrease of 50 reporting deficiencies, or 34%, from the 146 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.

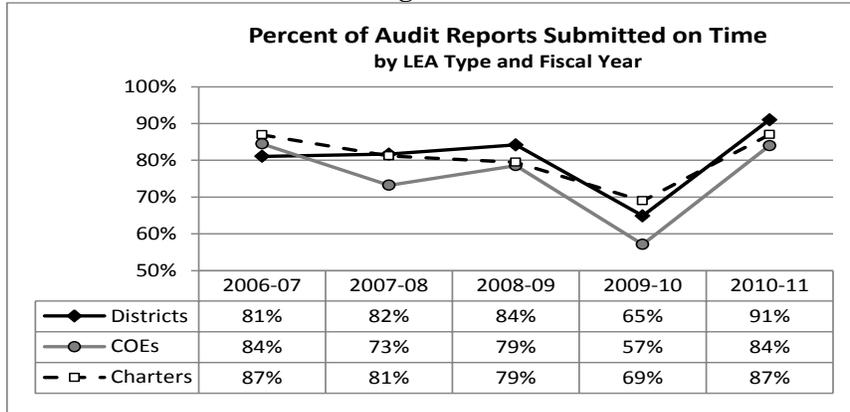
The reporting deficiency category with the greatest decrease in the number of deficiencies is the Single Audit Report. There was a decrease of 83 deficiencies in FY 2010-11 from the prior fiscal year.

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



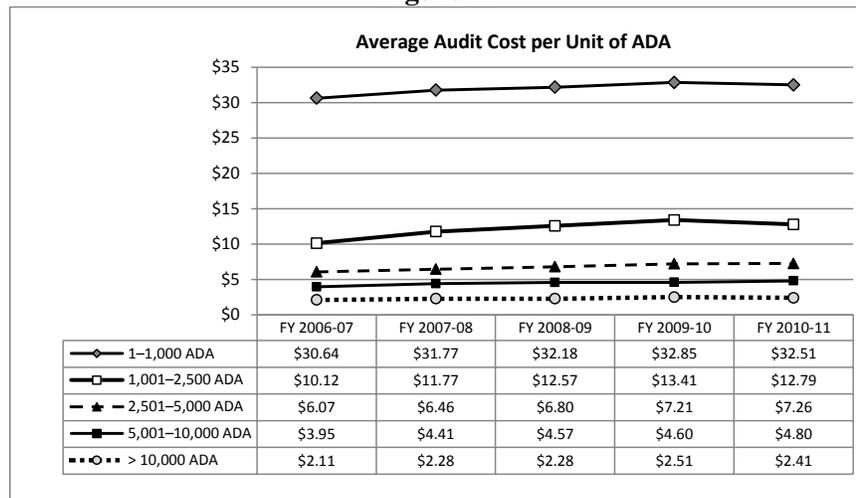
The percentage of school district, county office of education, and charter school annual audit reports submitted by the deadline increased over the prior year (Figure 11). A total of 1,474, or 89%, of the 1,657⁴ required LEA reports were received by the December 15, 2011 deadline.

Average Audit Cost per ADA

Average audit costs increased

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 2010-11 totaled \$32 million, an increase of \$568,000, or 2%, more than total audit costs of \$31.4 million for FY 2009-10. The largest cost increase per ADA (4%) was for LEAs reporting 5,001 to 10,000 ADA (Figure 12).

Figure 12



⁴ For FY 2010-11, there were 1,939 LEAs. Some of the LEAs, primarily charter schools, were combined for reporting purposes, and joint power authorities were excluded, resulting in 1,657 required LEA reports.

Quality Control Reviews

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.

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 2011-12, the State Controller's Office did not issue any quality control review reports.

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	2010-11 Average Daily Attendance	2011-12 Interim Report		2010-11 Interim Report Second
				First	Second	
Alameda County						
1. Emery Unified	No	No	726	Q	Q	P
2. Hayward Unified	No	Yes	19,603	Q	P	Q
3. Oakland Unified	N/A	N/A	N/A	Q	Q	Q
Amador County						
4. Amador COE	No	Yes	258	Q	Q	P
5. Amador County Unified	No	Yes	1,807	Q	Q	Q
Butte County						
6. Durham Unified	No	Yes	987	P	Q	Q
Contra Costa County						
7. John Swett Unified	No	Yes	1,606	Q	Q	N
8. Mt. Diablo Unified	No	Yes	32,501	Q	Q	P
El Dorado County						
9. Black Oak Mine Unified	No	Yes	1,551	Q	Q	Q
Fresno County						
10. Orange Center Elem.	No	No	313	Q	Q	Q
11. Raisin City Elem.	No	Yes	312	P	Q	Q
12. Sierra Unified	No	Yes	1,460	P	Q	Q
Glenn County						
13. Willows Unified	No	Yes	1,487	P	Q	Q
Humboldt County						
14. Eureka City Unified	No	Yes	3,679	Q	Q	P
15. Klamath-Trinity Jt. Unified	No	Yes	948	P	Q	P
16. Loleta Union Elem.	No	Yes	88	Q	Q	P
17. Maple Creek Elem.	No	No	9	P	Q	P
18. Scotia Union Elem.	No	Yes	208	Q	Q	Q
19. South Bay Union Elem.	No	Yes	384	Q	Q	P
Imperial County						
20. Calexico Unified	Yes	Yes	8,744	N	N ¹	Q
21. El Centro Elem.	No	No	5,117	Q	P	P
22. Imperial Unified	No	No	3,495	Q	Q	Q
Inyo County						
23. Death Valley Unified	No	Yes	52	P	Q	P

Appendix A (continued)

County School District/County Office	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2010-11 Average Daily Attendance	2011-12 Interim Report		2010-11 Interim Report
				First	Second	Second
Kern County						
24. Caliente Union Elem.	No	No	65	Q	Q	P
25. El Tejon Unified	No	No	996	Q	Q	Q
26. Greenfield Union Elem.	No	Yes	8,260	P	Q	P
27. Muroc Jt. Unified	No	No	1,955	Q	Q	Q
28. Panama-Buena Vista Union Elem.	No	Yes	15,962	Q	Q	Q
29. Richland Union Elem.	No	No	3,085	P	Q	P
30. Taft City Elem.	No	Yes	1,985	Q	Q	Q
31. Tehachapi Unified	No	Yes	4,236	Q	Q	Q
Lake County						
32. Kelseyville Unified	No	Yes	1,627	Q	P	Q
33. Konocti Unified	No	Yes	2,825	Q	P	P
34. Upper Lake Union Elem.	No	Yes	471	P	Q ¹	P
Lassen County						
35. Janesville Union Elem.	No	Yes	380	P	Q	P
36. Shaffer Union Elem.	No	Yes	235	Q ¹	Q ¹	P
37. Westwood Unified	No	Yes	216	P	Q	P
Los Angeles County						
38. Antelope Valley Union High	No	Yes	21,544	Q	Q	Q
39. Bassett Unified	No	Yes	4,398	Q	Q	P
40. Burbank Unified	No	Yes	14,835	P	Q	Q
41. Compton Unified	No	Yes	23,783	Q	Q	Q
42. East Whittier City Elem.	No	Yes	8,600	P	Q	Q
43. Eastside Union Elem.	No	Yes	3,180	Q	Q	Q
44. El Rancho Unified	No	Yes	9,910	Q	Q	Q
45. Garvey Elem.	No	Yes	5,477	P	Q	P
46. Hawthorne Elem.	No	Yes	8,495	Q	Q	Q
47. Inglewood Unified	Yes	Yes	11,965	N	N ¹	N
48. Lancaster Elem.	No	Yes	13,562	P	Q	Q
49. Las Virgenes Unified	No	Yes	10,972	P	Q	P
50. Little Lake City Elem.	No	Yes	4,613	P	Q	P
51. Los Angeles Unified	No	Yes	567,816	Q	Q	Q
52. Los Nietos Elem.	No	Yes	1,873	P	Q	Q
53. Lynwood Unified	No	No	15,009	P	Q	Q
54. Monrovia Unified	No	Yes	5,692	P	Q	Q
55. Montebello Unified	No	Yes	30,542	Q	Q	Q
56. Norwalk-La Mirada Unified	No	Yes	19,557	Q	Q	P
57. Paramount Unified	No	Yes	15,178	P	Q	Q
58. Pomona Unified	No	Yes	26,918	Q	Q	Q
59. Rosemead Elem.	No	Yes	2,865	P	Q	P
60. Saugus Union Elem.	No	No	10,075	Q	Q	P
61. South Pasadena Unified	No	Yes	4,296	P	Q	P
62. Walnut Valley Unified	No	Yes	14,371	P	Q	Q
63. Whittier City Elem.	No	No	6,259	P	Q	P
64. Wilsona Elem.	No	Yes	1,395	P	Q	P

