

ANNUAL FINANCIAL REPORT OF CALIFORNIA K-12 SCHOOLS

Report to the Superintendent of Public Instruction

For the Period of July 1, 2003, through June 30, 2004



STEVE WESTLY
California State Controller

June 2005



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California State Controller

June 30, 2005

Jack O'Connell
State Superintendent of Public Instruction
California Department of Education
P.O. Box 944272
Sacramento, CA 94244-2720

Dear Mr. O'Connell:

I am pleased to announce the completion of the *Annual Financial Report of California K-12 Schools* for 2005. The report summarizes the financial and program compliance status of the State's school districts and county offices of education for fiscal year (FY) 2003-04. As such, the report will be useful in helping you and the Legislature plan for California's future educational needs.

In FY 2003-04, the financial health of most of California's 982 school districts and 58 county offices of education changed from prior years. For the first time in 12 years, school districts overall spent more money than they received. The number of districts and county offices of education filing negative or qualified interim certifications increased, from 65 in FY 2003-04 to 79 in FY 2004-05. In addition, state and federal compliance findings noted in the independent auditors' reports of school districts decreased from the prior year. There were 803 compliance findings in FY 2003-04, an 18.7% decrease from the 987 reported in FY 2002-03.

The fact that the number of school districts engaged in multi-year deficit spending increased—from 248 districts in FY 2002-03 to 339 districts in FY 2003-04—may be cause for concern. In addition, 33% of the compliance findings were related to deficiencies in attendance accounting, the primary basis for allocation of state funding. Also, the independent audit reports noted that 8% of the 882 school districts participating in the class-size reduction program failed to fully comply with program reporting requirements. These districts and programs should be closely monitored to ensure that these problems are addressed.

Please direct any comments regarding the content of the report to Vince Brown, Chief Operations Officer, at (916) 445-3028.

Sincerely,

Original signed by

STEVE WESTLY
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 school districts and county offices of education and to function as the independent protector of taxpayer dollars.

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

This year's report contains the following key findings.

- Fiscal year (FY) 2003-04 marked the first time in 12 years that California's local educational agencies as a whole spent more money than they received.
- Six school districts had very low fund reserves (1% or less of their general fund expenditures)¹ in FY 2003-04.
- The number of districts engaged in multi-year deficit spending increased during FY 2003-04. Compared to 248 districts in the prior year, 339 districts in FY 2003-04 engaged in multi-year deficit spending, a 36.7% increase. Although some school districts may have legitimate needs to engage in multi-year deficit spending (such as for building projects), this practice is often an indication that a district is facing financial difficulty.
- Long-term borrowing decreased by \$3.905 billion during FY 2003-04 to a total of \$4.188 billion, compared to \$8.094 billion in the prior year, a 48% decrease.
- The number of districts filing negative or qualified certifications relating to their ability to meet their financial obligations for the current and subsequent two fiscal years increased, from 65 in FY 2003-04 to 79 in FY 2004-05. Forty-seven school districts filed qualified interim financial reports and 14 school districts filed negative interim financial reports in the second reporting period of FY 2004-05, indicating that they may not meet their current and future financial obligations. Continuing financial difficulties may have a negative impact on these districts' educational programs.

¹ Title 5, *California Code of Regulations*, Sections 15443 and 15456, establishes standards for minimum reserves.

- The number of state and federal compliance findings in FY 2003-04 decreased from the prior year. Approximately 33% of the compliance findings are related to deficiencies in average daily attendance (ADA) accounting, which is the primary factor in determining the amount of funding a school district receives from the State.
- The school districts' annual audit reports disclosed 73 audit findings for the 882 elementary school districts participating in the class-size reduction program. There were also 98 audit findings for the 982 K-12 school districts and 58 county offices of education that received Instructional Time and Staff Development Reform Program funds.

Most of the information used to prepare this report is compiled from annual audit reports prepared for individual school districts by independent certified public accountants for FY 2003-04. Additional data came from interim financial report certifications submitted by school districts during FY 2004-05.

Introduction

The State Controller's Office 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 has responsibilities relating to the financial oversight of school districts (including county superintendents of schools), in accordance with *Education Code* Section 14500. These responsibilities include:

- Developing in consultation with the Department of Finance, State Department of Education, and other school representatives, an annual audit guide², which prescribes financial statements and other information that should be included in each school district's audit report, and provides guidance to the independent auditors conducting school district audits;
- Reviewing each school district's audit report submitted to the State and performing the associated follow-up actions, including compliance audits³;
- Tracking notifications from the school districts that identify substantial fiscal problems at interim reporting periods;
- Conducting selected school districts' annual financial and compliance audits as a condition of the districts receiving emergency state apportionment loans;
- Ensuring that satisfactory arrangements for an annual audit have been made for each school district;
- Performing quality control reviews of independent auditors; and
- Compiling pertinent data and reporting annually to the California State Legislature and the California Department of Education.

² *Standards and Procedures for Audits of California K-12 Local Educational 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 in the audit year, following the above process, 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.

³ Compliance audits are conducted to determine whether categorical state and federal program funds are expended in accordance with the applicable program laws and regulations.

Financial Indicators

Overview

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 districts within their jurisdictions.

Key financial indicators representing the financial health of school districts are presented in this chapter. Most of the indicators use data from annual audit reports prepared by independent certified public accountants (CPAs) for FY 2003-04. State law requires school districts approximately six months after the end of a fiscal year to submit an independent audit report to the State Controller's Office and the California Department of Education. Additional data comes from interim financial report certifications submitted by school districts during FY 2004-05 and from audits conducted by the State Controller's Office. Each section of the report specifies the fiscal year for which the data was obtained.

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.

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 number of districts filing qualified or negative certifications

During FY 2004-05, a total of 53 of the 982 school districts and 58 county offices of education in the State filed a qualified certification, and 10 districts filed a negative certification for the first period interim report. Of the 63 districts, 31 filed a second-period qualified interim report, 14 filed a second-period negative report, while 18 districts were able to take corrective action. However, an additional 16 districts filed qualified second-period interim reports, for a total of 61 districts filing qualified or negative certification for the second-period interim report (Table 1). Thus, 79 districts reported qualified or negative classifications in at least one of the two periods (Appendix A), and 23 school districts remained on the list from the prior year. School districts 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 qualified or negative certifications were (Appendix B):

- Deficit spending
- Salary and benefit negotiations
- Declining enrollment
- Special Education and other restricted fund encroachment
- Negative fund balance and cash flow problems

Table 1

SECOND-PERIOD INTERIM REPORTING HISTORY					
	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05*</u>
Positive	1,023	1,003	978	996	979
Qualified	18	34	55	35	47
Negative	<u>4</u>	<u>6</u>	<u>8</u>	<u>9</u>	<u>14</u>
Totals	<u>1,045</u>	<u>1,043</u>	<u>1,041</u>	<u>1,040</u>	<u>1,040</u>

* Additional information regarding districts that filed qualified or negative interim reports during FY 2004-05 is provided in Appendices A and B.

