

**REPORT ON FINANCIAL TRENDS AND
SIGNIFICANT FINDINGS IN AUDITS OF
DISTRICT SCHOOL BOARDS**

For the Fiscal Year Ended
June 30, 2008



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

REPORT ON FINANCIAL TRENDS AND SIGNIFICANT FINDINGS IN AUDITS OF DISTRICT SCHOOL BOARDS

SUMMARY

This report provides a summary of financial trends and significant findings identified in the audits of the 67 district school boards. The audits of 51 school districts were performed by our office and the audits of 16 school districts were performed by other independent certified public accountants for the 2007-08 fiscal year. The audit reports prepared by the other independent certified public accountants were required to be filed with us no later than June 30, 2009.

Summary of Financial Trends

- At June 30, 2008, school districts Statewide had an average level of unreserved fund balance in the general fund that was approximately 7.88 percent of general fund revenues (financial condition ratio) which represents a slight decline from the average financial condition ratios for the previous four years. However, 11 of the 67 school districts had financial condition ratios that were less than 2.5 percent at June 30, 2008, which represents a significant increase over the number of school districts with ratios less than 2.5 percent in the preceding four years. There were four school districts with ratios of less than 2.5 percent at June 30, 2007. In these circumstances, the 11 school districts have significantly less resources available for emergencies and unforeseen situations than other school districts.

Summary of Significant Audit Findings

- Sixty-four of 67 audit reports included audit findings addressing weaknesses in internal control or instances of noncompliance with applicable laws or rules. Seven audit reports included one or more findings that were considered to be material weaknesses, two of which also cited instances of material noncompliance.

BACKGROUND

Section 11.45, Florida Statutes, provides for audits of district school boards to be performed annually by the Auditor General or by an independent certified public accountant. The scope of these audits includes an examination of the financial statements, the issuance of a report on compliance and internal control in accordance with government auditing standards, and the issuance of a report on compliance and internal control relative to Federal awards in accordance with United States Office of Management and Budget *Circular A-133*.

Section 11.45, Florida Statutes, provides that we annually compile a summary of financial trends and significant findings identified in audits of district school boards.

FINANCIAL TRENDS

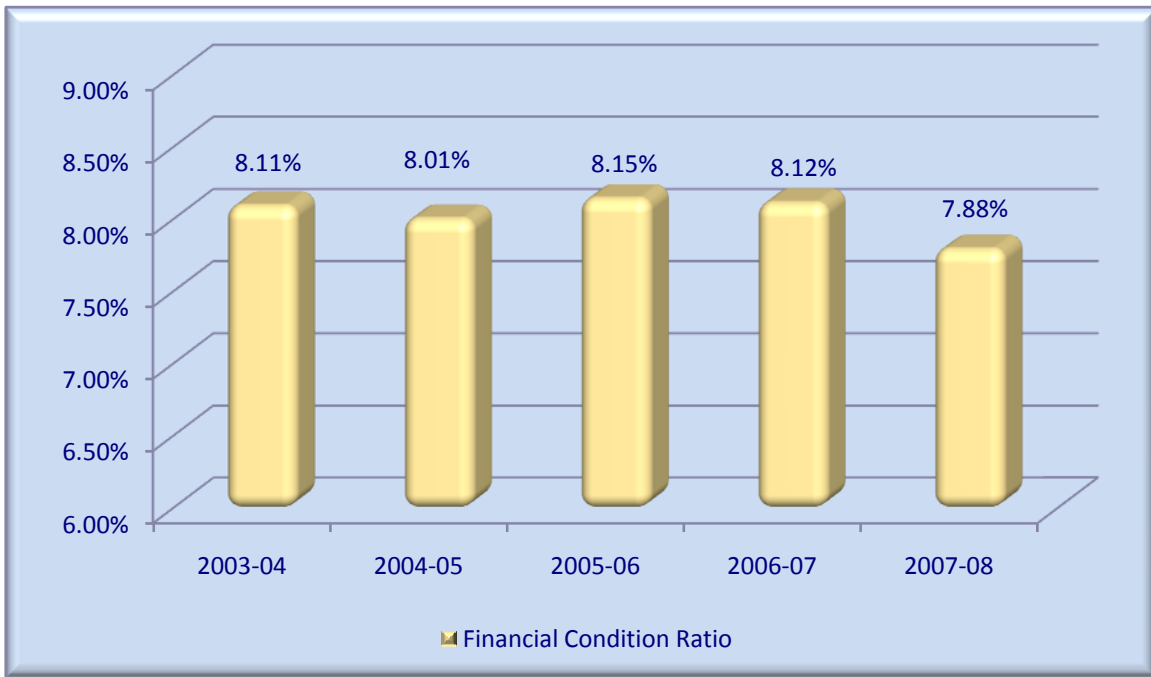
Section 11.45, Florida Statutes, requires us to report school district financial trends as identified in audits of district school boards. This requirement, along with other inquiries, evidences that critical interest exists to understand and address factors that affect the financial condition of school districts.

The general fund accounts for the majority of the operating resources and expenditures of school districts, and provides the majority of the operating resources for K-12 educational programs. Accordingly, the general fund is used as the primary basis for measurement of financial condition.

Financial Condition Trends

The financial condition measure used in this report is the ratio of the unreserved fund balance to the revenues in the general fund (see Exhibit 10). The average financial condition ratio was 7.88 percent at June 30, 2008, which is a slight decline from the average financial condition ratios for the previous four years.

Exhibit 1
Average Financial Condition Ratios
for School Districts¹



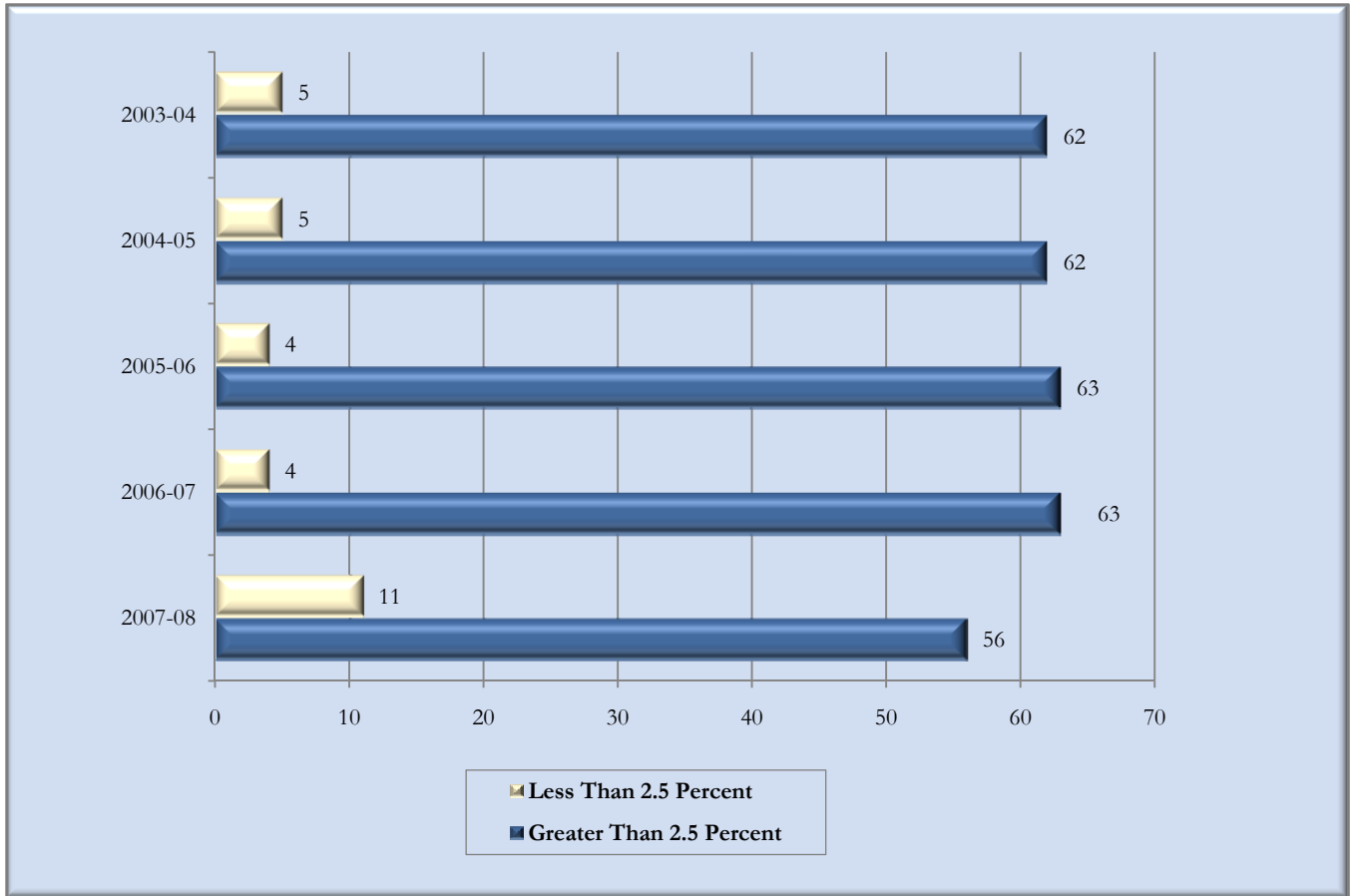
Source: Auditor General

Additional information on the financial condition measures is included under the subheading **Financial Condition Background**.