Appendix A (continued)

County	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2010-11 Average Daily Attendance	2011-12 Interim Report		2010-11 Interim Report Second
				First	Second	
School District/County Office						
Madera County						
65. Alview-Dairyland Union Elem.	No	Yes	340	P	Q	P
66. Bass Lake Jt. Union Elem.	No	Yes	808	P	Q	P
67. Madera Unified	No	No	17,986	P	Q	P
68. Yosemite Unified	No	Yes	1,830	P	Q	Q
Mariposa County						
69. Mariposa Co. Unified	No	Yes	1,889	Q	Q	P
Mendocino County						
70. Anderson Valley Unified	No	Yes	504	Q	P	P
71. Laytonville Unified	No	Yes	371	Q	P	P
72. Mendocino Unified	No	Yes	482	P	Q	P
73. Round Valley Unified	No	Yes	279	Q	P	Q
74. Ukiah Unified	No	Yes	5,295	P	Q	Q
75. Willits Unified	No	No	1,523	Q	Q	Q
Merced County						
76. Dos Palos-Oro Loma Jt. Unified	Yes	Yes	2,342	Q	Q	N
Monterey County						
77. King City Jt. Union High ²	Yes	Yes	1,786	N	N	N
Nevada County						
78. Grass Valley Elem.	No	Yes	1,582	P	Q	P
79. Nevada City Elem.	No	Yes	973	Q	N	P
80. Nevada Jt. Union High	No	Yes	3,370	P	Q	P
81. Union Hill Elem.	No	Yes	723	Q	P	P
Orange County						
82. Anaheim City Elem.	No	Yes	18,450	Q	Q	Q
83. Buena Park Elem.	No	Yes	5,137	P	Q	P
84. Capistrano Unified	No	Yes	49,375	Q	Q	Q
85. Centralia Elem.	No	No	4,394	Q	Q	Q
86. Fullerton Elem.	No	Yes	13,287	Q	Q	Q
87. Fullerton Jt. Union High	No	Yes	14,034	Q	Q	Q
88. Garden Grove Unified	No	Yes	46,771	Q	Q	Q
89. Irvine Unified	No	Yes	26,611	P	Q	P
90. La Habra City Elem.	No	Yes	5,149	Q	Q	Q
91. Placentia-Yorba Linda Unified	No	Yes	24,891	P	Q	P
92. Saddleback Valley Unified	No	No	30,520	P	Q	Q
93. Santa Ana Unified	No	Yes	51,751	Q	Q	Q
94. Westminster Elem.	No	Yes	9,472	Q	Q	Q
Placer County						
95. Auburn Union Elem.	No	Yes	1,941	Q	Q	Q
96. Placer Hills Union Elem.	No	No	995	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	2010-11 Average Daily Attendance	2011-12 Interim Report		2010-11 Interim Report Second
				First	Second	
Plumas County						
97. Plumas Unified	No	Yes	1,927	Q	P	P
Riverside County						
98. Alvord Unified	No	Yes	18,823	Q	Q	Q
99. Banning Unified	Yes	Yes	4,146	Q	Q	Q
100. Coachella Valley Unified	No	Yes	17,566	Q	Q	Q ¹
101. Desert Sands Unified	No	Yes	27,583	Q	Q	Q
102. Hemet Unified	No	Yes	20,952	P	Q	P
103. Jurupa Unified	No	Yes	19,127	Q	Q	Q
104. Lake Elsinore Unified	No	Yes	20,673	P	Q ¹	P
105. Menifee Union Elem.	No	Yes	8,522	P	Q	P
106. Murrieta Valley Unified	No	Yes	21,254	P	Q ¹	P
107. Nuview Union Elem.	No	Yes	1,934	Q	Q	Q
108. Palm Springs Unified	No	No	22,174	P	Q	P
109. Palo Verde Unified	No	Yes	3,313	Q	Q	Q
110. Perris Union High	No	Yes	9,897	Q	Q	Q
111. Riverside Unified	No	Yes	40,162	Q	Q	Q
112. Romoland Elem.	No	Yes	2,860	P	Q	P
113. San Jacinto Unified	No	Yes	8,599	P	Q	P
114. Temecula Valley Unified	No	Yes	27,610	P	Q	P
115. Val Verde Unified	No	Yes	18,723	P	Q	P
Sacramento County						
116. Center Jt. Unified	No	Yes	4,852	Q	Q	Q
117. Elk Grove Unified	No	No	59,519	Q	Q	Q
118. Folsom-Cordova Unified	No	Yes	143	Q	Q	Q
119. Galt Jt. Union Elem.	No	No	3,820	P	Q	P
120. Galt Jt. Union High	No	Yes	2,131	Q	Q	Q
121. Natomas Unified	No	Yes	11,707	Q	Q	N
122. Robla Elem.	No	Yes	1,919	P	Q	Q
123. Sacramento City Unified	No	Yes	42,981	Q	Q	Q
124. San Juan Unified	No	Yes	42,663	Q	Q	Q
125. Twin Rivers Unified	No	Yes	25,666	Q	P	P
San Benito County						
126. Hollister Elem.	No	Yes	5,300	Q	Q	N

Appendix A (continued)