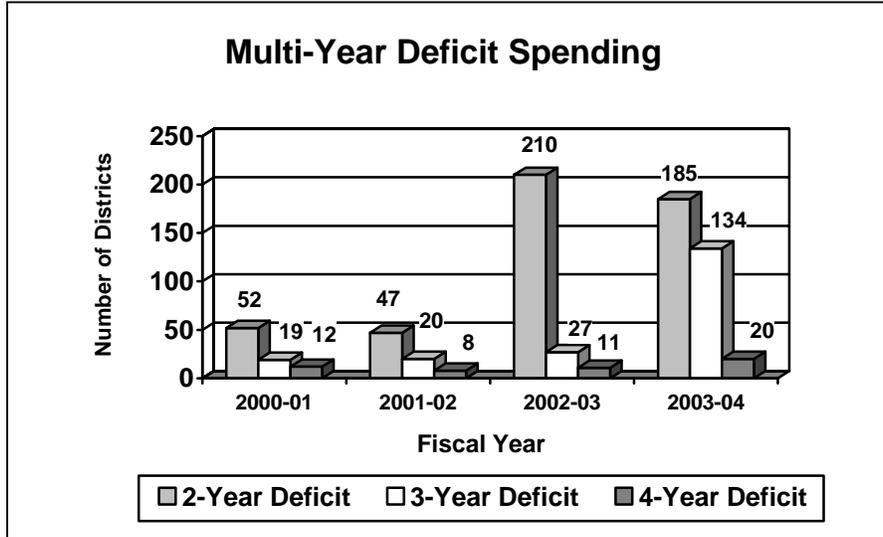
Deficit Spending

School district multi-year deficit spending increases

During FY 2003-04, single-year deficit spending decreased to 255 districts from 288 districts in the prior fiscal year.

However, the number of districts relying on multi-year deficit spending increased (Table 2). The biggest increase was for three-year deficit spending (134 districts, or 396%). Deficit spending patterns are closely monitored by the county offices of education and the California Department of Education to determine whether the districts are facing serious financial problems.

Table 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 an emergency apportionment loan through legislation. As a condition of acceptance of the loan, the superintendent will appoint an administrator or trustee to control, monitor, and review the operation of the district. The administrator or trustee will help the district to develop a five-year recovery plan.

School districts making timely payments

During the past 23 years, the State has granted more than \$224 million in emergency loans to school districts. Currently, five districts have outstanding loans (Table 3).

Table 3

DISTRICTS WITH OUTSTANDING LOANS				
Fiscal Year	School District	Amount of Loan	Outstanding Balance	Final Repayment Date
1990-91	West Contra Costa Unified	\$28.5 million	\$16.6 million	02/01/2018
2001-02	Emery Unified	\$2.3 million	\$1.1 million	09/30/2021
2002-03	West Fresno Elementary	\$2.0 million	\$1.2 million	12/30/2013
2002-03	Oakland Unified	\$100.0 million	\$62.2 million	06/05/2023
2003-04	Vallejo City Unified	\$50.0 million	\$50.0 million	06/24/2024

Annual payments for Oakland Unified School District, Emery Unified School District, and West Fresno Elementary School District are due in June, September, and December each year, respectively. The revised payment terms for West Contra Costa Unified School District requires payments due in February each year, starting in 2006. Vallejo City Unified annual payments are due in June.

General Fund Revenues and Expenditures

FY 2003-04 marked the first time in 12 years in which total school district general fund expenditures exceeded revenues (Table 4). Approximately 552 of the districts incurred expenditures in excess of revenues.

The cumulative fund balance or surplus for California school districts totaled \$4.472 billion at the end of FY 2003-04, a decrease of \$414 million from the prior year’s total of \$4.886 billion. As part of the total fund balance, the districts 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.

Table 4

SCHOOL DISTRICT GENERAL FUND REVENUES AND EXPENDITURES (in billions)									
	Fiscal Years								
	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04
Revenues	\$26.746	\$29.778	\$32.893	\$35.715	\$38.793	\$44.262	\$45.323	\$44.939	\$46.159
Expenditures	(26.026)	(29.040)	(32.017)	(34.675)	(37.690)	(42.804)	(44.342)	(44.774)	(46.372)
Surplus/(Deficit)	\$.720	\$.738	\$.876	\$ 1.040	\$ 1.103	\$ 1.458	\$.981	\$.165	\$ (.213)

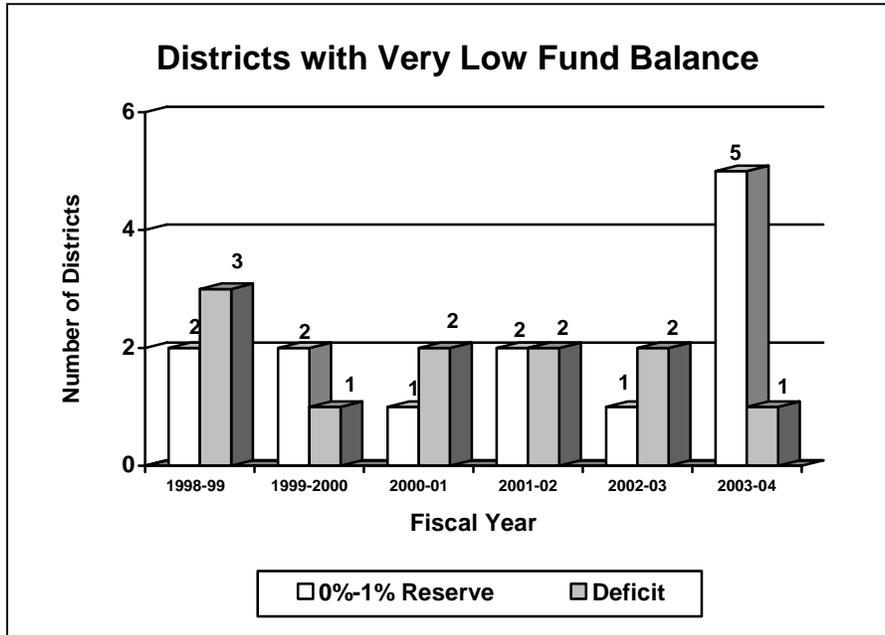
General Fund Balances

In their interim reports, school districts report to county offices of education on projected general fund balances and reserve levels for the current period and two subsequent years. The primary purpose of this reporting is to identify potential deficit spending early in the process so the trend can be reversed.

Number of districts with very low reserves increased by three

The number of school districts with low fund balance reserves or deficit balances increased by three. At the end of FY 2003-04, six of 982 school districts and 58 county offices of education had low fund balance reserves (1% or less of general fund expenditures) (Table 5). Five districts had a very low fund balance reserve and one district had a negative fund balance.

Table 5



Long-Term Borrowing

School districts' long-term borrowing decreased

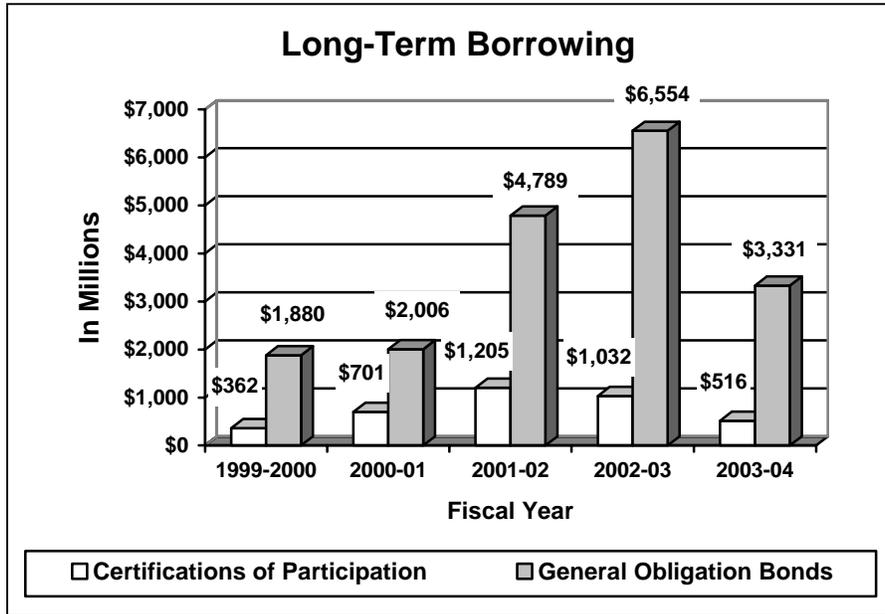
Generally, long-term debt is issued by districts to: fund the purchase, construction, or lease of buildings and equipment; refinance existing debt; or buy land for future use. In the past, it was not uncommon for financially troubled districts to issue long-term debt in order to finance current operations.