¹ The Statewide financial condition ratio averages for the 2003-04, 2004-05, and 2005-06 fiscal years were originally calculated to limit the skewing of the average by relatively small school districts that had financial condition ratios well outside the normal range. For those fiscal years, the financial condition ratios included in the Statewide average calculation were capped at 20 percent per year. Without consideration of the 20 percent cap per year, the percentages would have been 8.62, 8.40, and 8.66 percent for the 2003-04, 2004-05, and 2005-06 fiscal years, respectively.

The change in the financial condition ratio has been less consistent on an individual school district basis. Each fiscal year there are several school districts with financial condition ratios of less than 2.5 percent. Exhibit 2 shows the number of school districts with a financial condition ratio of less than 2.5 percent during the five-year period ending with the 2007-08 fiscal year.

Exhibit 2
Number of School Districts with Financial Condition Ratios Above and Below 2.5 Percent



Source: Auditor General

As indicated in Exhibit 2, 11 school districts had financial condition ratios that were less than 2.5 percent at June 30, 2008, which represents a significant increase over the number of school districts with ratios less than 2.5 percent in the preceding four years. In these circumstances, these school districts have significantly less resources available for emergencies and unforeseen situations than other school districts.

Exhibit 3 identifies those school districts whose financial condition ratio was less than 2.5 percent at June 30, 2008.

**Exhibit 3
School Districts with Financial Condition
Ratios Less Than 2.5 Percent**

School District	Financial Condition Ratio - 06-30-2008	Number of Consecutive Years Ratio Under 2.5%
Flagler	2.20%	2
Franklin	1.05%	1
Gadsden	2.44%	3
Gilchrist	2.11%	1
Gulf	1.58%	1
Hendry	2.09%	1
Jefferson	-0.38%	1
Manatee	1.52%	1
Miami-Dade	-0.32%	2
Putnam	2.19%	1
Taylor	-6.05%	5

Note: Ratios were calculated based on all school districts reserving fund balance for inventories (purchases method).

Source: Auditor General

The financial condition ratio of several other school districts was under 2.5 percent during the five-year period, but not at June 30, 2008. Historically, school districts that experience a weak financial condition implement measures that generally restore their financial condition to a favorable position within one or two fiscal periods. As noted above, the financial condition ratio of one school district (Taylor) was below 2.5 percent for 5 consecutive years. During the 2007-08 fiscal year, the school district notified the Commissioner of Education and Legislative Auditing Committee that a financial emergency had occurred, and requested assistance from the Florida Association of District School Superintendents (FADSS) in developing a plan to improve the District’s financial conditions. FADSS issued a report, dated March 2008, containing certain cost savings recommendations, including the elimination of staff positions and reductions in the work time for other positions; the consolidation of bus routes; payment of certain operating costs, as allowable, from restricted revenue sources; and increases in various fees. Internal control deficiencies of the school district that may have contributed to the decline in financial condition are further discussed under the subheading **Material Weaknesses and Material Noncompliance**.

For the 2008-09 fiscal year, pursuant to Section 1011.051, Florida Statutes, school district superintendents were required to notify the respective school board and Commissioner of Education if the unreserved general fund balance in the district's approved operating budget was projected to fall below 3 percent of projected general fund revenues during the current fiscal year. During the 2008-09 fiscal year, ten school districts (Bradford, Collier, Gadsden, Glades, Jefferson, Levy, Miami-Dade, Taylor, Volusia, Washington) submitted notifications to the Commissioner of Education.

Factors Impacting Financial Condition

In our analyses of school district financial trend data, we identified factors that impact on the financial condition of school districts and that may increase the risk of weak financial condition. While no single factor is identified as a guaranteed predictor of weak financial condition, factors such as declining enrollment, rapidly increasing enrollment, and school and class sizes require the exercise of effective financial management to limit the impact on the school districts' financial condition.

Declining Enrollment. Although Statewide enrollment increased from the 2002-03 fiscal year to the 2007-08 fiscal year, a decline in student enrollment of approximately 10,000 was noted from the 2006-07 fiscal year to the 2007-08 fiscal year. Exhibit 4 shows 19 school districts that had declining enrollment, of more than 1 percent, over the five-year period. School districts in this situation, particularly the smaller school districts, experience difficulty with these gradual enrollment declines as it is difficult to reduce instructional staff because often no one grade or class within an individual school may be affected enough to justify the reduction of instructional staff.

Exhibit 4
School Districts with Declining Enrollment over Five Years

School District	2007-08 Unweighted FTE*	2002-03 Unweighted FTE*	Decrease	Percentage Decrease
Jefferson	1,146.14	1,516.38	(370.24)	-24.42%
Madison	2,774.93	3,299.34	(524.41)	-15.89%
Bradford	3,392.11	3,894.13	(502.02)	-12.89%
Monroe	8,044.37	9,074.38	(1,030.01)	-11.35%
Franklin	1,193.09	1,310.09	(117.00)	-8.93%
Gadsden	6,004.05	6,583.79	(579.74)	-8.81%
Taylor	3,056.30	3,294.11	(237.81)	-7.22%
Hamilton	1,905.09	2,032.07	(126.98)	-6.25%
Miami-Dade	344,868.72	366,639.09	(21,770.37)	-5.94%
Putnam	11,406.48	12,042.94	(636.46)	-5.28%
Hendry	7,244.01	7,617.68	(373.67)	-4.91%
Pinellas	107,220.52	112,734.04	(5,513.52)	-4.89%
Escambia	41,068.16	42,943.01	(1,874.85)	-4.37%
Okaloosa	29,626.02	30,589.33	(963.31)	-3.15%
Alachua	27,557.05	28,205.80	(648.75)	-2.30%
Broward	257,239.59	262,703.54	(5,463.95)	-2.08%
Dixie	2,115.16	2,159.93	(44.77)	-2.07%
Holmes	3,353.38	3,401.38	(48.00)	-1.41%
Duval	124,834.80	126,113.28	(1,278.48)	-1.01%

* Full-time Equivalent

Source: Auditor General

Increasing Enrollment. Conversely, as shown in Exhibit 5, 14 school districts have had enrollment growth, in excess of 10 percent and 1,000 full-time equivalent (FTE) students, over the five-year period. Although these school districts experience an increase in FTE-based revenue for the increased enrollment, the revenue increases can lag behind school district expenditures when staffing new schools and paying initial start-up costs. Also, there is a greater risk that rapidly growing school districts may err when making FTE projections and overestimate FTE. Not only are these errors costly when FTE-based revenues are adjusted, but the school districts generally have made costly hiring and other expenditure decisions based on the estimated enrollment projections.