County School District/County Office	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2010-11 Average Daily Attendance	2011-12 Interim Report		2010-11 Interim Report Second
				First	Second	Second
San Bernardino County						
127. Adelanto Elem.	No	Yes	7,791	P	Q	Q
128. Baker Valley Unified	No	Yes	178	P	Q	P
129. Barstow Unified	No	Yes	5,676	P	Q	P
130. Bear Valley Unified	No	Yes	2,587	Q	Q	P
131. Chino Valley Unified	No	Yes	29,604	Q	Q	Q
132. Colton Jt. Unified	No	Yes	22,136	Q	Q	Q
133. Fontana Unified	No	No	39,268	P	Q	Q
134. Lucerne Valley Unified	No	No	1,625	P	Q	Q
135. Mountain View Elem.	No	Yes	2,708	Q	Q	Q
136. Rim of the World Unified	No	Yes	4,049	P	Q	P
137. Trona Jt. Unified	No	Yes	286	Q	P	P
138. Upland Unified	No	Yes	11,592	P	Q	P
139. Victor Elem.	No	Yes	11,044	Q	Q	Q
140. Victor Valley Union High	No	Yes	10,025	Q	P	Q
141. Yucaipa-Calimesa Jt. Unified	No	Yes	8,797	Q	Q	Q
San Diego County						
142. Borrego Springs Unified	No	Yes	450	Q	Q	Q
143. Carlsbad Unified	No	Yes	10,593	Q	Q	P
144. Fallbrook Union High	No	No	2,798	Q	Q	P
145. Grossmont Union High	No	No	19,100	Q	Q	P
146. Jamul-Dulzura Union Elem.	No	Yes	1,187	P	Q	P
147. La Mesa-Spring Valley Elem.	No	Yes	11,874	P	Q	Q
148. National Elem.	No	Yes	5,564	Q	P	P
149. Ramona Unified	No	Yes	5,932	Q	Q	Q
150. San Diego Unified	No	Yes	110,355	P	Q	P
151. San Marcos Unified	No	Yes	17,743	Q	Q	Q
152. San Ysidro Elem.	No	Yes	4,950	P	Q	P
153. Vista Unified	No	Yes	21,469	P	Q	P
San Luis Obispo County						
154. Atascadero Unified	No	Yes	4,662	Q	Q	Q
155. Lucia Mar Unified	No	Yes	10,119	Q	Q	Q
156. Paso Robles Jt. Unified	Yes	Yes	6,415	N	N	Q ¹
157. San Miguel Jt. Union Elem.	No	Yes	528	Q	Q	Q
158. Shandon Jt. Unified	No	Yes	293	Q	Q	Q
San Mateo County						
159. Portola Valley Elem.	No	Yes	664	P	N	P
160. Ravenswood City Elem.	No	Yes	3,383	P	Q	P
Santa Barbara County						
161. Buellton Union Elem.	No	Yes	677	Q	P	P

Appendix A (continued)

County School District/County Office	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2010-11 Average Daily Attendance	2011-12 Interim Report		2010-11 Interim Report Second
				First	Second	
Santa Clara County						
162. Alum Rock Union Elem.	No	Yes	12,227	Q	Q	Q
163. Berryessa Union Elem.	No	Yes	8,016	P	Q	P
164. Evergreen Elem.	No	Yes	13,073	P	Q	Q
165. Gilroy Unified	No	Yes	10,520	Q	Q	Q
Santa Cruz County						
166. Pajaro Valley Unified	No	Yes	18,417	Q	Q	Q
167. Santa Cruz City Schools	No	Yes	6,447	Q	Q	Q
168. Soquel Union Elem.	No	Yes	1,772	P	Q	P
Shasta County						
169. Anderson Union High	No	Yes	1,928	Q	Q	Q
170. Cascade Union Elem.	No	Yes	1,331	Q	Q	Q
171. Castle Rock Union Elem.	No	Yes	72	P	Q	P
172. Cottonwood Union Elem.	No	Yes	963	Q	N	Q
173. Fall River Jt. Unified	No	Yes	1,050	P	Q	P
174. Happy Valley Union Elem.	No	Yes	468	P	Q	P
175. North Cow Creek Elem.	No	Yes	260	P	Q	Q
176. Oak Run Elem.	No	Yes	17	Q	P	P
177. Pacheco Union Elem.	No	Yes	555	Q	N	Q
Sierra County						
178. Sierra-Plumas Jt. Unified	No	Yes	394	P	Q	P
Solano County						
179. Dixon Unified	No	Yes	3,506	Q	Q	Q
180. Fairfield-Suisun Unified	No	Yes	20,302	Q	Q	Q
181. Travis Unified	Yes	Yes	5,158	N	N	N
182. Vallejo City Unified	N/A	N/A	N/A	N	N	N
Sonoma County						
183. Cotati-Rohnert Park Unified	Yes	Yes	5,704	N	N	N
184. Geyserville Unified	No	Yes	242	Q	Q	Q
185. Healdsburg Unified	No	Yes	1,895	Q	P	N
186. Sebastopol Union Elem.	No	Yes	725	Q	Q	Q
187. West Sonoma Co. Union High	No	Yes	2,117	Q	Q	Q
Stanislaus County						
188. Denair Unified	No	Yes	1,503	Q	P	P
189. Knights Ferry Elem.	No	Yes	121	Q	P	P
190. La Grange Elem.	Yes	Yes	6	Q	N	Q
191. Modesto City Schools	No	Yes	28,193	Q	Q	Q
192. Riverbank Unified	No	Yes	2,632	Q	Q	P
193. Salida Union Elem.	No	Yes	2,636	P	Q	Q
194. Stanislaus Union Elem.	No	No	2,985	P	Q	P
195. Waterford Unified	No	Yes	1,714	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	2010-11 Average Daily Attendance	2011-12 Interim Report		2010-11 Interim Report Second
				First	Second	
Tehama County						
196. Red Bluff Union Elem.	No	No	2,061	Q	Q	P
197. Reeds Creek Elem.	No	Yes	131	P	Q ¹	P
Tulare County						
198. Citrus South Tule Elem.	No	Yes	42	P	Q	Q
199. Hot Springs Elem.	No	Yes	14	Q	N ¹	P
Tuolumne County						
200. Curtis Creek Elem.	No	Yes	485	P	Q ¹	P
201. Sonora Union High	No	Yes	1,190	P	Q	P
Ventura County						
202. Oak Park Unified	No	Yes	3,902	Q	P	P
203. Santa Paula Elem.	No	Yes	3,504	P	Q	Q
Yuba County						
204. Wheatland Union High	No	No	711	Q	Q	Q

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

¹ County office of education changed certification.

² King City Joint Union High School District changed its name to South Monterey Joint Union High School District effective July 1, 2011.