During FY 2003-04, school districts issued \$4.188 billion in long-term debt, a decrease of \$3.905 billion over the prior year (48%). The primary reason for the decrease in long-term debt is that one district issued a \$2.9 billion long-term debt in FY 2002-03, while this year no additional debt was issued by this district. Long-term debt financing included:

- **Certificates of Participation (\$516 million, or 12%)**—A financing technique that provides long-term financing through leasing of school facilities, such as buildings, with an option to purchase or a conditional sales agreement.
- **General Obligation Bonds (\$3.331 billion, or 80%)**—Bonds secured by the full faith and credit of the district. These long-term obligations generally are issued at more favorable rates than other types of debt because of their preferred status; that is, they are secured by the taxing authority of the district.
- **Limited Tax Obligation Bond Instruments and Other Debt (\$341 million, or 8%)**—A financing technique that provides long-term financing of capital projects. The bonds are repaid from incremental taxes on property in a redevelopment area.

School districts issued \$3.847 billion in certificates of participation and general obligation bonds during FY 2003-04, a decrease of \$3.739 billion (49%) over the prior year's \$7.586 billion (Table 6).

Table 6



Financing through certificates of participation decreased by \$516 million, and financing through general obligation bonds decreased by \$3.223 billion over the prior year. The certificates of participation were issued by 65 school districts during FY 2003-04.

Certificates of participation accounted for 12% of long-term borrowing in FY 2003-04, a 1% decrease from the previous year. In comparison, general obligation bonds accounted for 80% of long-term borrowing in FY 2003-04, a decrease of 1% from FY 2002-03.

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, a minimum of 34% of lottery sales must be distributed to school districts, community colleges, and other educational agencies. The division of this 34% between K-12 school districts and junior colleges fluctuates annually.

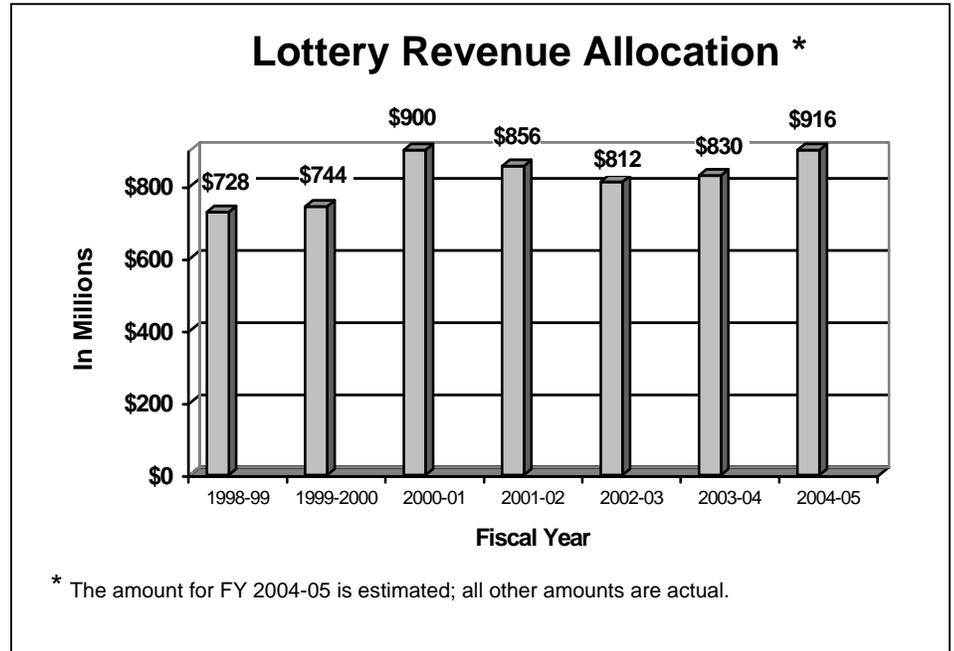
Lottery revenues projected to increase

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 allocated to school districts increased due to higher sales. Revenue for FY 2004-05 is projected to increase by 5.1% over FY 2003-04, up to \$916 million⁴—about \$138 per K-12 average daily attendance (Table 7).

⁴ The lottery revenue information is obtained from the California Department of Education, based on State Lottery projections.

Table 7



Program Compliance

Overview

The State Controller's Office also 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 conducts compliance audits.

Compliance Findings

School district auditors determine whether the districts and joint powers entities (JPEs) 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 JPEs are formed to provide a joint service to a group of districts and are governed by a board consisting of a representative from each member district. When a school district or JPE is not in compliance with applicable laws and regulations, the findings are communicated in the audit report.

The number of compliance findings contained in FY 2003-04 school district financial reports submitted by CPAs decreased from the prior year. There were 803 compliance findings in FY 2003-04, an 18.7% decrease from the 987 reported in FY 2002-03 (see Appendix C). The number of attendance accounting findings decreased by 40 (from 302 to 262, or 13.3%) from the prior year.

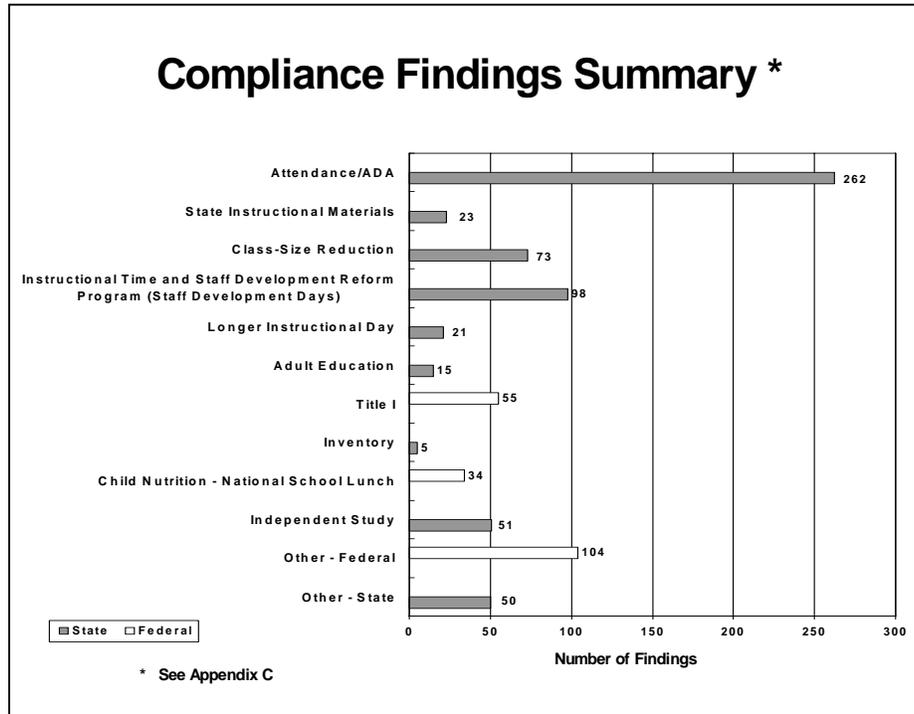
Some of the problems identified in the compliance findings may have a fiscal impact on district operations by causing a loss of state and federal funding. Of the 803 audit findings, 610 (76%) pertained to state programs and requirements, and 193 (24%) pertained to federal programs and requirements (see Table 8). Attendance-related findings accounted for 33% of compliance findings. The majority of the attendance findings were related to:

- Overstating ADA;
- Kindergarten continuation forms not being maintained and/or not in compliance with state requirements;
- Attendance reports being inaccurate or incomplete;
- Understating ADA;
- Not reconciling attendance reports to supporting documentation; and
- Not having attendance registers/scantrons signed by the teacher.