**Exhibit 5
School Districts with Increasing Enrollment of More
Than 10 Percent and 1,000 FTE* Students Over Five Years**

School District	2007-08 Unweighted FTE*	2002-03 Unweighted FTE*	Increase	Percentage Increase
Flagler	12,580.39	7,590.46	4,989.93	65.74%
Osceola	51,913.41	40,086.32	11,827.09	29.50%
St. Lucie	39,902.49	31,123.89	8,778.60	28.21%
Lee	79,094.60	62,114.97	16,979.63	27.34%
St. Johns	27,737.19	21,829.77	5,907.42	27.06%
Lake	39,677.64	31,426.66	8,250.98	26.25%
Hernando	22,704.58	18,090.08	4,614.50	25.51%
Clay	35,999.63	29,509.99	6,489.64	21.99%
Pasco	65,558.36	53,964.33	11,594.03	21.48%
Polk	93,015.26	81,291.96	11,723.30	14.42%
Collier	42,081.34	37,717.54	4,363.80	11.57%
Indian River	17,481.15	15,715.21	1,765.94	11.24%
Hillsborough	190,800.43	171,936.54	18,863.89	10.97%
Sarasota	41,919.98	37,903.57	4,016.41	10.60%
* Full-time Equivalent				

Source: Auditor General

Number and Sizes of Schools. Considerable variation exists in the number and size of schools. Some school districts have a predominantly larger number of schools, and some have a predominantly smaller number of schools. Additionally, some have varying combinations of large, medium, and small school sizes. Logically, larger schools cost less per student than smaller schools because the salary, benefits, and fixed costs are spread over a larger number of students. We do not intend to suggest that smaller schools are inappropriate; rather, that the number and sizes of schools are relevant factors that impact financial condition among school districts.

Future Financial Trends Considerations

Economic Downturn. The weakness in the State of Florida’s economy for the last few fiscal years has resulted in State funding reductions from the original budgeted increase in funding amounts via mid-year holdbacks for the school districts. For the 2007-08 fiscal year, the base FTE Florida Education Finance Program (FEFP) allocation was initially estimated to be \$4,163.47. After two revisions reducing this amount by a total of \$83.73, the final per FTE FEFP allocation amounted to \$4,079.74, an increase of \$98.13 over the 2006-07 fiscal year allocation of \$3,981.61.

However, based on the 2008-09 FEFP Fourth Calculation released by the Florida Department of Education in April 2009, the per FTE FEFP allocation for the 2008-09 fiscal year, is expected to decline by \$193.60 to \$3,886.14, from the 2007-08 fiscal year final allocation. In addition, FTE in school districts declined by approximately 10,000 from the 2006-07 fiscal year to the 2007-08 fiscal year, and further decline in enrollment of approximately 20,000 is expected in the 2008-09 fiscal year. Under these conditions, effective financial monitoring and timely and appropriate adjustments to operations are critical to school districts to ensure that the costs of operations remain within available financial resources.

Debt and Other Long-Term Financing. School Districts may finance capital outlay projects by issuing long-term debt such as general obligation bonds and district revenue bonds and by entering into long-term lease finance arrangements generally referred to as certificates of participation. The long-term debt and other financing obligations reported as outstanding as of June 30, 2008, consisted primarily of: certificates of participation totaling more than \$14 billion, Qualified Zone Academy Bonds (QZABs) of more than \$171 million, and district revenue, general obligation, and State Board of Education bonds totaling approximately \$1.4 billion, \$463 million, and \$696 million, respectively. Generally, school districts extinguish their debt through various pledged resources such as capital outlay millage, discretionary sales surtax, pari-mutuel, and other tax proceeds. As of June 30, 2008, pledged resources were sufficient to cover the required debt service by school districts. However, given the impact of the economic downturn on revenue sources, such as sales tax and property assessments, districts will need to closely monitor the impact on required debt service payments.

American Recovery and Reinvestment Act. The distribution of more than \$3.5 billion dollars of American Recovery and Reinvestment Act (ARRA) funds to the school districts' K-12 programs began in the 2008-09 fiscal year, with the overall goals of improving schools and achievement and producing better results for students. ARRA is expected to have a significant financial impact for the 2009-10 and 2010-11 fiscal years on school districts with funding amounts, as of September 2009, for State stabilization, Federal Special Education, and Federal Title I programs estimated to be \$2.7 billion, \$670 million, and \$491 million, respectively. Further, numerous ARRA competitive grants will be made available to school districts, such as the Race to the Top Incentive and the Innovation Fund grants, and other grants awarded to the school districts through Federal, State, and local agencies.

To support the most effective use of the funds and measure results, recipients are required to report quarterly expenditures tied to the assurance, principles, and strategies associated with ARRA Federal programs. Beginning in October 2009, school districts will have to meet this reporting requirement by the fifth day of each month following the end of the quarter. The necessary information to be reported will include, for example, project descriptions, activity descriptions, job creation and retention data, infrastructure information, subrecipient information, recipient area of benefit information, and population data.

School District Funding Trends

School district governmental funds include the general fund, special revenue funds, debt service funds, and capital projects funds. School districts frequently have fiduciary funds (agency and trust funds) and proprietary funds (primarily internal service funds that account for such activities as self-insurance programs). However, substantially all of a school district's resources are accounted for in the governmental funds. Exhibit 6 shows that school districts reported revenues of approximately \$29.3 billion in the governmental funds during the 2007-08 fiscal year, an increase of \$834 million over the previous fiscal year.

**Exhibit 6
Statewide Revenues – All Governmental Funds
Fiscal Year 2007-08**

Governmental Fund Type	Amount	Percent
General Fund	\$ 20,216,830,585	68.99%
Other Funds	9,089,462,969	31.01%
Total	\$ 29,306,293,554	100.00%

Source: Auditor General

Exhibit 7 shows total governmental fund type revenues reported by school districts for the 2007-08 fiscal year by revenue source.

**Exhibit 7
All Governmental Funds – Revenues by Source
Fiscal Year 2007-08**

Sources	Amount	Percent
Federal	\$ 2,528,728,187	8.63%
State	11,793,707,387	40.24%
Local	14,983,857,980	51.13%
Total	\$ 29,306,293,554	100.00%

Source: Auditor General

The \$834 million increase in total revenues during the 2007-08 fiscal year consisted of a net decrease in Federal revenues of approximately \$5 million, an increase in State revenues of approximately \$231 million, and an increase in local revenues of approximately \$608 million. Total Federal revenues decreased by 0.18 percent, while State and local revenues increased by 2.00 and 4.23 percent, respectively.

Exhibit 8 shows Federal, State, and local sources reported in the general fund (operating fund) of school districts for the 2007-08 fiscal year.

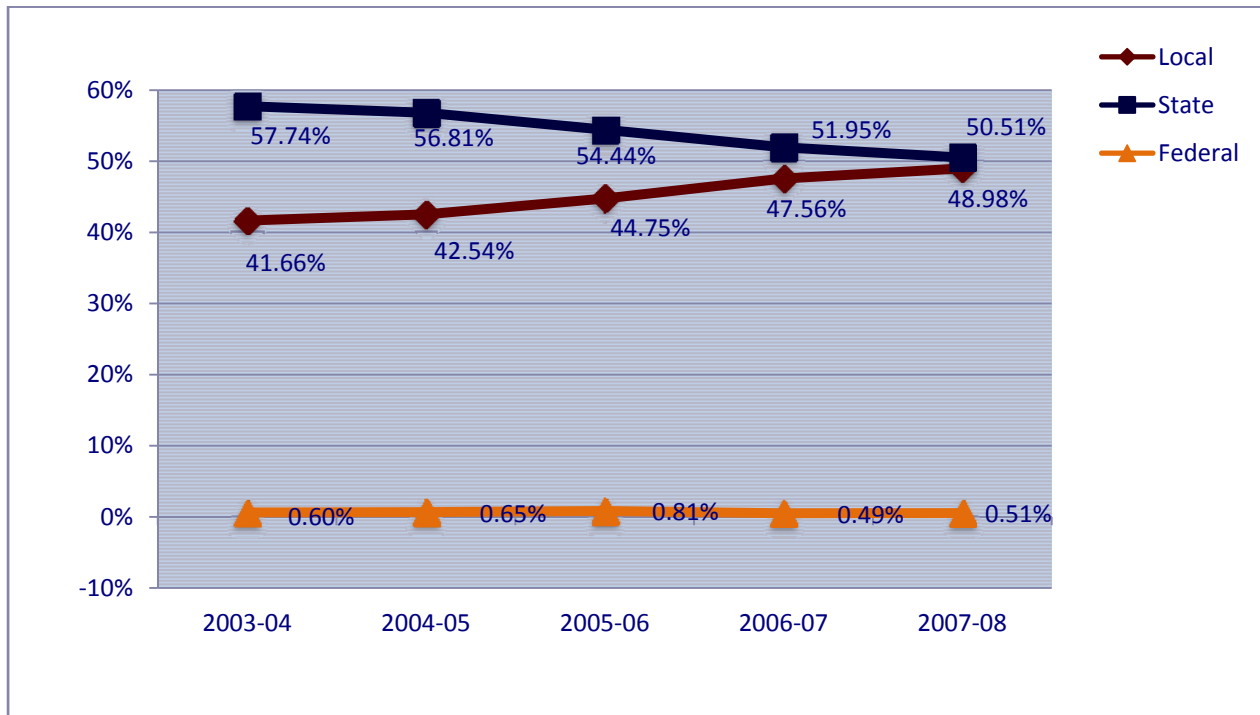
**Exhibit 8
General Fund Revenues by Source
Fiscal Year 2007-08**