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

County School District/County Office	1st/2nd Certification	Deficit Spending ¹	Contributions ²	Revenue Limit ³	Other Expenditures ⁴	Other Revenues ⁵	Reserves ⁶	Long-Term Commitments ⁷	Independent Position Control ⁸	Declining Enrollment ⁹
Alameda County:										
1. Emery Unified	Q / Q	✓	✓	✓	✓	✓		✓	✓	✓
2. Hayward Unified	Q / P	✓	✓		✓	✓			✓	✓
3. Oakland Unified	Q / Q		✓	✓	✓	✓		✓	✓	
Amador County:										
4. Amador COE	Q / Q	✓	✓	✓	✓	✓			✓	
5. Amador County Unified	Q / Q	✓			✓	✓			✓	✓
Butte County:										
6. Durham Unified	P / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
Contra Costa County:										
7. John Swett Unified	Q / Q	✓					✓	✓		✓
8. Mt. Diablo Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
El Dorado County:										
9. Black Oak Mine Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
Fresno County:										
10. Orange Center Elem.	Q / Q		✓	✓	✓	✓			✓	
11. Raisin City Elem.	P / Q	✓			✓	✓	✓		✓	
12. Sierra Unified	P / Q	✓	✓	✓		✓	✓	✓	✓	✓
Glenn County:										
13. Willows Unified	P / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
Humboldt County:										
14. Eureka City Unified	Q / Q	✓	✓	✓	✓	✓		✓		✓
15. Klamath-Trinity Jt. Unified	P / Q	✓	✓	✓	✓	✓				
16. Loleta Union Elem.	Q / Q	✓	✓	✓	✓	✓				
17. Maple Creek Elem.	P / Q		✓	✓	✓	✓				
18. Scotia Union Elem.	Q / Q		✓	✓	✓	✓				
19. South Bay Union Elem.	Q / Q	✓	✓	✓	✓	✓				
Imperial County:										
20. Calexico Unified	N / N	✓	✓	✓	✓	✓	✓			✓
21. El Centro Elem.	Q / P		✓						✓	✓
22. Imperial Unified	Q / Q	✓	✓	✓	✓	✓				
Inyo County:										
23. Death Valley Unified	P / Q	✓	✓	✓	✓	✓	✓	✓	✓	
Kern County:										
24. Caliente Union Elem.	Q / Q	✓	✓	✓	✓	✓	✓			✓
25. El Tejon Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
26. Greenfield Union Elem.	P / Q	✓			✓	✓	✓	✓	✓	
27. Muroc Jt. Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	
28. Panama-Buena Vista Union Elem.	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	
29. Richland Union Elem.	P / Q	✓	✓	✓	✓	✓	✓	✓	✓	
30. Taft City Elem.	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
31. Tehachapi Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lake County:										
32. Kelseyville Unified	Q / P	✓	✓		✓	✓	✓			
33. Konocti Unified	Q / P	✓	✓	✓	✓	✓		✓		
34. Upper Lake Union Elem.	P / Q	✓			✓	✓		✓		
Lassen County:										
35. Janesville Union Elem.	P / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
36. Shafter Union Elem.	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
37. Westwood Unified	P / Q	✓			✓	✓		✓	✓	✓
Los Angeles County:										
38. Antelope Valley Union High	Q / Q	✓	✓		✓	✓		✓	✓	✓
39. Bassett Unified	Q / Q	✓	✓				✓	✓	✓	✓
40. Burbank Unified	P / Q	✓	✓	✓	✓		✓	✓	✓	
41. Compton Unified	Q / Q	✓	✓			✓	✓	✓	✓	✓
42. East Whittier City Elem.	P / Q	✓		✓	✓		✓			
43. Eastside Union Elem.	Q / Q	✓	✓	✓			✓	✓	✓	
44. El Rancho Unified	Q / Q	✓	✓	✓	✓	✓	✓			✓
45. Garvey Elem.	P / Q	✓	✓	✓			✓	✓		
46. Hawthorne Elem.	Q / Q	✓	✓	✓	✓	✓	✓	✓		✓
47. Inglewood Unified	N / N	✓	✓	✓	✓	✓	✓	✓	✓	✓
48. Lancaster Elem.	P / Q	✓			✓	✓	✓	✓	✓	
49. Las Virgenes Unified	P / Q	✓		✓						✓
50. Little Lake City Elem.	P / Q	✓	✓	✓			✓			
51. Los Angeles Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
52. Los Nietos Elem.	P / Q	✓	✓	✓	✓	✓			✓	
53. Lynwood Unified	P / Q	✓			✓	✓	✓	✓	✓	✓

Appendix B (continued)

County School District/County Office	1st/2nd Certification	Deficit Spending ¹	Contributions ²	Revenue Limit ³	Other Expenditures ⁴	Other Revenues ⁵	Reserves ⁶	Long-Term Commitments ⁷	Independent Position Control ⁸	Declining Enrollment ⁹
Los Angeles County (continued):										
54. Monrovia Unified	P / Q	✓	✓	✓	✓	✓	✓			
55. Montebello Unified	Q / Q	✓		✓	✓	✓	✓		✓	✓
56. Norwalk-La Mirada Unified	Q / Q	✓	✓	✓	✓	✓	✓		✓	✓
57. Paramount Unified	P / Q	✓	✓	✓	✓	✓	✓			
58. Pomona Unified	Q / Q	✓	✓		✓	✓	✓	✓	✓	✓
59. Rosemead Elem.	P / Q	✓	✓	✓	✓	✓	✓		✓	✓
60. Saugus Union Elem.	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
61. South Pasadena Unified	P / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
62. Walnut Valley Unified	P / Q	✓	✓	✓	✓	✓	✓		✓	✓
63. Whittier City Elem.	P / Q	✓		✓	✓		✓			✓
64. Wilsona Elem.	P / Q	✓		✓			✓		✓	✓
Madera County:										
65. Alview-Dairyland Union Elem.	P / Q	✓	✓	✓		✓				
66. Bass Lake Jt. Union Elem.	P / Q	✓	✓	✓	✓		✓	✓		
67. Madera Unified	P / Q	✓	✓	✓		✓	✓	✓	✓	
68. Yosemite Unified	P / Q	✓	✓	✓			✓			✓
Mariposa County:										
69. Mariposa Co. Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		✓
Mendocino County:										
70. Anderson Valley Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	
71. Laytonville Unified	Q / P	✓	✓		✓		✓	✓		
72. Mendocino Unified	P / Q	✓	✓			✓	✓	✓	✓	
73. Round Valley Unified	Q / P	✓	✓		✓	✓	✓			
74. Ukiah Unified	P / Q	✓	✓	✓	✓	✓	✓			
75. Willits Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
Merced County:										
76. Dos Palos-Oro Loma Jt. Unified	Q / Q	✓	✓	✓	✓	✓			✓	✓
Monterey County:										
77. King City Jt. Union High ¹⁰	N / N	✓	✓	✓	✓		✓	✓	✓	✓
Nevada County:										
78. Grass Valley Elem.	P / Q	✓	✓	✓	✓	✓			✓	✓
79. Nevada City Elem.	Q / N	✓	✓	✓	✓	✓	✓		✓	✓
80. Nevada Jt. Union High	P / Q	✓	✓	✓	✓	✓		✓		✓
81. Union Hill Elem.	Q / P	✓	✓	✓	✓	✓			✓	✓
Orange County:										
82. Anaheim City Elem.	Q / Q	✓	✓	✓	✓	✓		✓	✓	
83. Buena Park Elem.	P / Q	✓	✓		✓					
84. Capistrano Unified	Q / Q	✓	✓	✓	✓	✓		✓	✓	✓
85. Centralia Elem.	Q / Q	✓	✓		✓		✓	✓	✓	✓
86. Fullerton Elem.	Q / Q	✓	✓		✓	✓			✓	✓
87. Fullerton Jt. Union High	Q / Q	✓	✓	✓	✓	✓	✓		✓	
88. Garden Grove Unified	Q / Q	✓	✓	✓	✓			✓		✓
89. Irvine Unified	P / Q	✓	✓			✓	✓		✓	
90. La Habra City Elem.	Q / Q	✓	✓	✓	✓			✓	✓	✓
91. Placentia-Yorba Linda Unified	P / Q	✓	✓	✓	✓	✓			✓	✓
92. Saddleback Valley Unified	P / Q	✓	✓	✓			✓	✓	✓	✓
93. Santa Ana Unified	Q / Q	✓	✓		✓	✓		✓	✓	✓
94. Westminster Elem.	Q / Q	✓		✓	✓	✓	✓		✓	✓
Placer County:										
95. Auburn Union Elem.	Q / Q	✓	✓	✓	✓	✓	✓	✓		
96. Placer Hills Union Elem.	Q / Q	✓	✓	✓	✓	✓		✓		✓
Plumas County:										
97. Plumas Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
Riverside County:										
98. Alvord Unified	Q / Q	✓	✓	✓	✓		✓	✓		
99. Banning Unified	Q / Q	✓	✓	✓	✓	✓	✓			✓
100. Coachella Valley Unified	Q / Q	✓	✓		✓	✓		✓	✓	✓
101. Desert Sands Unified	Q / Q	✓	✓		✓	✓	✓	✓		
102. Hemet Unified	P / Q	✓	✓	✓	✓	✓	✓		✓	✓
103. Jurupa Unified	Q / Q	✓	✓	✓	✓	✓	✓		✓	✓
104. Lake Elsinore Unified	P / Q	✓	✓	✓	✓	✓		✓	✓	✓
105. Menifee Union Elem.	P / Q	✓	✓	✓	✓	✓	✓		✓	✓
106. Murrieta Valley Unified	P / Q	✓	✓	✓				✓	✓	✓
107. Nuview Union Elem.	Q / Q	✓	✓	✓	✓	✓	✓		✓	✓
108. Palm Springs Unified	P / Q	✓	✓	✓			✓		✓	✓
109. Palo Verde Unified	Q / Q	✓	✓	✓	✓	✓		✓		✓
110. Perris Union High	Q / Q	✓	✓	✓	✓	✓	✓	✓		✓
111. Riverside Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
112. Romoland Elem.	P / Q	✓		✓	✓		✓			✓
113. San Jacinto Unified	P / Q	✓	✓	✓	✓	✓	✓	✓	✓	
114. Temecula Valley Unified	P / Q	✓	✓	✓	✓		✓			✓
115. Val Verde Unified	P / Q	✓	✓	✓	✓		✓	✓	✓	