The FY 2003-04 school district audit reports also found that 8% of the 882 elementary school districts participating in the class-size reduction program did not fully comply with program reporting requirements. The audits identified 73 findings relating to the class-size reduction program. Most of the findings pertained to inaccuracies in reporting class-size totals.

The audits also disclosed 98 findings pertaining to the Instructional Time and Staff Development Reform Program. Of these, 67 (68.4%) pertained to overstated applications for funding.

Table 8



Reporting of Findings

Annual audit reports by CPAs are the primary source of information regarding a school district’s financial stability and its compliance with state and federal program requirements. Noncompliance with program laws and regulations is not always included in the audit reports. Some of these problems were either reported to the school district in the independent auditor’s management letter or were undetected by the independent auditor.

Audit Resolution Process

Education Code Section 41020(n) requires the State Controller to annually select a sampling of county superintendents of schools to perform a follow-up review of the audit resolution process. The scope of the reviews was limited to determining whether each COE followed its formal audit resolution process; resolved all the audit findings; followed up on the district’s corrective action plans; and notified the Superintendent of Public Instruction of its results.

In FY 2004-05, the State Controller’s Office performed reviews of the audit resolution processes of 5 county offices of education (COE).

The reviews disclosed that one COE submitted its certifications of corrective action late, and thus was not in compliance with *Education Code* requirements.

Quality Control

Overview

The State Controller, under *Education Code* Section 14504, reviews and certifies the annual independent audit reports submitted by each school district, county office of education, and joint powers entity (JPE) for compliance with audit guidelines set out in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (K-12 Audit Guide).

Audit Report Certifications

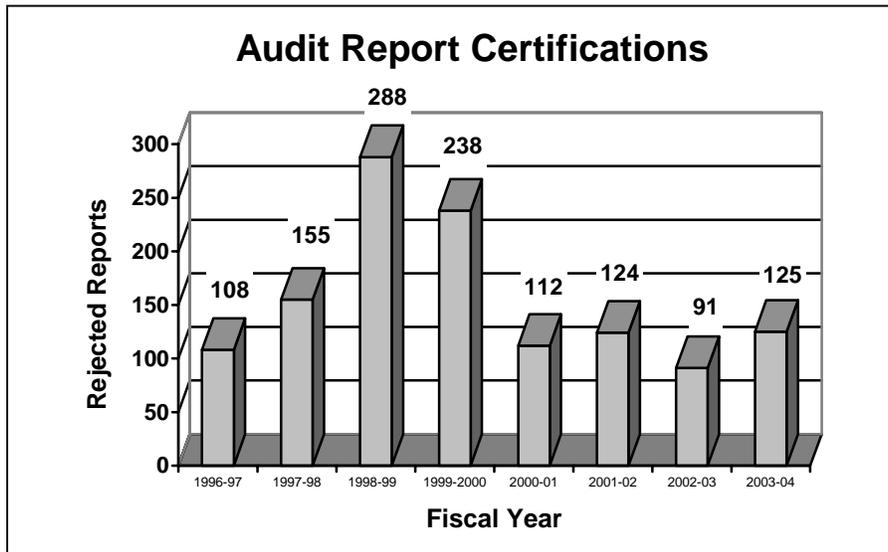
The State Controller’s Office determines whether audit reports conform to reporting provisions of the K-12 Audit Guide and provides notification to each school district, county office of education, independent auditor, and the State Superintendent of Public Instruction regarding the acceptance or rejection of each report.

For FY 2003-04, 88% of the audit reports were accepted; the remaining 12% were rejected upon initial review. The rejected audit reports were subsequently accepted after the independent auditors made requested corrections. Rejection of an auditor’s report is accompanied by a penalty whereby the independent auditor does not receive the 10% service fee, which is retained by the district until the audit report has been corrected and certified by the State Controller’s Office. In addition, if an independent auditor has had a report rejected (and not subsequently corrected) for the same district for two consecutive years, the auditor may be referred to the State Board of Accountancy for professional review.

Increase in rejected audit reports

The number of rejected reports increased by 34 from the prior year (from 91 to 125), a 37% increase (Table 9). The rejections resulted mainly from errors in reporting state compliance requirements and quantifying the fiscal impact of state compliance findings.

Table 9

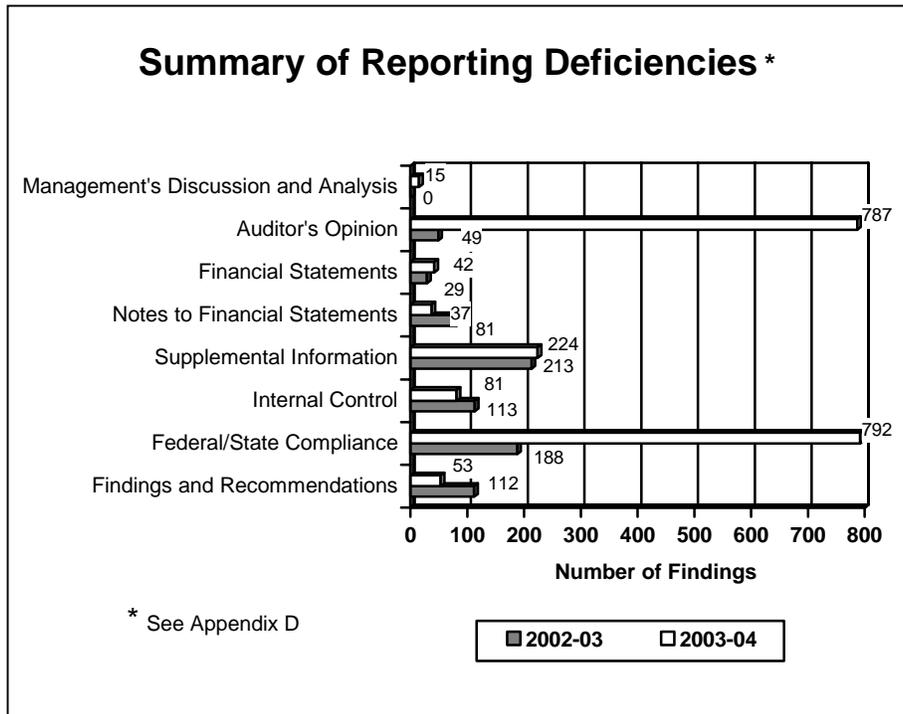


Reporting Deficiencies

Overall reporting deficiencies decreased

Upon initial review, the State Controller’s Office certified 915 (88%) of the 1,040 audit reports submitted by independent CPAs for FY 2003-04.

Table 10



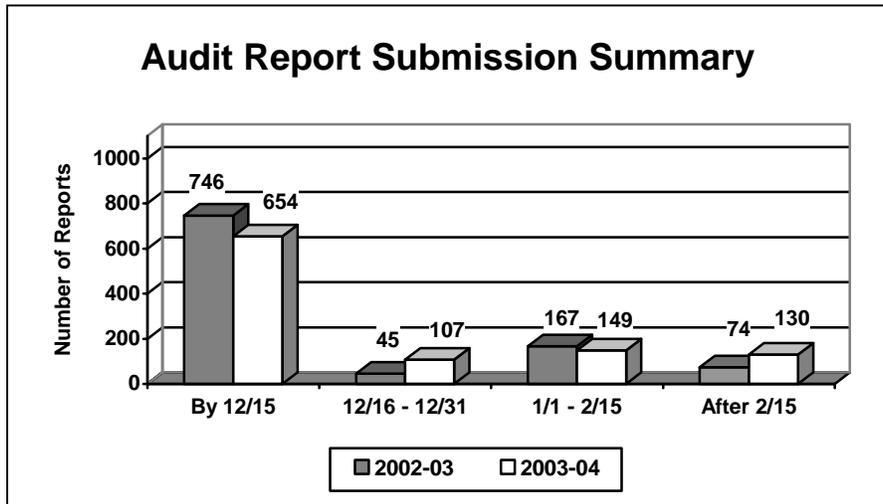
For FY 2003-04, there were 2,031 reporting deficiencies, an increase of 1,246 from the prior year’s 785 (Table 10).