General Fund	Amount	Percent
Federal	\$ 104,075,568	0.51%
State	10,211,276,575	50.51%
Local	9,901,478,442	48.98%
Total	\$ 20,216,830,585	100.00%

Source: Auditor General

As shown in Exhibit 8, the State provided 50.51 percent of general fund operating resources, while the required local revenue sources provided 48.98 percent of total general fund resources. As discussed later in this section of the report, Federal funds are restricted and most of those funds are reported in the school districts' special revenue funds. The changes in the percentage of revenues from Federal, State, and local sources in the general fund over the last five years can be seen in Exhibit 9:

Exhibit 9
Change in Percentage of General Fund Revenues from
Federal, State, and Local Sources Over Five Years



Source: Auditor General

The majority of the State and local resources for school district operations are derived from FEFP, which is designed to provide a base level of educational resources per full-time equivalent student for all school districts. FEFP moneys are primarily generated by multiplying the number of FTE students in funded educational programs by various weights and cost factors determined by the Legislature to determine base funding from State and local FEFP funds. Each school district receiving State FEFP moneys must levy the required local effort millage in its local property taxes.

State and local FEFP revenue for school district operations totaled approximately \$13.84 billion, comprised of approximately \$5.94 billion in State revenues and approximately \$7.90 billion in local revenues. In addition to the \$5.94 billion in State revenues for operations as part of the FEFP, the school districts also received approximately \$5.85 billion in restricted State revenues. These restricted State revenues were for categorical education, Workforce Development, Public Education Capital Outlay, and other specific programs.

In addition to the \$7.90 billion in local revenues for funding operations as part of the FEFP, the school districts reported \$7.08 billion in other local revenues. These local revenues included approximately \$3.44 billion from capital outlay millage levies for advertised construction, facility maintenance, and equipment; approximately \$1.31 billion from discretionary local effort millage levies for operations; and approximately \$167 million from debt service millage levies for servicing bonded debt. Other sources of local revenue included sales taxes and impact fees. Twenty-three school districts reported local sales tax revenue totaling approximately \$595 million in the 2007-08 fiscal year, a decrease from the \$614 million reported by 25 school districts in the 2006-07 fiscal year. Thirty-four school districts reported impact fee revenue totaling approximately \$193 million, as compared to 33 school districts reporting approximately \$348 million the previous year.

Resources of the special revenue funds consist of moneys restricted by Federal and State grantors to be used for specific program purposes. Examples include Federal Title I and National School Lunch Act revenues. Because these resources are restricted, school districts can use them only for those specific activities that meet the purposes of the granting agency, and such resources are not available for general appropriation for operating activities or for unexpected events or emergencies.

The issuance of long-term debt is a significant source of capital funding for school districts. Proceeds associated with the issuance of debt in the 2007-08 fiscal year totaled more than \$1.6 billion. Within the governmental funds, debt service and capital projects funds are used to account for resources restricted specifically for the payment of debt and for the acquisition of real property and the construction, renovation, remodeling, and maintenance of school district facilities. These resources are not available to finance the operating activities of a school district.

Financial Condition Background

Financial Condition Measure. There are several measures that may be used to evaluate the financial condition of governments. One widely used financial condition measure that is relevant to school districts is a measure that compares the level of equity in the operating fund to overall operating resources for that fund for a fiscal year. This measure shows the net accumulated resources at a point in time that is available for appropriation to meet the costs of unexpected and nonrecurring events. We used this measure in analyzing school district financial condition (see Exhibit 10).

**Exhibit 10
Financial Condition Measure**

General Fund Unreserved Fund Balance (1)	=	Financial Condition
General Fund Revenues (2)		Ratio (%)
Notes: See sections titled:		
(1) Characteristics of General Fund Equity		
(2) School District Funding Trends		

Source: Auditor General

Our analysis identified school districts with a financial condition ratio of less than 2.5 percent as those districts at a greater risk of experiencing financial difficulty. Credit rating agencies generally look more favorably on financial condition ratios of at least 5 percent. Other literature suggests percentages ranging from 5 to 10 percent. However, often the guidance is not clear as to whether the percentage is derived from total fund balance or unreserved fund balance. We also considered revenue stream characteristics and expenditure practices for school districts. In view of the revenue and expenditure stream characteristics in school districts, the established financial management practices followed by school districts, and the oversight by the Florida Department of Education, a lower unreserved fund balance threshold may be reasonable without unacceptable risks. As a result, we considered that school districts with a financial condition ratio of 2.5 percent or less were at greater risk of experiencing financial difficulty.

Characteristics of General Fund Equity. The fund balance shows the net resources that have accumulated over time. It is the difference between the assets and the liabilities of the fund. Also, the fund balance is segregated between those amounts that are reserved and unreserved.

Reserved fund balances represent the portion of the fund balance that is externally restricted for specific future uses or is otherwise not available for general appropriation. Typical fund balance reserves recorded by school districts are described below:

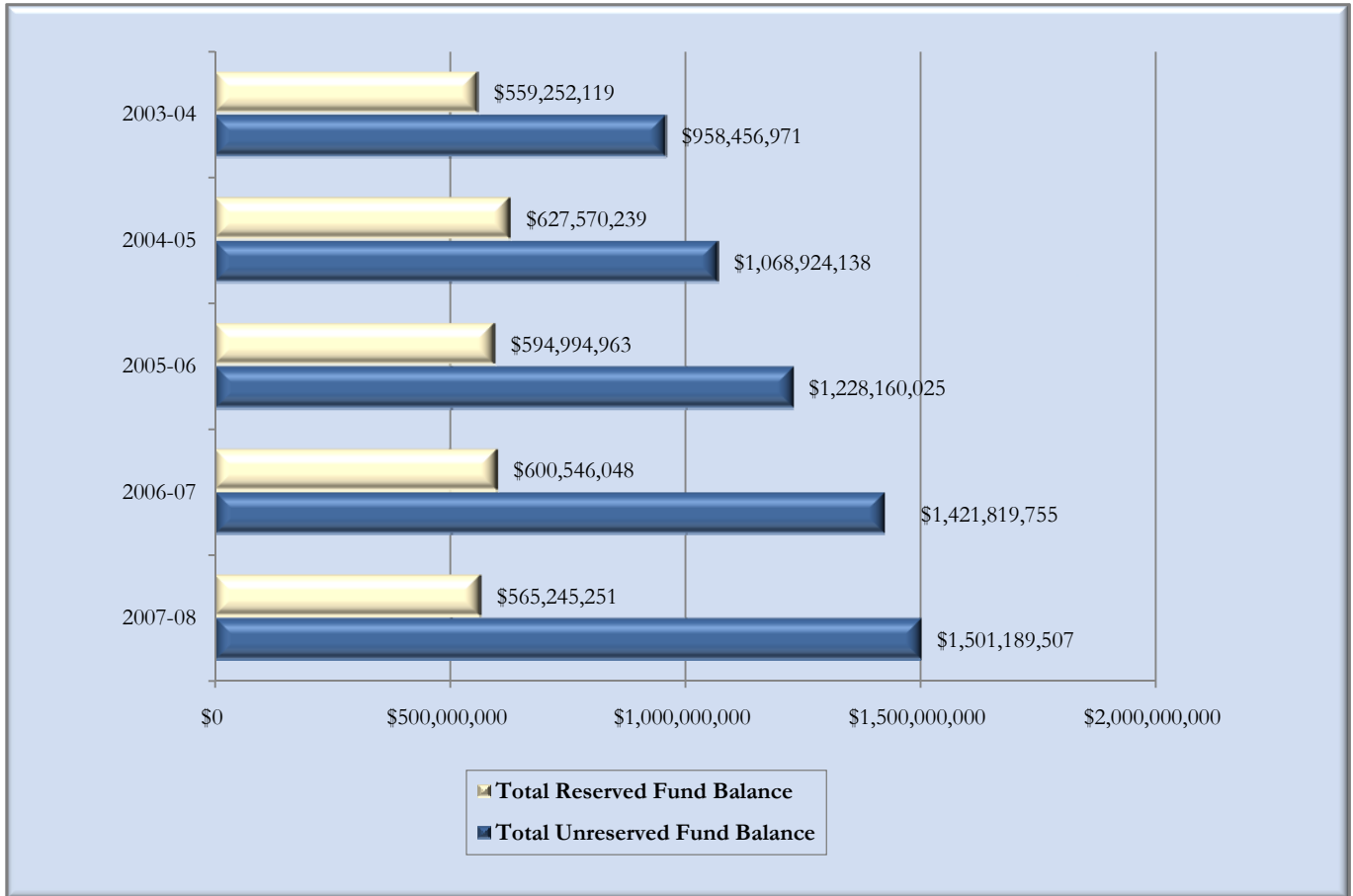
- *Reserved for Encumbrances* represents the value of outstanding purchase orders and commitments that were incurred before fiscal year-end, but have not been delivered or presented for payment at fiscal year-end. By reserving fund balance, resources are set aside to pay these outstanding purchase orders and commitments in the subsequent fiscal year.
- *Reserved for State Categorical Programs* represents residual amounts of externally restricted resources that must be used to pay for the specific activities intended for these categorical programs. Some categorical programs require that unspent resources be returned to the grantor. By reserving fund balance, resources are set aside to pay for these externally restricted activities.
- *Reserved for Inventories* represents the value of inventories on hand. The amount of fund balance represented by inventories is not liquid or easily converted to cash. As a result, the portion of fund balance represented by inventories is reserved to show that it is not available for appropriation. *(School districts use one of two methods to account for inventories. School districts using the “purchases” method expense inventory when acquired and inventories on hand at fiscal year-end are reported as an asset and a reservation of fund balance. School districts using the “consumption” method record inventory receipts as assets and the expenditure is recorded when the inventory asset is actually issued and used and a fund balance reserve for inventories may not be recorded. For purposes of our analysis, we have adjusted all school districts to the “purchases” method of accounting for inventory because it results in a more conservative presentation of the available fund balance.)*

Some school districts report other fund balance reserves; however, those reserves generally are not as frequently used or as significant in amount as those described above.

Unreserved fund balance may include designated and undesignated amounts. Designated amounts do not represent externally restricted resources and such resources are available for appropriation. If necessary, school districts may reallocate designated fund balances for other uses. The unreserved fund balance is considered to be the amount of unrestricted resources available for general appropriation.

As shown in Exhibit 11, the combined fund balances of the general funds (operating funds) of school districts Statewide has increased from approximately \$1.52 billion for the 2003-04 fiscal year to approximately \$2.07 billion for the 2007-08 fiscal year.

**Exhibit 11
General Fund Unreserved and Reserved Fund Balances**



Source: Auditor General

Although the steady increase in the combined fund balances through the 2006-07 fiscal year is generally consistent with student population and inflationary growth, a slight decrease of approximately 10,000 in student enrollment Statewide was noted in the 2007-08 fiscal year resulting in slower growth in total fund balances. In addition, as discussed in the **Economic Downturn** section, weaknesses in the general economy and further declining enrollment are expected to result in a decline in total school district revenues that may further negatively impact fund balances in the 2008-09 fiscal year. During the five-year period, the percentage of unreserved fund balance to total fund balance has ranged from a low of 63 percent for the 2004-05 fiscal year to a high of 73 percent for the 2007-08 fiscal year.

AUDIT FINDINGS

Classification of Audit Findings

Auditing standards require that auditors report significant control deficiencies and material weaknesses in internal control that are disclosed during the course of a financial statement audit. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the school district's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the school district's financial statements that is more than inconsequential will not be prevented or detected. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected.

For purposes of this report, audit findings are generally classified in one of three categories. The first category consists of material weaknesses, as defined above, and instances of material noncompliance. Noncompliance with applicable laws or rules is considered material when it is determined that the noncompliance could have a direct and material effect on the determination of financial statement amounts. The second category of significant deficiencies and other audit findings consists of significant control deficiencies, as defined in the previous paragraph, plus instances of noncompliance with applicable laws or rules, and additional matters which should be addressed by management. The third category of Federal Awards findings includes instances of internal control deficiencies or noncompliance with Federal requirements. The classification of an audit finding is dependent upon the potential impact the deficiency or noncompliance could have on the specific school district under audit. Therefore, the classification of an audit finding could vary from school district to school district.

In the audit reports issued by our office, all audit findings are included within the body of the audit report. In the audit reports issued by the other independent certified public accountants, material weaknesses and significant deficiencies are included within the body of the report and additional matters are generally included in a separate management letter.

Material Weaknesses and Material Noncompliance

The audit report for seven school districts (Glades, Monroe, Okeechobee, Pinellas, Polk, Santa Rosa, Taylor) included findings that were considered to be material weaknesses, and the reports for two of the school districts (Monroe, Taylor) cited instances of material noncompliance. The material weaknesses for four of these school districts (Glades, Polk, Santa Rosa, Taylor) addressed the need for enhancements in procedures to ensure the accuracy and completeness of the financial statements. For another school district (Okeechobee), the material weakness concerned the need for enhancements in accountability for school internal fund collections.

Three material weakness findings were reported at another school district (Monroe). In the first material weakness finding, it was noted that controls over purchasing card transactions, employee reimbursements, and travel expenditures were not designed properly or operating effectively, and more than \$118,000 in questioned expenditures were made by the school district's Adult Education Coordinator (subsequently resigned) and wife of the Superintendent (subsequently suspended). The second material weakness noted at this school district concerned the failure to establish adequate controls over the assessment and collection of adult education program fees, and unaccounted for collections totaling approximately \$94,000. These two material weaknesses were also cited as material noncompliance with applicable laws and rules. The third material weakness addressed the school district's

lack of a formal fraud policy to provide guidance to employees for communicating known or suspected fraud to the appropriate authority.

Six material weakness findings were reported for one school district (Taylor). These included a continued decline in financial condition, as indicated by the deficit unreserved fund balance in the general fund of approximately \$1.4 million, compared to a deficit unreserved fund balance of approximately \$1 million at June 30, 2007. The unreserved fund balance in the general fund could be further reduced if the school district is required to repay questioned costs noted elsewhere in the audit report, totaling in excess of \$1.5 million. Additional material weakness findings included the need for improvements in: procedures over the use of capital outlay millage proceeds and capital outlay and debt service funds; reconciliations of bank and investment accounts to school district records; procedures over the preparation of the financial statements, as noted above; and the budgetary process and presentation of monthly financial statements to the school district Board. The material weakness finding that addressed the budgetary process and the presentation of the monthly financial statements to the Board was also considered to be material noncompliance.

At another school district (Pinellas), material weakness findings over investment controls were reported. The investment control deficiencies noted were in the areas of program management; ethics policies; performance objectives; transaction monitoring and review; performance reporting to, and monitoring by, the district school board; cash flow projections; accounting controls; and electronic funds transfers.

Significant Deficiencies and Other Audit Findings

The audit reports for three school districts (Collier, Okaloosa, Osceola) contained no audit findings, and reports for the remaining 64 school districts included findings that addressed control deficiencies or instances of noncompliance with applicable laws or rules. The school districts within the parentheses below are grouped by “Significant Deficiencies,” or by “Other Audit Findings.” The following is a summary of those findings.