Appendix B (continued)

<u>County</u>	<u>1st/2nd</u>	<u>Deficit</u>	<u>Revenue</u>	<u>Other</u>	<u>Other</u>	<u>Long-Term</u>	<u>Independent</u>	<u>Declining</u>		
<u>School District/County Office</u>	<u>Certification</u>	<u>Spending</u> ¹	<u>Contributions</u> ²	<u>Limit</u> ³	<u>Expenditures</u> ⁴	<u>Revenues</u> ⁵	<u>Reserves</u> ⁶	<u>Commitments</u> ⁷	<u>Position Control</u> ⁸	<u>Enrollment</u> ⁹
Sacramento County:										
116. Center Jt. Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
117. Elk Grove Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		
118. Folsom-Cordova Unified	Q / Q	✓		✓	✓	✓			✓	
119. Galt Jt. Union Elem.	P / Q	✓	✓	✓	✓			✓	✓	✓
120. Galt Jt. Union High	Q / Q	✓	✓	✓	✓	✓			✓	✓
121. Natomas Unified	Q / Q	✓	✓	✓	✓	✓	✓		✓	✓
122. Robla Elem.	P / Q	✓	✓	✓	✓	✓				
123. Sacramento City Unified	Q / Q	✓		✓	✓	✓	✓			✓
124. San Juan Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		✓
125. Twin Rivers Unified	Q / P	✓		✓	✓	✓	✓	✓		
San Benito County:										
126. Hollister Elem.	Q / Q	✓		✓	✓	✓	✓	✓	✓	
San Bernardino County:										
127. Adelanto Elem.	P / Q	✓	✓	✓	✓	✓		✓	✓	
128. Baker Valley Unified	P / Q	✓	✓	✓	✓	✓	✓		✓	✓
129. Barstow Unified	P / Q	✓	✓	✓	✓	✓	✓	✓		✓
130. Bear Valley Unified	Q / Q	✓	✓	✓	✓	✓	✓			✓
131. Chino Valley Unified	Q / Q	✓	✓	✓	✓	✓	✓		✓	✓
132. Colton Jt. Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		✓
133. Fontana Unified	P / Q	✓		✓	✓					✓
134. Lucerne Valley Unified	P / Q	✓	✓	✓		✓				✓
135. Mountain View Elem.	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
136. Rim of the World Unified	P / Q	✓	✓	✓	✓	✓	✓	✓		✓
137. Trona Jt. Unified	Q / P	✓	✓	✓	✓		✓	✓		✓
138. Upland Unified	P / Q	✓	✓	✓	✓		✓	✓	✓	
139. Victor Elem.	Q / Q	✓		✓	✓	✓	✓			✓
140. Victor Valley Union High	Q / P	✓	✓	✓	✓	✓		✓		
141. Yucaipa-Calimesa Jt. Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
San Diego County:										
142. Borrego Springs Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		
143. Carlsbad Unified	Q / Q	✓	✓	✓	✓	✓		✓	✓	
144. Fallbrook Union High	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
145. Grossmont Union High	Q / Q	✓	✓	✓	✓	✓			✓	✓
146. Jamul-Dulzura Union Elem.	P / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
147. La Mesa-Spring Valley Elem.	P / Q	✓	✓	✓	✓				✓	
148. National Elem.	Q / P	✓	✓	✓	✓	✓			✓	
149. Ramona Unified	Q / Q	✓	✓	✓	✓		✓	✓	✓	✓
150. San Diego Unified	P / Q	✓	✓	✓	✓			✓	✓	✓
151. San Marcos Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
152. San Ysidro Elem.	P / Q	✓		✓	✓	✓	✓	✓	✓	✓
153. Vista Unified	P / Q	✓	✓	✓	✓		✓	✓	✓	
San Luis Obispo County:										
154. Atascadero Unified	Q / Q	✓	✓		✓	✓	✓	✓		
155. Lucia Mar Unified	Q / Q	✓	✓	✓	✓			✓	✓	✓
156. Paso Robles Jt. Unified	N / N	✓	✓	✓	✓	✓	✓		✓	✓
157. San Miguel Jt. Union Elem.	Q / Q	✓	✓	✓	✓	✓	✓	✓		
158. Shandon Jt. Unified	Q / Q	✓	✓	✓	✓	✓	✓			
San Mateo County:										
159. Portola Valley Elem.	P / N		✓				✓		✓	
160. Ravenswood City Elem.	P / Q	✓		✓	✓	✓	✓	✓	✓	
Santa Barbara County:										
161. Buellton Union Elem.	Q / P	✓	✓		✓	✓	✓	✓	✓	
Santa Clara County:										
162. Alum Rock Union Elem.	Q / Q	✓	✓	✓	✓		✓	✓	✓	✓
163. Berryessa Union Elem.	P / Q	✓	✓	✓	✓		✓	✓	✓	✓
164. Evergreen Elem.	P / Q	✓	✓	✓	✓		✓		✓	
165. Gilroy Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	
Santa Cruz County:										
166. Pajaro Valley Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
167. Santa Cruz City Schools	Q / Q	✓		✓	✓	✓	✓	✓		✓
168. Soquel Union Elem.	P / Q	✓		✓	✓	✓	✓	✓		
Shasta County:										
169. Anderson Union High	Q / Q	✓	✓	✓	✓	✓	✓			✓
170. Cascade Union Elem.	Q / Q	✓	✓	✓	✓	✓	✓	✓		
171. Castle Rock Union Elem.	P / Q	✓	✓		✓	✓				
172. Cottonwood Union Elem.	Q / N	✓	✓	✓	✓	✓	✓	✓		✓
173. Fall River Jt. Unified	P / Q	✓	✓		✓	✓		✓		✓
174. Happy Valley Union Elem.	P / Q	✓	✓	✓	✓	✓				✓
175. North Cow Creek Elem.	P / Q	✓	✓	✓	✓					
176. Oak Run Elem.	Q / P	✓	✓	✓				✓		
177. Pacheco Union Elem.	Q / N	✓	✓	✓	✓	✓		✓		✓