Timely Submissions

Annual reports not 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. Filing deadline extensions may be granted, but only under extraordinary circumstances.

Table 11



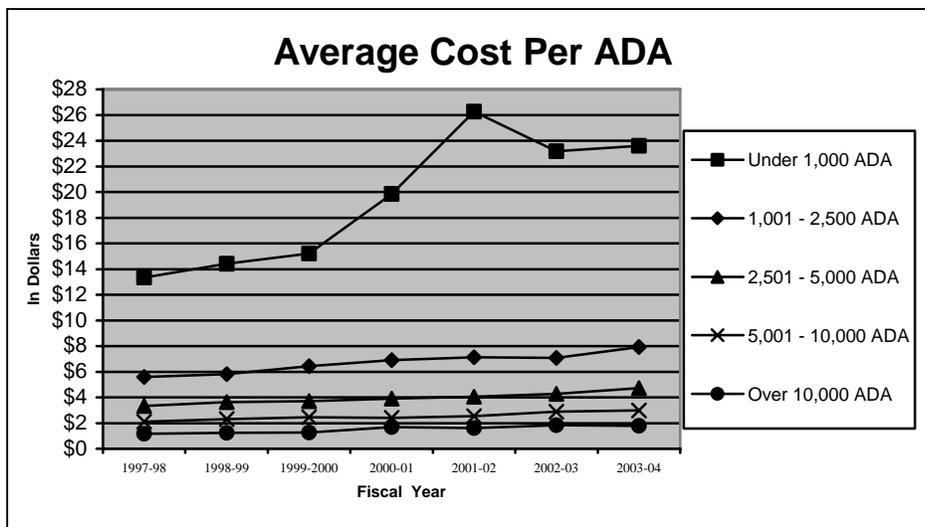
The number of annual audit reports submitted on time decreased from the previous year (Table 11). During FY 2003-04, 92 fewer reports were received by the December 15 deadline. This can be attributed to the implementation of GASB 34 for which 264 school districts requested an extension of the filing deadline. The majority of annual reports—654 of 1,040, or 63% —were submitted by the deadline.

Average Audit Cost per ADA

Average audit costs increased slightly

The State Controller’s Office maintains a database of information pertaining to audit contracts between local school districts and independent auditors. From that database, the total audit costs and cost per audit were determined, per unit of ADA, for school districts’ annual audits. Audit costs for the FY 2003-04 audits totaled \$18.30 million, an increase of \$1.58 million, or 9.4%, over total audit costs of \$16.72 million for FY 2002-03 (Table 12).

Table 12



The average audit cost per ADA increased slightly over the prior year. The largest increase of 12.2% (\$0.86) was for districts with 1,001 to 2,500 ADA.

Quality Control Reviews

Under Chapter 1128, Statutes of 2002, the State Controller’s effort in quality control reviews (QCRs) was expanded to include local educational agencies (LEAs) that have received a negative budget/interim report certification, and school districts that have a going concern issue, as determined by the county superintendent. Chapter 1128 also requires the State Controller’s Office to publish a directory of CPAs whom it deems qualified to conduct audits of LEAs. This directory is published by December 31 of each year.

QCRs are necessary to ensure that the CPAs are adequately reviewing the LEAs, are following generally accepted audit standards and government audit standards, and are including findings regarding financial stability and compliance with state and federal laws in the annual independent auditor’s reports.

The general objective of the QCRs 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 Educational Agencies* (K-12 Audit Guide); and
- Office of Management and Budget (OMB) Circular A-133.

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

- If the audit was performed in accordance with the standards and requirements, the SCO's opinion would be that the independent auditor fully complied with auditing standards and federal and state requirements.
- If the audit was performed in accordance with the majority of the standards and requirements, the SCO's opinion would be that the independent auditor complied with the majority of auditing standards and federal and state requirements.
- If the audit was performed in accordance with some elements of the standards and requirements, but the majority of standards and requirements have not been met, the SCO's opinion would be that the independent auditor complied with some elements of the standards and requirements; however, the majority of auditing standards and federal and state requirements had not been met.
- If the audit was not performed in accordance with the standards and requirements, the SCO's opinion would be that the independent auditor did not comply with auditing standards and federal and state requirements. This opinion will result in a referral of the independent auditor to the California State Board of Accountancy.

The SCO issued 10 final reports during FY 2004-05. Of the 10 reports:

- One independent auditor fully complied with auditing standards and federal and state requirements;
- Three independent auditors complied with the majority of auditing standards and federal and state requirements; and
- Six independent auditors complied with some elements of the standards and requirements; however, the majority of auditing standards and federal and state requirements had not been met.

Appendix A— Audit Report and Interim Report Disclosures of Impending Financial Problems

County School District	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2003-04 Average Daily Attendance	2004-05 Interim Report		2003-04 Interim Report Second
				First	Second	
Alameda County:						
Albany Unified	No	No	3,371	Q	P	P
Alameda Unified	No	No ¹	10,953	P	Q	P
Berkeley Unified	No	No	10,052	Q	Q	N
Hayward Unified	No	No ¹	26,665	N	N	Q
Livermore Valley Joint Unified	Yes ⁴	Yes ¹	14,141	Q	P	Q
Oakland Unified		⁴	49,185	N	N	N
Piedmont Unified	No	No	2,781	Q	Q	P
Amador County:						
Amador County Office	No	No	272	Q	Q	Q
Amador County Unified	No	No	4,366	Q	Q	Q
Butte County:						
Biggs Unified	No	Yes	753	Q	N ²	P
Contra Costa County:						
Antioch Unified	Yes	Yes ¹	20,426	Q	P	N
John Swett Unified	No	No	1,689	Q	Q	Q
Mt. Diablo Unified	No	No	37,074	Q	Q ²	P
El Dorado County:						
Black Oak Mine Unified	No	No	1,972	P	Q	P
Fresno County:						
Fresno Unified	No	No ¹	77,967	N	N	P
Parlier Unified	No	No	3,289	Q ²	N ²	P
West Fresno Elementary	Yes	Yes	893	N	N	N
Inyo County:						
Big Pine Unified	No	No	199	Q ²	Q	Q
Lone Pine Unified	No	No	393	P	Q ²	P
Round Valley Joint Elementary	No	No	116	P	Q ²	P
Kings County:						
Delta View Joint Union Elementary	No	No	90	Q	N	P
Los Angeles County:						
Bellflower Unified	Yes	Yes	15,914	Q	Q	P
Centinela Valley Union High	No	No	8,743	Q	P	P
El Rancho Unified	Yes	Yes ¹	12,648	Q	P	Q
Los Angeles Unified	No	No	779,646	P	Q	P
Lowell Joint School District	No	No	3,214	Q ²	P	P
Palmdale Unified	No	No	21,531	P	Q	P
Pasadena Unified	No	No	21,957	Q	P	P
Pomona Unified	No	No	38,503	Q	P	P
Torrance Unified	No	No	28,845	Q ²	Q ²	P
Westside Union Elementary	No	Yes ¹	7,108	Q	P	Q
Marin County:						
Novato Unified	No	No	7,439	P	Q	P
Mendocino County:						
Potter Valley Community Unified	No	No	262	Q ²	P	P
Ukiah Unified	No	No	6,301	Q	P	P
Willeys Unified	No	No	1,915	Q	Q	P