Financial Condition. In addition to the material weakness noted at Taylor County District School Board discussed previously, nine school districts (Other Audit Findings: Flagler, Franklin, Gadsden, Gilchrist, Gulf, Hendry, Jefferson, Miami-Dade, Putnam) had findings addressing the school districts’ financial condition. These school districts had financial condition ratios (as defined in Exhibit 10) that were significantly less than other school districts. Consequently, these school districts had less resources available for emergencies and unforeseen situations than other school districts of comparable size, and were at a higher risk of experiencing financial difficulty.

Food Service Operations. We noted eight school districts (Other Audit Findings: Franklin, Gadsden, Gilchrist, Gulf, Hamilton, Hendry, Holmes, Indian River) whose Special Revenue – Food Service Funds experienced operating losses. Transfers were made to supplement the school food service program operations for seven of these school districts (Franklin, Gadsden, Gilchrist, Gulf, Hamilton, Hendry, Holmes) from unrestricted general fund moneys. Five of the seven school districts (Franklin, Gadsden, Gilchrist, Gulf, Hendry) that transferred funds from the general fund to the school food service program were also identified in the Financial Condition Section above as having financial condition ratios that were significantly less than other school districts. For one school district (Indian River), funds were loaned to the school food service program from the health insurance internal service fund, and any continued reduction of the Special Revenue – Food Service Fund fund balance could also require use of unrestricted

general fund moneys. Continued use of unrestricted general fund resources to subsidize the food service program reduces funds available for other educational programs and could adversely impact efforts to maintain an adequate unreserved fund balance in the general fund.

Fraud Policies. In addition to the material weakness reported at Monroe County District School Board discussed previously, the audit reports for 23 school districts (Other Audit Findings: Alachua, Bay, Bradford, Charlotte, Clay, DeSoto, Franklin, Gadsden, Gilchrist, Glades, Hamilton, Hendry, Hernando, Jackson, Jefferson, Lake, Levy, Liberty, Martin, Nassau, Okeechobee, Wakulla, Washington) included findings regarding the lack of formal fraud policies. An effective fraud policy educates employees about proper conduct; creates an environment that deters dishonesty; maintains controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts; and provides guidance to employees for reporting known or suspected fraud to the appropriate authority.

Information Technology. For 50 school districts (Baker, Bay, Bradford, Broward, Charlotte, Citrus, Clay, Columbia, Dixie, Duval, Escambia, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hendry, Hernando, Highlands, Holmes, Indian River, Jackson, Jefferson, Lake, Lee, Leon, Levy, Liberty, Madison, Manatee, Marion, Monroe, Nassau, Orange, Palm Beach, Pasco, Pinellas, Polk, Putnam, Santa Rosa, Seminole, Sumter, Suwannee, Taylor, Volusia, Wakulla, Walton, Washington), findings were noted regarding various deficiencies in information technology (IT) controls, as discussed below:

- **Written Policies.** At 26 school districts (Other Audit Findings: Baker, Bradford, Citrus, Clay, Columbia, Gadsden, Gilchrist, Gulf, Hamilton, Hardee, Hendry, Highlands, Jefferson, Lake, Levy, Madison, Nassau, Pasco, Putnam, Santa Rosa, Seminole, Sumter, Suwannee, Taylor, Wakulla, Washington), a lack of written IT policies and procedures was noted.
- **Access Controls.** For 38 school districts (Significant Deficiencies: Bay, Escambia, Hamilton, Highlands, Holmes, Levy, Palm Beach, Putnam. Other Audit Findings: Baker, Bradford, Broward, Citrus, Clay, Columbia, Duval, Escambia, Franklin, Gadsden, Gilchrist, Hamilton, Hardee, Hendry, Hernando, Highlands, Jefferson, Lake, Leon, Levy, Madison, Marion, Monroe, Nassau, Orange, Pinellas, Putnam, Santa Rosa, Seminole, Sumter, Suwannee, Taylor, Wakulla, Walton, Washington), various deficiencies in IT access controls were noted. For example, certain school districts did not classify data according to sensitivity or level of significance, or did not maintain documentation of user access authorization. School district management was notified of the specific details of the access control deficiencies, although the details were not always included in the audit reports to avoid the possibility of compromising District data and IT resources.
- **Lack of Timely Termination of Access.** At 19 school districts (Other Audit Findings: Baker, Charlotte, Escambia, Gadsden, Gilchrist, Hendry, Hernando, Indian River, Jefferson, Lee, Leon, Liberty, Madison, Manatee, Monroe, Pinellas, Putnam, Santa Rosa, Sumter), a lack of timely termination of former employee IT access privileges was noted.
- **Security Awareness.** The audit reports for 23 school districts (Other Audit Findings: Bay, Bradford, Charlotte, Columbia, Dixie, Escambia, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hamilton, Hendry, Hernando, Holmes, Jackson, Lake, Levy, Pinellas, Sumter, Taylor, Wakulla, Washington) cited the need for security awareness training programs, or the need for improvements in already existing security awareness training programs.

- **Program Change Methodology.** For 15 school districts (Significant Deficiencies: Palm Beach. Other Audit Findings: Baker, Bradford, Citrus, Columbia, Escambia, Gadsden, Hamilton, Hernando, Marion, Monroe, Pasco, Pinellas, Polk, Volusia), deficiencies were noted in information systems program change methodology, i.e., controls over changes made to different facets of the districts' IT systems could be enhanced.
- **Disaster Plans.** For 13 school districts (Other Audit Findings: Bradford, Broward, Gadsden, Glades, Jackson, Jefferson, Lake, Liberty, Orange, Pinellas, Santa Rosa, Volusia, Washington), it was noted that improvements were needed in the school districts' disaster preparedness and recovery plans.
- **Logging/Monitoring.** At 12 school districts (Other Audit Findings: Baker, Bay, Bradford, Citrus, Columbia, Hamilton, Jefferson, Lake, Nassau, Orange, Sumter, Wakulla), inadequate logging or monitoring of data and IT resources was disclosed.

Record Keeping/Records Management. In addition to the material weaknesses noted at Glades, Polk, Santa Rosa, and Taylor County District School Boards discussed previously, the audit reports for 41 school districts (Baker, Bay, Bradford, Brevard, Charlotte, Citrus, Columbia, DeSoto, Dixie, Flagler, Franklin, Gadsden, Gilchrist, Gulf, Hamilton, Hardee, Hendry, Highlands, Holmes, Jefferson, Lafayette, Leon, Levy, Liberty, Madison, Marion, Miami-Dade, Monroe, Okeechobee, Orange, Palm Beach, Pasco, Pinellas, Polk, Putnam, St. Johns, St. Lucie, Taylor, Union, Walton, Washington) included findings and recommendations addressing the need for improvements in certain record keeping and financial records management procedures. At 38 school districts (Significant Deficiencies: Baker, Bay, Bradford, Brevard, Charlotte, Citrus, Columbia, DeSoto, Dixie, Flagler, Franklin, Gilchrist, Gulf, Hamilton, Hendry, Highlands, Holmes, Jefferson, Leon, Levy, Liberty, Madison, Marion, Miami-Dade, Monroe, Palm Beach, Pinellas, Putnam, St. Johns, St. Lucie, Union, Walton, Washington. Other Audit Findings: Gadsden, Lafayette, Okeechobee, Orange, Palm Beach, Pinellas, Polk), procedures needed improvement to ensure the accuracy and completeness of the financial statements. While many of these findings related to various audit adjustments that were required for the accuracy of the financial statements, other instances noted included a lack of reconciliations between detailed supporting documentation and general ledger accounts (Other Audit Findings: Brevard, Pinellas) and a lack of formal procedures for the year-end financial statement close-out process (Other Audit Findings: Orange).

For three school districts (Significant Deficiencies: Polk. Other Audit Findings: Hamilton, Pinellas), deficiencies were noted in accountability over goods and supplies inventories. For two school districts (Significant Deficiencies: Hamilton. Other Audit Findings: Hardee), improvements were needed to adequately monitor the efficiency of the school food service program operations. For three school districts (Other Audit Findings: Orange, Palm Beach, Washington), controls over journal entries could be improved. Other findings and recommendations addressed the lack of a formal process to notify the finance department of certain matters for disclosure in the financial statements (Other Audit Findings: Orange); the maintenance and use of two master vendor files, potentially resulting in the use of inaccurate information (Other Audit Findings: Palm Beach); the lack of an allowance for doubtful accounts and timely write-off of uncollectible accounts (Other Audit Findings: Pasco); the lack of separate accounting for school impact fee revenue as required by the Board of County Commissioners (Significant Deficiencies: Putnam); and improvements that could be made in the proper allocation of interest earnings (Other Audit Findings: Taylor).