Appendix B (continued)

County School District/County Office	1st/2nd Certification	Deficit Spending ¹	Contributions ²	Revenue Limit ³	Other Expenditures ⁴	Other Revenues ⁵	Reserves ⁶	Long-Term Commitments ⁷	Independent Position Control ⁸	Declining Enrollment ⁹
Sierra County:										
178. Sierra-Plumas Jt. Unified	P / Q	✓	✓	✓	✓	✓	✓	✓	✓	
Solano County:										
179. Dixon Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		✓
180. Fairfield-Suisun Unified	Q / Q	✓	✓	✓	✓	✓		✓		
181. Travis Unified	N / N	✓	✓	✓	✓	✓	✓	✓		
182. Vallejo City Unified	N / N	✓	✓		✓	✓		✓	✓	✓
Sonoma County:										
183. Cotati-Rohnert Park Unified	N / N	✓	✓	✓	✓		✓	✓		✓
184. Geyserville Unified	Q / Q	✓	✓	✓	✓	✓		✓		
185. Healdsburg Unified	Q / P	✓	✓	✓	✓	✓	✓		✓	✓
186. Sebastopol Union Elem.	Q / Q	✓	✓	✓	✓	✓	✓			✓
187. West Sonoma Co. Union High	Q / Q	✓		✓	✓	✓	✓	✓	✓	✓
Stanislaus County:										
188. Denair Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	
189. Knights Ferry Elem.	Q / P	✓	✓	✓			✓			✓
190. La Grange Elem.	Q / N	✓	✓	✓	✓	✓	✓		✓	✓
191. Modesto City Schools	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	
192. Riverbank Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		✓
193. Salida Union Elem.	P / Q	✓	✓	✓	✓	✓	✓		✓	✓
194. Stanislaus Union Elem.	P / Q	✓	✓	✓	✓	✓	✓			✓
195. Waterford Unified	Q / Q	✓	✓	✓	✓		✓	✓	✓	✓
Tehama County:										
196. Red Bluff Union Elem.	Q / Q	✓	✓	✓	✓	✓	✓	✓		
197. Reeds Creek Elem.	P / Q	✓	✓	✓	✓	✓			✓	✓
Tulare County:										
198. Citrus South Tule Elem.	P / Q	✓		✓			✓		✓	✓
199. Hot Springs Elem.	Q / N	✓		✓		✓	✓		✓	
Tuolumne County:										
200. Curtis Creek Elem.	P / Q	✓	✓	✓	✓	✓				✓
201. Sonora Union High	P / Q	✓	✓	✓	✓	✓	✓		✓	✓
Ventura County:										
202. Oak Park Unified	Q / P	✓	✓	✓	✓	✓		✓	✓	
203. Santa Paula Elem.	P / Q	✓	✓	✓			✓	✓		
Yuba County:										
204. Wheatland Union High	Q / Q	✓	✓	✓	✓	✓	✓		✓	

Legend: P=Positive Q=Qualified N=Negative

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

² Contributions from unrestricted to restricted resources, or transfers to or from the general fund to cover operating deficits, changed by more than \$20,000 and more than 5% since budget adoption for any of the current or two subsequent fiscal years.

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 report.

⁴ Projected operating expenditures (e.g., books and supplies) for the current and two subsequent fiscal years changed by more than 5% since budget adoption.

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.

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 (multi-year) 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 The system of personnel position control is independent from the payroll system.

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

¹⁰ King City Joint Union High School District changed its name to South Monterey Joint Union High School District effective July 1, 2011.

Appendix C— Summary of Audit Report Compliance Findings

Program	Description of Problem	Number of Findings	
STATE			
Attendance Requirements	ADA overstated by 0-5 ADA	32	
	ADA overstated by 10-20 ADA	1	
	ADA overstated by 5-10 ADA	1	
	ADA overstated by over 20 ADA	1	
	ADA understated by 0-5 ADA	11	
	ADA understated by 10-20 ADA	1	
	ADA understated by over 20 ADA	2	
	Absences were claimed for apportionment	18	
	Attendance registers/Scantrons not signed by teachers	14	
	Attendance report does not reconcile to supporting documentation	38	
	Attendance report inaccurate/incomplete	30	
	Excused absences - problems with verification procedures/documentation	4	
	Excused/unexcused absences improperly recorded	1	
	Lack of documentation/records	3	
	Minimum day requirements not met	1	
	Teacher misassignment	1	
	Teacher not authorized to instruct limited-English-proficient pupils	2	
	Teacher providing instruction outside of credential subject	1	
	Teacher(s) did not possess a valid certification document	3	
	Enrollment is not reconciled to monthly attendance reports	1	
	Other finding	3	
	Community Day Schools	Attendance report inaccurate	1
		Other finding	1
Continuation Education	Attendance accounting deficiency	13	
Independent Study	Attendance overstated	7	
	Contract(s) did not include all required elements	25	
	Other finding	1	
	Ratio of pupils to teachers exceeded maximum allowable	3	
	Work samples not maintained	6	
Kindergarten Continuation	Kindergarten retention form did not include required elements	5	
	Retention forms not maintained and/or properly approved	25	
Special Education- Non-public Schools	Attendance accounting deficiency	1	
Adult Education	Lack of documentation/records	1	
After School Education and and Safety Program	Administrative costs exceeded 15% of State funding	2	
	Indirect costs overstated	2	
	Lack of documentation/records	7	
	LEA did not establish policy regarding reasonable early daily release of pupils	2	
	Noncompliance with matching requirements	4	
	Other finding	3	
	Program did not operate a minimum of 15 hours per week	2	
	Reported number of students served not supported by written records or did not reconcile to supporting documents	74	
	Reported students served inconsistent with early release policy	14	
	Reported students served inconsistent with late arrival policy	3	
Annual Instruction Minutes- Classroom Based	Instructional time requirements not met	2	
	Other finding	1	
Child Development	Financial report inaccurate	2	
Class Size Reduction	Lack of documentation/records	1	
	Number of classes and pupils reported on Form J-7CSR overstated	26	
	Number of classes and pupils reported on Form J-7CSR understated	28	
	Other finding	3	
Classroom Teacher Salaries	District did not meet the current expense of education percentage required for payment of classroom teacher salaries	19	

Appendix C (continued)