Appendix A (continued)

County School District	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2003-04 Average Daily Attendance	2004-05 Interim Report		2003-04 Interim Report Second
				First	Second	
Monterey County:						
North Monterey County Unified	No	No	5,138	P	Q	P
Salinas City Elementary	No	Yes ¹	8,215	N	N	Q
Washington Union	No	No	965	Q	Q	P
Napa County:						
Napa Valley Unified	No	No ¹	18,544	Q ²	P	P
Orange County:						
Huntington Beach City	No	No ¹	6,646	Q	Q	P
Placer County:						
Auburn Union Elementary	Yes	Yes	2,483	N ²	N	P
Placer Hills Union Elementary	No	No	1,303	Q	Q	P
Sacramento County:						
San Juan Unified	No	Yes	51,889	Q	Q	P
San Benito County:						
Hollister Elementary	No	No	5,901	P	Q	Q
San Bernardino County:						
Chino Valley Unified	No	No	32,892	Q	N	P
Cucamonga	No	No	2,730	P	Q	P
Needles Unified	No	No	1,100	Q	P	P
Oro Grande School District	No	No	142	N ²	P	P
Rim of the World Unified	No	No ⁵	5,240	P	Q	Q
San Joaquin County:						
New Hope Elementary	No	No	229	P	Q	P
San Mateo County:						
Jefferson Union High	No	No	6,333	Q	Q	P
La Honda-Pescadero Unified	No	No ¹	362	Q ²	Q ²	
South San Francisco Unified	No	No ¹	9,662	Q	Q	P
Santa Clara County:						
East Side High	No	No	26,740	N	N	P
Evergreen Elementary	No	Yes ¹	12,719	Q	Q	P
San Jose Unified	No	No	32,964	P	Q	P
Sunnyvale Elementary	No	Yes	5,790	Q	P	P
Santa Cruz County:						
Live Oak	No	No ¹	1,929	Q	P	P
Santa Cruz City Elementary/High	No	No ¹	7,766	Q	Q	Q
Shasta County:						
Happy Valley Unified Elementary	No	No	589	Q	Q	P
Junction Elementary	No	No	446	Q ²	Q	P
Oak Run Elementary	No	No	51	Q	Q	P
Sierra County:						
Sierra County Office	No	No ¹	62	Q	P	P
Siskiyou County:						
Big Springs Union Elementary	No	No	139	Q	Q	P
Dunsmuir Joint Union	No	No	123	P	Q	P
Yreka Union Elementary	No	No ¹	1,009	Q ²	Q	P
Solano County:						
Benicia Unified	No	No	5,200	Q	Q	Q
Vallejo City Unified	Yes	Yes	18,198	N	N	N

Appendix A (continued)

County School District	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2003-04 Average Daily Attendance	2004-05 Interim Report		2003-04 Interim Report Second
				First	Second	
Sonoma County:						
Bellevue Union Elementary	No	No	1,599	Q	Q	P
Cloverdale Unified	No	No ¹	1,482	P	Q	Q
Healdsburg Unified	Yes	No ¹	2,580	Q	Q	P
Piner Olivet Elementary	No	No ¹	1,614	P	Q	P
Stanislaus County:						
Keyes Union	No	No	1,587	Q	P	P
Sutter County:						
Marcum-Illinois Elementary	No	No	147	Q	N ²	P
Tehama County:						
Corning Union Elementary	No	No	1,878	Q	Q	Q
Los Molinos Unified	No	No	589	N ²	N ²	P
Trinity County:						
Trinity Union High	No	No ¹	497	Q	Q	Q
Tuolumne County:						
Twain Harte-Long Barn Union	No	No	480	Q	Q	Q
Yuba County						
Marysville Joint Unified	No	No	9,518	Q ²	Q ²	Q

Legend: P = Positive Q = Qualified N = Negative

¹ Disclosed in the Schedule of Findings and Questioned Costs.

² County office of education changed certification.

³ CDE changed certification.

⁴ Annual audit report has not been submitted; therefore, the information was not available.

⁵ Included in management letter by auditor.

Appendix B— School Districts Filing Qualified or Negative Interim Reports

County	School District	1 st /2 nd Certification	Deficit Spending	Declining Enrollment	Special Education Encroachment	Salary & Benefit Negotiations	Uncapped Health & Welfare Benefits	Prior Audit Adjustments	Analysis of Key Indicators for Financial Difficulties				Litigation/ and/or unfair labor claims
									Negative Fund Balance/ OR Cash Flow Problems	Post Employment Retiree Benefits	“Other” Restricted Fund Encroachment		
Alameda County:													
	Albany Unified ¹	Q/P	✓			✓							
	Alameda City Unified	P/Q											
	Berkeley Unified	Q/Q	✓			✓							
	Hayward Unified	N/N	✓	✓					✓		✓		
	Livermore Valley Joint Unified	Q/P	✓	✓									
	Oakland Unified	N/N	✓	✓		✓					✓		
	Piedmont Unified	Q/Q	✓			✓							
Amador County:													
	Amador County Office ¹	Q/Q											
	Amador County Unified ¹	Q/Q											
Butte County:													
	Biggs Unified	Q/N		✓		✓	✓		✓				
Contra Costa County:													
	Antioch Unified	Q/P							✓				
	John Swett Unified	Q/Q		✓	✓	✓	✓				✓		
	Mt. Diablo Unified	Q/Q		✓			✓		✓			✓	
El Dorado County:													
	Black Oak Mine Unified	P/Q		✓		✓			✓		✓		
Fresno County:													
	Fresno Unified	N/N		✓		✓	✓						
	Parlier Unified	Q/N		✓			✓	✓	✓				
	West Fresno Elementary	N/N		✓		✓		✓				✓	
Inyo County:													
	Big Pine Unified	Q/Q	✓	✓		✓							
	Lone Pine Unified ¹	P/Q											
	Round Valley Joint Elementary ¹	P/Q											

Appendix B (continued)

County	1 st /2 nd School District	Deficit Spending	Declining Enrollment	Special Education Encroachment	Salary & Benefit Negotiations	Analysis of Key Indicators for Financial Difficulties					
						Uncapped Health & Welfare Benefits	Prior Audit Adjustments	Negative Fund Balance/ OR Cash Flow Problems	Post Employment Retiree Benefits	“Other” Restricted Fund Encroachment	Litigation/ and/or unfair labor claims
Kings County:											
	Delta View Joint Union Elementary	Q/N	✓	✓							
Los Angeles County:											
	Bellflower Unified	Q/Q	✓		✓			✓			
	Centinela Valley Union High	Q/P	✓		✓						
	El Rancho Unified	Q/P	✓		✓						
	Los Angeles Unified	P/Q	✓		✓			✓		✓	
	Lowell Joint	Q/P	✓		✓		✓				
	Palmdale Unified	P/Q	✓		✓					✓	
	Pasadena Unified	Q/P	✓		✓						
	Pomona Unified	Q/P	✓		✓						
	Torrance Unified	Q/Q	✓						✓		
	Westside Union Elementary	Q/P	✓								
Marin County:											
	Novato Unified ¹	P/Q									
Mendocino County:											
	Potter Valley Unified	Q/P	✓	✓	✓						
	Ukiah Unified	Q/P	✓	✓	✓						
	Willets Unified	Q/Q	✓	✓	✓	✓					
Monterey County:											
	North Monterey County Unified ¹	P/Q									
	Salinas City Elementary	N/N	✓	✓							
	Washington Union	Q/Q	✓					✓			
Napa County:											
	Napa Valley Unified	Q/P	✓					✓			
Orange County:											
	Huntington Beach City	Q/Q	✓	✓	✓	✓					
Placer County:											
	Auburn Union Elementary	N/N	✓		✓						
	Placer Hills Union Elementary	Q/Q	✓		✓						