Cash and Investment Controls. In addition to the material weaknesses noted at Monroe, Pinellas, and Taylor County District School Boards discussed previously, at 12 school districts (Bay, Bradford, Brevard, Escambia, Gilchrist, Jackson, Lake, Leon, Pinellas, Polk, Putnam, Taylor), findings and recommendations addressed control deficiencies over cash or investments. At seven school districts (Significant Deficiencies: Bradford, Jackson. Other Audit Findings: Escambia, Gilchrist, Leon, Pinellas, Taylor), it was noted that improvements in controls were needed over various cash collections, such as school a la carte food sales, school child care program fees, student fee collections, and central cashier collections. For three school districts (Significant Deficiencies: Brevard, Pinellas.

Other Audit Findings: Lake), improvements in the procedures over the reconciliation of bank or investment accounts were needed. A lack of proper segregation of duties in relation to cash was reported for one school district (Other Audit Findings: Putnam). Also, controls needed improvement over banking agreements to properly limit electronic funds transfers for two school districts (Other Audit Findings: Bay, Polk). Other deficiencies noted included the lack of timely modification of authorized signature cards; a temporary advance of moneys between operating funds exceeding statutory time limitations; and insufficient documentation and approval of request for Federal funds cash drawdown (Other Audit Findings: Polk).

Capital Assets Management. For 12 school districts (Alachua, Bradford, Brevard, Gadsden, Glades, Hamilton, Jefferson, Orange, Pinellas, Polk, Sarasota, St. Lucie), findings and recommendations addressed deficiencies in the accountability for long-lived assets, including land, motor vehicles, and tangible personal property. At six school districts (Significant Deficiencies: St. Lucie. Other Audit Findings: Alachua, Glades, Hamilton, Jefferson, Polk), deficiencies were noted in procedures to ensure accountability for tangible personal property, such as the lack of timely tagging of property to indicate school district ownership, the lack of adequate physical inventory procedures, and the removal of property items from property records prior to Board approval. For five school districts (Other Audit Findings: Alachua, Brevard, Orange, Pinellas, Sarasota), the accounting for capital asset transactions could be improved. For two school districts (Significant Deficiencies: Bradford, Gadsden), the lack of adequate detailed subsidiary records for capital assets was noted.

Expenditures/Purchasing. In addition to the material weakness noted at Monroe County District School Board discussed previously, for 12 school districts (Bay, Brevard, Dixie, Hendry, Hillsborough, Jefferson, Lee, Liberty, Manatee, Pinellas, Polk, St. Johns), findings and recommendations addressed the need to improve controls over purchasing practices and operating expenditures. For three school districts (Other Audit Findings: Bay, Hendry, Liberty), improvements were needed in contract monitoring procedures to ensure that services were received before payment was made. For three school districts (Other Audit Findings: Hillsborough, Lee, Manatee), improvements were needed in controls over the use of purchasing cards. At two school districts (Significant Deficiencies: Jefferson. Other Audit Findings: Dixie), it was noted that improvements in procedures were needed to ensure that goods and services were obtained pursuant to competitive bids or quotes, of record. At one school district (Other Audit Findings: St. Johns), a contract was awarded based on another school district's contract award; however, the two contract awards did not contain the same terms, conditions, or unit prices, contrary to State rule. For another school district (Other Audit Findings: Brevard), controls could be enhanced by the periodic solicitation of proposals from financial institutions for banking services to ensure the most cost effective services are obtained. Other control deficiencies noted included inadequate separation of duties related to vouchering and accounts payable (Significant Deficiencies: Manatee. Other Audit Findings: Pinellas) and an overpayment to a vendor, due to a lack of review and approval of all payments (Other Audit Findings: Polk).

Payroll and Personnel. For 14 school districts (Bay, Bradford, Columbia, Escambia, Gadsden, Hernando, Highlands, Holmes, Jefferson, Lake, Manatee, Palm Beach, Pinellas, Polk), findings and recommendations addressed the need to improve controls over payroll and personnel, as summarized below.

- **Personnel Administration.** For seven school districts (Other Audit Findings: Bay, Bradford, Escambia, Gadsden, Holmes, Lake, Pinellas), it was noted that procedures for performing fingerprinting and background screenings for employees and contracted vendors with direct student contact were not adequate. Inadequate procedures to ensure that all out-of-field teacher assignments were presented to the Board for approval were also noted at one school district (Other Audit Findings: Gadsden).
- **Payroll Processing.** For seven school districts (Significant Deficiencies: Columbia. Other Audit Findings: Bradford, Escambia, Hernando, Highlands, Lake, Palm Beach), it was noted that improvements could be made in payroll processing controls over time records to ensure the propriety of salary and benefit costs incurred. At one school district (Significant Deficiencies: Polk), numerous deficiencies were noted in the payroll function that resulted in the assignment of incorrect experience levels to multiple employees, and overpayments and underpayments being made to these employees over multiple years. At one school district (Significant Deficiencies: Jefferson), it was noted that the Payroll Specialist and an accounting clerk had incompatible duties, in that they had the ability to update information in the payroll system, such as employment contracts, rates of pay, and termination information, without any independent verification of such changes. Good internal control practices dictate that these types of updates should generally be performed by individuals independent of the payroll and finance functions. Another deficiency noted in this area included a terminal leave overpayment noted at one school district (Other Audit Findings: Manatee) that was a result of the incorrect application of the school district's vacation leave accrual policy. Also noted at this school district was the payment for vacation leave to employees both when entering and exiting the Deferred Retirement Option Program.

Self-Insurance Programs. For three school districts (Manatee, Monroe, Taylor), findings addressed the need to improve controls over the administration of self-insurance plans. One school district (Significant Deficiencies: Manatee) had not submitted its group health self-insurance annual report for the plan years 2006 and 2007, to the Florida Office of Insurance Regulation. It was also noted for this school district that the internal service fund where the school district accounts for the self-insurance plan reported negative net assets of \$1.4 million; as such, it appeared that contribution levels were not meeting current obligations. Another school district (Other Audit Findings: Monroe) had not established a formal plan to fund its property self-insurance program to cover the significant loss deductible, which could adversely impact the school district's ability to meet obligations relating to property losses that may occur in the future. The third school district (Other Audit Findings: Taylor) had not timely obtained an actuarial report or filed the annual report for the plan year 2008, with the Florida Office of Insurance Regulation.

Capital Construction and Related Expenditures. In addition to the material weaknesses at Taylor County District School Board discussed previously, for 21 school districts (Baker, Columbia, Escambia, Flagler, Franklin, Gilchrist, Hamilton, Hendry, Hillsborough, Indian River, Jefferson, Lake, Lee, Leon, Madison, Marion, Pinellas, Polk, Seminole, St. Johns, Union), findings and recommendations addressed the need to improve controls over capital outlay expenditures, as summarized below.

- **Construction Monitoring.** For five school districts (Significant Deficiencies: Franklin. Other Audit Findings: Hillsborough, Madison, Marion, Pinellas), improvements were needed in controls over construction contracts. For example, District records did not always evidence support for subcontractor charges; reconciliations of scheduled values on the invoices to bids and change orders; or timely Board approval of direct purchase orders.

- **Acquiring Professional Services.** It was noted that:
- Three school districts (Other Audit Findings: Escambia, Indian River, Pinellas) did not have adequate procedures to establish minimum insurance requirements for design professionals or construction managers.
 - One school district (Other Audit Findings: Union) improperly utilized a continuing contract with an architect for a project with construction costs totaling more than \$1.4 million, well above the statutory limitation of \$1 million and the continuing contract limitation of \$500,000. At this same school district, one contractor on a different project did not obtain a payment/performance bond.
 - One school district (Significant Deficiencies: Polk) appeared to circumvent certain procurement policies through management override of controls in the facilities department, whereby contracts were awarded to certain vendors without the benefit of a competitive selection process.