Program	Description of Problem	Number of Findings
STATE (continued)		
Determination of Funding for Nonclassroom-Based Instruction	Other finding	1
Gann Limit	Appropriations limit calculation deficiency	2
	Other finding	1
Instructional Materials	Adopted/non-adopted instructional materials requirements not followed	2
	Board resolution did not address sufficiency of textbooks/instructional materials	5
	Notice of public hearing deficiency	17
	Other finding	1
	Public hearing on instructional materials not held or held after the required time period	31
Instructional Time	Instructional minutes requirements not met	4
	Other finding	2
Inventory of Equipment	Inventory of equipment not maintained	13
Mode of Instruction	Mode of Instruction: Average daily attendance not generated in compliance with requirements	3
	Mode of Instruction: Other finding	1
	Mode of Instruction: Teacher did not possess a valid teaching certification	1
Other State Program	Expenditures overstated	1
	Financial report inaccurate/not complete	1
	Financial report/claim not filed/not filed timely	1
	Other finding	6
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	3
Ratios of Administrative Employees to Teachers	Number of administrators per hundred teachers exceeded the allowable ratio	2
	Ratio calculation was incorrect	1
School Accountability Report Card (SARC)	District did not follow uniform complaint process	3
	Facility Inspection Tool (FIT) not prepared or missing	7
	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 Facility Inspection Tool (FIT) or local evaluation instrument	36
	School accountability report card not published	8
Total State Findings		610
Federal		
Federal ARRA Program	Child Care and Development Block Grant: Eligibility	1
	Child Care and Development Block Grant: Matching, level of effort, earmarking	1
	Head Start: Activities allowed or unallowed	1
	Head Start: Allowable costs/cost principles	1
	Head Start: Matching, level of effort, earmarking	3
	Head Start: Reporting	1
	School Improvement Grant: Allowable costs/cost principles	3
	School Improvement Grant: Procurement and suspension and debarment	1
	Special Education: Allowable costs/cost principles	7
	Special Education: Cash management	8
	Special Education: Equipment and real property management	1
	Special Education: Procurement and suspension and debarment	3
	Special Education: Special tests and provisions	2
	State Fiscal Stabilization Fund: Allowable costs/cost principles	2
	State Fiscal Stabilization Fund: Cash management	9
	State Fiscal Stabilization Fund: Reporting	4
	Title I: Allowable costs/cost principles	13
	Title I: Cash management	11
	Title I: Eligibility	2
	Title I: Procurement and suspension and debarment	4
	Title I: Reporting	2
	Title I: Special tests and provisions	8
	Title II, Part D: Allowable costs/cost principles	3
	Title II, Part D: Cash management	1
Title II, Part D: Procurement and suspension and debarment	1	
Title II, Part D: Special tests and provisions	1	

Appendix C (continued)

Program	Description of Problem	Number of Findings
FEDERAL (continued)		
Child Care & Development Block Grant	Eligibility	1
Child Nutrition Cluster	Activities allowed or unallowed	8
	Allowable costs/cost principles	6
	Eligibility	7
	Financial report inaccurate/not complete	2
	Other finding	3
	Procurement and suspension and debarment	2
	Special tests and provisions	6
Education Jobs Fund (84.410)	Allowable costs/cost principles	2
	Cash management	2
	Reporting	2
English Language Acquisition Grants (84.365)	Allowable costs/cost principles	1
	Special tests and provisions	1
Federal Programs	Multi-funded positions not supported by time distribution records	1
	Noncompliance with requirements for allowable costs/cost principles	28
	Noncompliance with requirements for cash management	18
	Noncompliance with requirements for equipment and real property management	5
	Noncompliance with requirements for matching, level of effort, earmarking	1
	Noncompliance with requirements for procurement and suspension and debarment	5
	Other finding	2
	Reporting	1
Special tests and provisions		3
Gaining Early Awareness & Readiness for Undergraduate Programs (GEAR-UP) (84.334)	Matching, level of effort, earmarking	1
Head Start	Allowable costs/cost principles	1
	Matching, level of effort, earmarking	1
National School Lunch	Activities allowed or unallowed	19
	National School Lunch: Allowable costs/cost principles	1
	National School Lunch: Eligibility	4
	National School Lunch: Special tests and provisions	3
Other Federal Program	Allowable costs/cost principles	3
	Other finding	3
	Procurement and suspension and debarment	1
	Reporting	3
School Breakfast Program	Allowable costs/cost principles	1
	Eligibility	2
Special Education Cluster	Allowable costs/cost principles	2
	Allowable costs/cost principles	5
	Equipment and real property management	1
Title I Grants to LEAs	Allowable costs/cost principles	14
	Cash management	1
	Eligibility	20
	Equipment and real property management	1
	Matching, level of effort, earmarking	2
	Other finding	1
	Reporting	1
	Special tests and provisions	10
Title II, Improving Teacher Quality State Grants (84.367)	Allowable costs/cost principles	1
	Period of availability of federal funds	1
Twenty-First Century Community Learning Centers	Reporting	1
Vocational Education (84.048)	Reporting	1
Total Federal Findings		306
Total State and Federal Findings		916

Appendix D— Summary of Audit Report Deficiencies

Description	Number of Deficiencies	
	FY 2009-10	FY 2010-11
<u>Auditor's Report on the Financial Statements</u>		
Auditor's report did not identify the supplementary information, including Schedule of Expenditures of Federal Awards.	31	6
Auditor's report did not include an opinion on supplementary information.	18	6
Auditor's opinion did not state that the financial statements conform with accounting principles generally accepted in the United States of America (USA).	0	4
Reference to a separate report on internal control over financial reporting and on compliance was deficient.	5	3
Introductory paragraph of auditor's report did not clearly identify financial statements covered by auditor's opinion.	2	2
Reference to a separate report on internal control over financial reporting and on compliance was not included.	2	2
Auditor's report did not reference auditing standards generally accepted in the USA and Government Auditing Standards.	0	1
Disclaimer of opinion was issued, but did not include sufficient information.	0	1
Independent Auditor's Report was not included.	0	1
Qualified opinion due to departure from GAAP: substantive reasons and/or principal effects on financial statements were not disclosed.	0	1
Qualified opinion due to scope limitation: explanatory paragraph and/or possible effects on financial statements were not disclosed.	0	1
Report did not reference the required supplementary information (RSI).	4	1
Report did not state that the auditor applied limited procedures to the RSI.	0	1
Substantive reasons for adverse opinion or disclaimer were not adequately disclosed.	0	1
Subtotal	62	31
<u>Management's Discussion and Analysis</u>		
Management's Discussion and Analysis was not included.	5	2
Subtotal	5	2
<u>Basic Financial Statements</u>		
Governmental entity: Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds was not properly presented.	0	13
Non-profit entity: Statement of Activities was not properly presented.	3	10
Governmental entity: Balance Sheet - Governmental Funds was not properly presented.	1	4
Governmental entity: Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets was not properly presented.	0	4
Governmental entity: Statement of Changes in Fiduciary Net Assets - Fiduciary Funds was not properly presented.	1	3
Governmental entity: Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to Statement of Activities was not properly presented.	3	2
Governmental entity: Statement of Activities was not properly presented.	3	2
Governmental entity: Statement of Fiduciary Net Assets - Fiduciary Funds was not properly presented.	0	2
Governmental entity: Statement of Net Assets was not properly presented.	1	2
Non-profit entity: Statement of Cash Flows was not properly presented.	2	2
Non-profit entity: Statement of Financial Position was not properly presented.	2	2
Subtotal	16	46

Appendix D (continued)