Appendix B (continued)

County	1 st /2 nd School District	1 st /2 nd Certification	Deficit Spending	Declining Enrollment	Special Education Encroachment	Salary & Benefit Negotiations	Analysis of Key Indicators for Financial Difficulties					Litigation/ and/or unfair labor claims
							Uncapped Health & Welfare Benefits	Prior Audit Adjustments	Negative Fund Balance/ OR Cash Flow Problems	Post Employment Retiree Benefits	“Other” Restricted Fund Encroachment	
Sacramento County:												
	San Juan Unified	Q/Q	✓	✓								✓
San Benito County:												
	Hollister Elementary	P/Q	✓			✓						
San Bernardino County:												
	Chino Valley Unified	Q/N	✓		✓			✓				
	Cucamonga	P/Q										
	Needles Unified	Q/P		✓		✓	✓					
	Oro Grande	N/P		✓		✓					✓	
	Rim of the World Unified ¹	P/Q										
San Joaquin County:												
	New Hope Elementary	P/Q	✓	✓		✓					✓	
San Mateo County:												
	Jefferson Union Elementary	Q/Q	✓	✓				✓				
	La Honda-Pescadero Unified	Q/Q	✓			✓		✓				
	South San Francisco Unified	Q/Q			✓	✓					✓	
Santa Clara County:												
	East Side High	N/N			✓	✓					✓	
	Evergreen Elementary	Q/Q			✓	✓	✓					
	San Jose Unified	P/Q		✓			✓					
	Sunnyvale Elementary	Q/P			✓		✓	✓	✓			
Santa Cruz County:												
	Live Oak ¹	Q/P										
	Santa Cruz City Elementary/High	Q/Q		✓		✓		✓				
Shasta County:												
	Happy Valley Unified Elementary	Q/Q	✓			✓					✓	
	Junction Elementary	Q/Q	✓	✓								
	Oak Run Elementary	Q/Q	✓			✓						
Sierra County:												
	Sierra County Office ¹	Q/P										

Appendix B (continued)

County School District	1 st /2 nd Certification	Deficit Spending	Declining Enrollment	Special Education Encroachment	Salary & Benefit Negotiations	Analysis of Key Indicators for Financial Difficulties					
						Uncapped Health & Welfare Benefits	Prior Audit Adjustments	Negative Fund Balance/ OR Cash Flow Problems	Post Employment Retiree Benefits	“Other” Restricted Fund Encroachment	Litigation/ and/or unfair labor claims
Siskiyou:											
Big Springs Union Elementary	Q/Q	✓	✓		✓				✓	✓	
Dunsmuir Joint Union	P/Q	✓	✓		✓	✓			✓		
Yreka Union Elementary	Q/Q	✓	✓		✓				✓		
Solano County:											
Benicia Unified	Q/Q		✓								
Vallejo City Unified	N/N	✓	✓	✓				✓		✓	
Sonoma County:											
Bellevue Union Elementary	Q/Q	✓	✓		✓					✓	
Cloverdale Unified	P/Q	✓	✓		✓			✓			
Healdsburg Unified	Q/Q	✓	✓		✓				✓	✓	
Piner Olivet Elementary	P/Q	✓	✓								
Stanislaus County:											
Keyes Union	Q/P		✓		✓						
Sutter County:											
Marcum-Illinois Elementary	Q/N	✓	✓	✓	✓			✓			
Tehama County:											
Corning Union Elementary	Q/Q			✓				✓	✓		
Los Molinos Unified	N/N	✓	✓					✓		✓	
Trinity County:											
Trinity Union High	Q/Q		✓		✓			✓			
Tuolumne County:											
Twain Harte-Long Barn Union	Q/Q	✓✓	✓	✓							
Yuba County:											
Marysville Joint Unified	Q/Q	✓			✓						

Legend: P=Positive Q=Qualified N=Negative

¹ Interim report did not provide sufficient information to accurately identify key indicators for financial difficulties.

Appendix C— Summary of Audit Report Compliance Findings

<u>Program</u>	<u>Description of Problem</u>	<u>Number of Findings</u>
STATE		
Adult Education	Attendance accounting deficiencies	6
	Attendance report does not reconcile	4
	Other findings	5
Longer Instructional Day	Instructional time requirements not met	14
	Other findings	4
	Lack of documentation/records	3
Continuation Education	Other findings	2
	Attendance accounting deficiency	17
Independent Study	Other findings	17
	Contract did not include all required elements	17
	Work samples not retained	2
	Attendance overstated	15
Summer School	Attendance accounting deficiencies	4
State Instructional Materials Fund	Expenditures not allowable	9
	Other findings	3
	Adopted/nonadopted requirements not met.	8
	Interest earned on allowance not allocated to the program	3
Attendance Requirements	Excused absences—problems with verification procedures/documentation	11
	Attendance accounting system not approved by CDE	2
	Attendance registers/scantrons not signed by teacher	23
	Attendance report does not reconcile to supporting documentation	34
	Attendance report inaccurate/incomplete	36
	Lack of documentation/records	17
	ADA overstated by 0-5 ADA	9
	ADA overstated by 5-10 ADA	1
	ADA overstated by 10-20 ADA	3
	ADA overstated by more than 20 ADA	1
	Kindergarten continuation forms not maintained and/or not in compliance with state requirements	65
	Absences claimed for apportionment	26
	Teacher(s) did not possess a valid certification document	2

Appendix C (continued)

<u>Program</u>	<u>Description of Problem</u>	<u>Number of Findings</u>
STATE (continued)		
Attendance Requirements (continued)	ADA understated by 0-5 ADA	11
	ADA understated by 5-10 ADA	1
	ADA understated by 11-20 ADA	1
	ADA understated by over 20 ADA	2
	Enrollment not reconciled to monthly attendance reports	3
	Other findings	14
Inventory of Equipment	Inventory of equipment not maintained	5
Gann Limit Calculation	Appropriation limit calculation deficiency	7
Class-Size Reduction	Number of classes and pupils reported on Form J-7 CSR understated	25
	Number of classes and pupils reported on Form J-7 CSR overstated	41
	Positive daily enrollment records/counts not maintained	1
	Other findings	6
Deferred Maintenance	Expenditures not allowable	6
	Other findings	1
	Matching funds not transferred as of June 30	1
Instructional Time and Staff Development Reform Program	Applications for funding overstated	67
	Lack of documentation/records	7
	Other findings	8
	Applications for funding understated	15
Other State Programs	Staff Development held on a minimum day	1
	Financial report inaccurate/not complete/multi-funded positions not supported	2
	Lack of documentation/records	1
Regional Occupational Center/Program	Other findings	9
		1
Administrator-to-Teacher Ratio	District has not performed ratio calculation	4
Community Day Schools	Attendance report inaccurate	6
Child Development	Other findings	1
Total state findings		<u>610</u>

Appendix C (continued)

<u>Program</u>	<u>Description of Problem</u>	<u>Number of Findings</u>
FEDERAL		
Special Education	Allowable costs/cost principles	15
	Special tests and provisions	2
Federal Programs	Noncompliance with requirements for allowable costs/cost principles	12
	Noncompliance with requirements for equipment and real property management	5
	Noncompliance with requirements for cash management	1
	Multifunded position not supported by time distribution records	26
	Noncompliance with requirements for procurement/suspension/debarment	5
	Other findings	6
School Breakfast Program	Activities allowed or unallowed	1
National School Lunch	Eligibility of participants	8
	Reporting requirements	1
	Special tests and provisions	5
	Activities allowed or unallowed	11
	Other findings	9
Title I— Grants to LEAs	Special tests and Provisions	1
	Equipment and real property management	4
	Period of availability of federal funds	9
	Expenditures overstated	3
	Allowable costs/cost principles	25
	Lack of documentation/records	3
	Activities allowed or unallowed	2
	Other findings	8
Child Care Food	Activities allowed or unallowed	1
	Eligibility	1
Vocational Education	Allowable costs/cost principles	1
Drug-Free Schools	Period of availability of federal funds	1
Other Federal	Reporting requirements	2
	Allowable costs/cost principles	15
	Equipment and real property management	3
	Lack of documentation/records	1
	Procurement and suspension debarment	1
	Other findings	3
	Matching, level of effort, earmarking	1
	Subrecipient monitoring	<u>1</u>
Total federal findings		<u>193</u>
Total state and federal findings		<u>803</u>

