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## Chiang Releases Annual Financial Report of California's Schools

*Report Contains the First Year of Financial Data Available for Charter Schools*

**SACRAMENTO** – State Controller John Chiang released his *Annual Financial Report of California K-12 Schools* that shows most of California's 976 school districts and 58 county offices of education improved their financial health during the 2005-06 fiscal year.

“California's schools have limited financial resources at their disposal in order to operate and educate,” Chiang said. “We all have a role in ensuring that we are planning for the State's future education needs. I'm pleased that this report shows our schools, on a whole, stayed on budget and met their reserve requirements by spending less money than they received.”

The Controller's report findings are based on reviewing local education agency audit reports, financial and statistical data, and tracking financially troubled school districts.

The report contains key findings, including the number of school districts engaged in multi-year deficit spending has decreased from 228 districts in the prior fiscal year to 102 districts in the 2005-06 fiscal year. Although some districts may legitimately need to engage in multi-year deficit spending, such spending also may indicate that districts are facing financial difficulties.

The Controller's Office also certifies independent audit reports submitted by local education agencies for compliance with audit guidelines and notifies the agencies, independent auditors and the Superintendent of Public Instruction when reports have been accepted or rejected. For the 2005-06 fiscal year, the Controller's Office rejected 188 more reports than the prior year. The number of rejections jumped from 170 in 2004-05 to 358 in 2005-06, a 111 percent increase.

However, the Controller's report revealed that charter schools submitted a majority of the rejected independent audit reports. Charter school reports comprised 236 of the 358 rejected reports, primarily because the reports lacked required components and supplemental information that the Controller's Office requires for transparency and accountability in fiscal reporting.

The Controller's report notes that the 2005-06 fiscal year was the first year that charter school audits were required to comply with some of the same audit guidelines as other local education agencies. The Controller's Office will continue to strive to improve the quality of charter school audit reports by monitoring the reports and educating independent auditors and charter school administrators to ensure that the reports provide an accurate picture on the financial status of charter schools.

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The report also shows lottery revenues to schools have increased to \$1.034 billion in 2005-06 from \$950 million in the prior fiscal year. The allocation of lottery revenues is based on a percentage of lottery sales and distributed to school districts based on average daily attendance.

The State Controller conducts annual audits of California's K-12 public schools, and has broad authority to oversee state and federal funding in order to promote greater fiscal accountability. The *Annual Financial Report of California K-12 Schools* covers the period of July 1, 2005 through June 30, 2006. The report also includes information from the 2006-2007 Interim Report.

To view the entire [Annual Financial Report of California K-12 Schools](#), please visit the State Controller's Web site at [www.sco.ca.gov](http://www.sco.ca.gov).

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