Restricted Capital Outlay Resources. It was noted that:

- At ten school districts (Significant Deficiencies: Gilchrist, Lee. Other Audit Findings: Flagler, Hamilton, Jefferson, Lake, Leon, Pinellas, Seminole, St. Johns) restricted capital outlay tax levy moneys in amounts ranging from approximately \$34,000 to more than \$3.5 million were used for purposes not directly related to the delivery of student instruction or the educational plant, including computer software and licenses, band uniforms, textbooks, chorus gowns, and tuxedos.
- At three school districts (Significant Deficiencies: Columbia. Other Audit Findings: Hamilton, Hendry) capital outlay tax levy moneys totaling more than \$1.1 million were used for projects not listed in the notice of intent to levy capital outlay millage ad valorem taxes, contrary to Section 200.065, Florida Statutes.
- At one school district (Other Audit Findings: Lake) audit tests disclosed more than \$16,000 in impact fee revenue that was used for school start-up costs including cleaning supplies, teacher guides, and books, which did not appear to be allowable uses of impact fee funds, according to the Lake County ordinance in effect during the audit period.
- One school district (Other Audit Findings: Baker) purchased a handicap-equipped school bus using QZAB financing totaling more than \$84,000, although the bus is used predominantly to benefit students not attending qualified zone academy schools.

Collection of Social Security Numbers. For 49 school districts (Other Audit Findings: Baker, Bay, Bradford, Brevard, Calhoun, Charlotte, Citrus, Clay, Columbia, DeSoto, Dixie, Duval, Escambia, Franklin, Gadsden, Gilchrist, Glades, Gulf, Hamilton, Hardee, Hendry, Hernando, Highlands, Hillsborough, Holmes, Indian River, Jackson, Jefferson, Lafayette, Lake, Leon, Liberty, Madison, Marion, Martin, Monroe, Nassau, Okeechobee, Pinellas, Putnam, Santa Rosa, Seminole, St. Johns, Sumter, Suwannee, Taylor, Union, Wakulla, Washington), noncompliance with Section 119.071(5), Florida Statutes, was reported. This statute requires school districts to follow certain procedures in maintaining the confidentiality of social security numbers collected by the school districts.

Adult General Education Courses. Chapter 2007-72, Laws of Florida, Specific Appropriation 125, provides that each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with Florida Department of Education (FDOE) instructional hours reporting procedures. Twenty-six school districts' (Significant Deficiencies: Manatee. Other Audit Findings: Baker, Bradford, Calhoun, Clay, Franklin, Gadsden, Gulf, Hendry, Hernando, Indian River, Jackson, Jefferson, Lafayette, Lee, Leon, Liberty,

Monroe, Putnam, Santa Rosa, Sumter, Suwannee, Taylor, Union, Wakulla, Walton) audit reports included findings stating that the school districts should enhance controls over enrollment reporting. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly and be accurately presented in FDOE's records.

Educational Facility Safety. For seven school districts (Other Audit Findings: Brevard, Flagler, Gadsden, Holmes, Lake, Liberty, Marion), improvements could be made regarding educational facility safety. For two school districts (Flagler, Gadsden), controls could be improved to ensure that certificates of occupancy are received on a timely basis, prior to occupation of the facilities. Two school districts (Brevard, Lake) did not provide educational facilities floor plans to area law enforcement and fire departments in a timely manner. Audit reports for four school districts (Holmes, Lake, Liberty, Marion) included findings regarding the safety of relocatable facilities. One school district (Lake) did not correct many facility deficiencies noted in prior year facilities inspection reports.

Charter School Monitoring. For six school districts (Other Audit Findings: Escambia, Indian River, Lake, Lee, Manatee, Pinellas), findings and recommendations addressed the monitoring of charter schools for compliance with charter contract provisions. It was noted for all six school districts that improvements were needed in procedures for monitoring the charter schools to ensure the adequacy of the insurance coverage.

Miscellaneous Findings. In addition to those findings described above, audit findings addressing various other matters, although not predominant, were included in the individual school district audit reports. These matters included, for example, deficiencies in procedures for documenting the business use of cellular telephones and for reporting the taxable value of cellular phone services to the Internal Revenue Service, deficiencies in procedures for monitoring school advisory councils; deficiencies in internal controls over high school student diplomas; deficiencies in procedures related to Board meeting minutes; the need for improved procedures over school internal funds; the need for improvements in controls over the timely collection of rebates for E-rate telecommunication services; the transfer of workforce education funds to unrestricted general fund accounts; and the lack of documentation regarding the selection of a banking investment firm and the basis of the \$100,000 fee paid in connection with a QZAB financing arrangement.

Federal Awards Findings

For 35 school districts (Baker, Bradford, Brevard, Calhoun, Clay, Columbia, Franklin, Gadsden, Glades, Hamilton, Hardee, Hendry, Hillsborough, Holmes, Jackson, Jefferson, Lafayette, Lake, Leon, Liberty, Manatee, Marion, Miami-Dade, Monroe, Nassau, Okeechobee, Pinellas, Polk, Santa Rosa, Sarasota, St. Johns, Taylor, Union, Wakulla, Washington), findings and recommendations addressed the need to improve controls over Federal awards. Material noncompliance and material internal control weaknesses related to Federal programs were noted at ten school districts (Franklin, Gadsden, Holmes, Jackson, Liberty, Monroe, Okeechobee, Sarasota, Taylor, Washington). These material Federal findings addressed noncompliance with the Federal compliance requirements of Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; Special Tests and Provisions; and related to both nonmajor programs including Adult Education; Career and Technical Education; Tech-Prep Education; and Student Financial Assistance; and major programs including Head Start; Title I; and the Twenty-First Century Community Learning Centers Program. Other Federal findings that were not considered material noncompliance addressed

various Federal compliance requirements for programs such as the National School Lunch and Breakfast Programs, Exceptional Student Education, Reading First, and Improving Teacher Quality. As previously discussed in the Future Financial Trends Consideration section of this report, the American Recovery and Reinvestment Act of 2009, mandates special accountability and transparency requirements with regard to Federal stimulus funds, which will require additional record keeping for school districts and expanded audit procedures for auditors.

ADDITIONAL CONSIDERATIONS

Transparency Florida Act

The Transparency Florida Act was enacted to provide access to governmental financial information and transparency in government spending. It requires the Legislative Auditing Committee to provide oversight and management of a State website providing information on government appropriations and expenditures. Entities, including public school districts, receiving State appropriations will be required to provide financial information for inclusion in the State website.

GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions

The Governmental Accounting Standards Board (GASB) issued GASB Statement 45, establishing standards for the measurement, recognition, and presentation of other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and required supplementary information in the financial reports of state and local governments. OPEB includes postemployment healthcare, life insurance, disability, long-term care, and other forms of postemployment benefits, when provided separately from a pension plan. Currently, most OPEB plans are financed on a pay-as-you-go basis, and financial statements generally do not report the financial effects of OPEB until the benefits are paid. GASB 45 requires the measurement and recognition of OPEB cost over the approximate liabilities associated with OPEB and the progress of the districts in funding the plans. School districts are required to implement GASB 45 in the fiscal year ending June 30, 2008, 2009, or 2010, depending on total revenue reported in the fiscal year ending June 30, 1999. As of the end of the 2007-08 fiscal year, 34 school districts had implemented GASB 45. Because school districts report the OPEB liability in the government-wide statements, it has no impact on the financial condition ratio shown in Exhibit 10.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this review were to analyze significant financial trends occurring in the financial condition of school districts and to compile summaries of significant audit findings for the school district audits.

The scope of this review included a review of the financial trends and significant findings of the 51 school districts audited by our office and the 16 school districts audited by other independent certified public accountants for the fiscal year ended June 30, 2008.

Our audit methodology included a review of applicable audit reports and a compilation of financial trends and significant findings. We conducted this review in accordance with applicable performance standards contained in Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. We believe that the procedures performed provide a reasonable basis for the analyses of significant financial trends and summaries of significant findings included in this report.

AUTHORITY

Pursuant to the provisions of Section 11.45(7)(f), Florida Statutes, I have directed that this report be prepared to present the summary of financial trends and significant findings identified in audits of district school boards for the fiscal year ended June 30, 2008.



David W. Martin, CPA
Auditor General

This review was coordinated by Jennifer K. Blanca, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

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