Appendix D— Summary of Audit Report Deficiencies

Description	Number of Findings	
	2002-03	2003-04
<u>Management's Discussion and Analysis</u>		
The Management's Discussion and Analysis was not included in the audit report.	0	15
	<u>0</u>	<u>15</u>
<u>Auditor's Opinion</u>		
The auditor's qualified opinion, due to departure from generally accepted accounting principles (GAAP), did not provide substantive reasons for departure and/or did not disclose possible effects on the financial statements.	37	0
The auditor's opinion did not state that the financial statements conformed with accounting principles generally accepted in the USA.	2	1
The auditor's report did not state that the audit was conducted in accordance with auditing standards generally accepted in the USA and government auditing standards (GAGAS).	0	2
Reference to a separate report on internal control over financial reporting and compliance and other matters was not included.	1	209
The auditor's report did not include a manual or printed signature of the auditor's firm and the date of the report.	0	2
The auditor's qualified opinion, due to a scope limitation, did not include paragraph explaining the limitation and/or did not disclose the possible effects on the financial statements.	2	2
The Independent Auditor's Report did not contain an adverse opinion because the entity did not implement GASB Statement 34 as required.	1	0
The auditor's report did not reference the required supplementary information (RSI).	1	3
The auditor's report did not state that the auditor applied limited procedures to the RSI.	5	4
The auditor's report did not identify supplementary information, including the Schedule of Expenditures of Federal Awards.	0	5
The independent auditor's report did not include an opinion on supplementary information.	0	12
Reference to a separate report on internal control over financial reporting and on compliance and other matters was deficient.	0	547
	<u>49</u>	<u>787</u>
<u>Basic Financial Statements</u>		
The fund balance was not properly reserved for material nonexpendable assets.	3	0
Interfund receivables did not equal interfund payables.	2	0
Reserves were not appropriate, and their nature and purpose were not clear.	7	10
The Statement of Changes in Fiduciary Net Assets—Fiduciary Funds was not properly presented.	7	5
The Statement of Activities was not properly presented.	1	2
The Statement of Fund Net Assets—Proprietary Funds was not properly presented.	3	0

Appendix D (continued)

Description	Number of Findings	
	2002-03	2003-04
<u>Basic Financial Statements (cont.)</u>		
The Statement of Revenues, Expenses, and Changes in Fund Net Assets–Proprietary Funds was not properly presented.	3	0
The Statement of Cash Flows–Proprietary Funds was not properly presented.	2	0
The Statement of Fiduciary Net Assets–Fiduciary Funds was not properly presented.	1	4
The Statement of Net Assets was not properly presented.	0	3
The Balance Sheet–Governmental Funds was not properly presented.	0	5
The Reconciliation of the Government Fund Balance Sheet to the Statement of Net Assets was not properly presented.	0	5
The Statement of Revenues, Expenses, and Changes in Fund Balances–Governmental Funds was not properly presented.	0	6
The Reconciliation of the Government Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities was not properly presented.	0	2
	<u>29</u>	<u>42</u>
<u>Notes to the Financial Statements</u>		
All activities, organizations, or functions of government related to the entity were not identified.	1	0
The notes did not adequately disclose all material items necessary for a fair presentation of the financial statements (long-term debt, issuance of certificates of participation, pension obligations, prior-period adjustments, etc.).	1	1
The notes did not include full disclosure with respect to long-term debt.	3	26
The notes did not adequately disclose prior-period restatements or adjustments.	1	1
The notes did not adequately describe the criteria used in determining whether other entities should be considered component units of the reporting entity.	5	7
The notes did not include adequate disclosure with respect to detail of debt service requirements.	50	0
The notes did not include adequate disclosure of capital assets and depreciation.	20	2
	<u>81</u>	<u>37</u>
<u>Supplemental Information Section</u>		
The Schedule of Expenditures of Federal Awards did not include the required federal catalog numbers, total expenditures for each federal program were not listed, or the schedule did not include all the required programs. For FY 2003-04, the SCO reviewed additional attributes and identified:		
<ul style="list-style-type: none"> • Individual federal programs by federal agency and, for a cluster of programs, individual programs within the cluster. • For federal awards received as a subrecipient, the name of the pass-through entity and the identifying number assigned by the pass-through entity. 	196	166
The notes did not disclose the district’s participation in the Early Retirement Incentive program.	3	3

Appendix D (continued)

Description	Number of Findings	
	2002-03	2003-04
<u>Supplemental Information Section</u> (continued)		
The reconciliation of annual financial and budget report with audited financial statements was not included.	5	9
The Schedule of Instructional Time was not included or the schedule was deficient.	8	19
The separate budgetary comparison schedule for the general fund and each major special revenue fund was not properly presented.	0	26
The Schedule of Average Daily Attendance was not included.	1	0
The Schedule of Financial Trends and Analysis was not included or the schedule was deficient.	0	1
	<u>213</u>	<u>224</u>
<u>Internal Control Section</u>		
The Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards did not reference the financial statements audited.	34	11
The Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards was deficient.	11	58
The Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards did not include a statement that the audit was conducted in accordance with GAGAS and auditing standards generally accepted in the USA.	3	9
The Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards did not include a statement regarding legal restrictions on report distribution.	63	1
The Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards did not include a statement regarding test results.	2	1
The Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards did not include a statement that the auditor performed tests of compliance.	0	1
	<u>113</u>	<u>81</u>
<u>Federal and State Compliance Section</u>		
The Auditor's Report on State Compliance was deficient.	35	58
The Auditor's Report on State Compliance did not include a statement regarding legal restrictions on report distribution.	94	53
The Auditor's Report on State Compliance cited the incorrect reference for the K-12 audit guide.	0	632

Appendix D (continued)

Description	Number of Findings	
	2002-03	2003-04
<u>Federal and State Compliance Section (cont.)</u>		
The Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 (Compliance section) was deficient.	16	11
The Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 (Internal Control over Compliance section) was deficient.	3	38
The Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 was not included.	1	0
The Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 did not include a statement regarding legal restrictions on report distribution.	39	0
	<u>188</u>	<u>792</u>
<u>Findings and Recommendations Section</u>		
The Schedule of Findings and Questioned Costs was not included.	0	3
No report on the auditee's corrective action plan to eliminate noncompliance was included in the report.	8	6
The audit findings were not coded with the correct five-digit number.	16	8
Noncompliance was reported, but sufficient data was not presented.	21	4
The Schedule of Instructional Time indicated noncompliance with the requirements, but the finding was not included in the report.	11	5
The fiscal impact resulting from noncompliance was not quantified.	30	14
Available reserves were below the minimum required and management's plans were not addressed, and/or a going concern note was not included.	12	5
Major federal programs were not identified.	1	1
Sufficient information for judging the frequency and consequences of noncompliance was not included.	12	5
Questioned or unsupported costs material to the financial statements were not properly disclosed.	1	2
	<u>112</u>	<u>53</u>
Total number of findings	<u>785</u>	<u>2,031</u>

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Division of Audits
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