Description	Number of Deficiencies	
	FY 2009-10	FY 2010-11
<u>Notes to the Financial Statements</u>		
Material prior period restatements or adjustments were not adequately disclosed.	1	7
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.	5	6
STRS early retirement note was not included.	3	3
Notes did not include adequate disclosure of capital assets and depreciation, including the method used to compute depreciation.	1	2
All component units and/or joint powers authorities (JPAs) related to the entity were not identified.	3	0
Notes did not adequately describe criteria used in determining whether other entities should be considered component units of the reporting entity.	5	0
Other post-employment benefits were not adequately disclosed.	4	0
Notes did not include deposit policies regarding custodial credit risk, or a statement that the entity had no such policies. *	0	19
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. *	0	18
For long-term liabilities, the debt service requirements were not shown yearly for the first five years, and thereafter, shown in five-year increments. *	0	16
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. *	0	16
Risk management and related financing activities were not adequately disclosed.*	0	14
Fund balance classification policies and procedures related to committed and assigned fund balances were not disclosed. *	0	13
Definition of cash and cash equivalents used in the statement of cash flows was not included. *	0	12
Policy for defining operating and non-operating revenues of proprietary funds was not included. *	0	10
Policy for elimination of internal activity in the government-wide financial statements was not included. *	0	10
Notes did not include the basis for stating inventories, including the method of determining cost. *	0	7
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. *	0	7
Notes did not describe restricted cash and investments. *	0	4
Notes did not include adequate disclosure of interfund balances and transfers. *	0	3
Notes did not include the types of transactions included in program revenues. *	0	2
STRS early retirement note did not include all of the required disclosures. *	0	2
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. *	0	2
Nature of the primary government's accountability for related organizations and JPAs was not included. *	0	1
Notes did not include a description of the activities accounted for in the columns for major funds, internal service funds, and fiduciary fund types. *	0	1
Subtotal	22	175
<u>Required Supplementary Information (RSI)</u>		
Schedule of budgetary comparison data was not shown by object.	0	6
Schedule of budgetary comparison data for general fund and major special revenue fund(s) was not included as RSI.	0	1
Subtotal	0	7

Appendix D (continued)

Description	Number of Deficiencies	
	FY 2009-10	FY 2010-11
<u>Supplementary Information Section</u>		
Schedule of Instructional Time did not contain all of the required information.	44	15
Schedule of Average Daily Attendance (ADA) did not display final ADA after audit finding adjustment(s).	10	12
Schedule of Average Daily Attendance for charter school did not include classroom-based ADA.	3	12
A note stating that LEA received funding for increasing instructional time not included.	1	10
Schedule of Instructional Time was not included.	3	10
Schedule of Average Daily Attendance did not include charter school ADA for a district that includes a charter school(s).	0	9
Schedule of Average Daily Attendance was deficient.	19	8
Local Education Agency Organization Structure description was not included or was deficient.	11	7
Schedule of Charter Schools was deficient.	4	7
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements was not included.	3	6
Schedule of Financial Trends and Analysis: Available reserves are below minimum required; and management's plans and/or going concern note were not included.	2	5
Schedule of Instructional Time does not state whether the district complied with the instructional minutes and days provisions.	1	5
Schedule of Average Daily Attendance was not included.	0	3
Schedule of Charter Schools was not included.	8	3
Schedule of Financial Trends and Analysis not included; or schedule was deficient.	3	3
Schedule of instructional time indicates noncompliance, but a finding is not included in the audit report.	2	1
Subtotal	114	116
<u>Schedule of Expenditures of Federal Awards</u>		
Schedule of Expenditures of Federal Awards was deficient.	63	46
Schedule of Expenditures of Federal Awards was not included.	1	0
Subtotal	64	46
<u>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters</u>		
Management letter not included in audit report.	9	33
Report on internal control over financial reporting was deficient.	26	23
Report did not include a statement regarding the auditee's response to findings.	4	11
Report on compliance and other matters did not include a statement regarding test results.	0	7
Report on internal control and compliance (GAS) did not reference the Independent Auditor's Report.	2	5
Report did not state that audit was conducted in accordance with auditing standards generally accepted in the USA and Government Auditing Standards.	1	4
Report on Internal Control over Financial Reporting and on Compliance and Other Matters (Government Auditing Standards) was not included.	0	1
Government Auditing Standards report was not updated in accordance with SAS 115.	14	0
Report on compliance and other matters did not include a statement that the auditor performed tests of compliance.	1	0
Subtotal	57	84

Appendix D (continued)

Description	Number of Deficiencies	
	FY 2009-10	FY 2010-11
<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.	0	10
Report on compliance with requirements applicable to each major federal program was deficient.	4	7
Single Audit Report was not updated in accordance with SAS 117.	102	7
Report on major program compliance and on internal control over compliance (OMB Circular A-133) was not included.	11	4
Report did not include a statement regarding the auditee's response to findings.	1	3
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.	0	3
Report on major program compliance and on internal control over compliance did not include a statement regarding legal restrictions on report distribution.	0	1
Subtotal	118	35
<u>State Compliance Report</u>		
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. *	0	245
Auditor's Report on State Compliance was deficient.	35	182
Auditor's Report on State Compliance did not include a statement regarding legal restrictions on report distribution.	1	3
Auditor's Report on State Compliance was not included.	1	1
Report cites incorrect reference for K-12 audit guide.	4	0
Subtotal	41	431
<u>Findings and Recommendation Section</u>		
Financial statement finding did not include the cause. *	0	102
Financial statement finding did not include the criteria. *	0	77
Financial statement finding did not include the effect or potential effect. *	0	74
Financial statement finding did not include the perspective. *	0	34
Financial statement finding did not include the condition. *	0	10
Financial statement finding did not include the views of responsible officials and planned corrective actions. *	0	9
Financial statement finding did not include the recommendation. *	0	6
Financial statement finding did not include the evaluation of the comments. *	0	5
Federal Program Finding(s): Noncompliance was reported; however, the finding(s) did not include sufficient information.	61	39
Federal Program Finding(s): Questioned costs and/or how they were calculated not included.	22	11
State Program Finding(s): Noncompliance was reported; however, the finding(s) did not include sufficient information.	27	94
State Program Finding: Questioned costs, consistent with its basis of funding, not included.	1	42
State Program Finding(s): Financial impact not quantified in terms of dollars or ADA.	30	0
Audit finding was not coded with the correct five-digit number.	10	27
Attendance Finding: ADA inappropriately reported for apportionment not included.	0	19
Audit findings for ARRA federal award programs were not clearly identified.	0	19
Summary of Auditor's Results was deficient.	15	17
Schedule of Prior Audit Findings was not included.	4	16
Sufficient information for judging the prevalence and consequences of noncompliance was not included.	2	6
Auditee's corrective action plan to eliminate noncompliance was not included.	0	3
Schedule of Findings and Questioned Costs was not included.	3	2
Major federal programs were not identified.	3	1
Summary of auditor's results was not included.	0	1
Subtotal	178	614

Appendix D (continued)

Description	Number of Deficiencies	
	FY 2009-10	FY 2010-11
<u>Other</u>		
LEA has 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.	0	15
Auditor's reports did not include a manual or printed signature of the auditor's firm and date of the report.	2	6
Subtotal	<u>2</u>	<u>21</u>
Total Number of Findings	<u>679</u>	<u>1,608</u>

* Reporting deficiency is new for FY 2010-11.

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 stimulus package was intended to create jobs and promote investment and consumer spending during the recession. A direct response to the economic crisis, the Recovery Act has 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 state education agencies and local education agencies 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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