

**SUMMARY OF  
SIGNIFICANT FINDINGS  
AND FINANCIAL TRENDS  
IDENTIFIED IN CHARTER SCHOOL AND  
CHARTER TECHNICAL CAREER CENTER  
AUDIT REPORTS FOR THE  
FISCAL YEAR ENDED JUNE 30, 2017**

Pursuant to Section 11.45(7)(f), Florida Statutes



Sherrill F. Norman, CPA  
Auditor General

The team leader was Michael Nichols, and the review was supervised by Derek H. Noonan, CPA.

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# SUMMARY OF SIGNIFICANT FINDINGS AND FINANCIAL TRENDS IDENTIFIED IN CHARTER SCHOOL AND CHARTER TECHNICAL CAREER CENTER AUDIT REPORTS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

## **SUMMARY**

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State law<sup>1</sup> requires all charter schools and charter technical career centers (hereafter collectively referred to as charter schools) to provide for annual financial audits conducted by independent certified public accountants (CPAs), and to file copies of the audit reports with us. During the fiscal year ended June 30, 2017, there were 650 charter schools in operation. Pursuant to State law,<sup>2</sup> we reviewed the 629 charter school 2016-17 fiscal year audit reports filed with us, considered those reports and other records associated with charter school financial trends, and compiled, for reports received through May 31, 2018, this report on the significant findings and financial trends identified in those audit reports.

The results of our review of the 629 charter school audit reports and other records are summarized below.

### **Significant Findings**

- A total of 161 findings were included in 89 (14 percent) of the 629 audit reports. The CPAs considered 15 of the findings to be material weaknesses in internal control over financial reporting and 6 of the findings to be noncompliance with provisions of laws, regulations, contracts, or grants that were required to be reported by *Government Auditing Standards (GAS)*.<sup>3</sup>
- Eighty-one audit reports, including 6 audit reports with material weakness findings and 4 other audit reports with noncompliance findings required to be reported by *GAS*, addressed other types of findings such as significant deficiencies in internal control, other instances of noncompliance with applicable laws or rules, or additional matters that should be addressed by management.
- One or more of the elements of information required by Auditor General rules<sup>4</sup> for audit findings were not included for 105 (65 percent) of the 161 findings. These 105 findings were included in 57 (64 percent) of the 89 audit reports with findings.
- Thirty-seven (42 percent) of the 89 audit reports with findings contained findings repeated from prior fiscal year audit reports. Specifically, 25 audit reports contained a total of 34 findings repeated from the 2015-16 fiscal year audit reports and 12 audit reports contained a total of 13 findings repeated from both the 2015-16 and 2014-15 fiscal year audit reports. In total, 47 (29 percent) of the 161 findings included in the 89 audit reports were repeat findings.

### **Financial Trends**

- The Commissioner of Education determined that 3 charter schools were in a state of financial emergency. In addition, the audit reports for 3 other charter schools included a statement by the CPA questioning the ability of the charter school to continue operations on an ongoing basis.

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<sup>1</sup> Section 218.39, Florida Statutes.

<sup>2</sup> Section 11.45(7)(f), Florida Statutes.

<sup>3</sup> *GAS* require auditors to report noncompliance with provisions of laws, regulations, contracts, or grant agreements that has a material effect on the financial statements and any other instances of noncompliance with provisions of laws or regulations that warrant the attention of those charged with governance.

<sup>4</sup> Chapter 10.850, Rules of the Auditor General for Audits of Charter Schools and Similar Entities, The Florida Virtual School, and Virtual Instruction Program Providers.

- Sixty-eight (11 percent) of the 629 charter schools reported a general fund, or other unrestricted fund, deficit total unassigned and assigned fund balance or unrestricted net assets at June 30, 2017. In comparison, 88 (14 percent) of 631 charter schools reported deficits at June 30, 2016.

## **BACKGROUND**

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Charter schools are established pursuant to State law<sup>5</sup> as part of the State's public education program and typically operate under a charter with a sponsoring school district or State university.<sup>6</sup> Charter schools receive funding similar to other public schools and must be organized as a nonprofit organization and may be operated by a nonprofit organization, a municipality, or other public entity.<sup>7</sup> Charter technical career centers are established pursuant to State law<sup>8</sup> and typically operate under a charter with a sponsoring school district, State college, or a consortium of one or more of each. Charter technical career centers must be organized as nonprofit organizations and receive State funding for student enrollment and program outcomes as provided in law in addition to funding received directly from the sponsors.

A distinguishing characteristic of charter schools and charter technical career centers (hereafter collectively referred to as charter schools) is that they are exempt from many of the laws and rules that govern the operations of their sponsors. However, State law<sup>9</sup> requires charter schools to obtain annual financial audits and Auditor General rules<sup>10</sup> provide guidelines for certified public accountants (CPAs) to follow when conducting and reporting the results of the audits.

State law<sup>11</sup> requires us to annually compile and transmit to the President of the Senate, the Speaker of the House of Representatives, and the Legislative Auditing Committee this summary of significant findings and financial trends identified in the charter school audit reports.

## **SIGNIFICANT FINDINGS**

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### **Classification of Audit Findings**

Auditing standards require auditors to report significant deficiencies and material weaknesses in internal control that are disclosed during the course of a financial statement audit. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or

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<sup>5</sup> Sections 1002.33, Florida Statutes.

<sup>6</sup> Pursuant to Section 1002.32, Florida Statutes, State universities may grant charters to lab (developmental research) schools.

<sup>7</sup> Section 1002.33(12)(i), Florida Statutes.

<sup>8</sup> Section 1002.34, Florida Statutes.

<sup>9</sup> Section 218.39(1)(e) and (f), Florida Statutes.

<sup>10</sup> Chapter 10.850, Rules of the Auditor General for Audits of Charter Schools and Similar Entities, The Florida Virtual School, and Virtual Instruction Program Providers.

<sup>11</sup> Section 11.45(7)(f), Florida Statutes.

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Auditing standards also require auditors to report noncompliance with provisions of laws, regulations, contracts, or grant agreements that has a material effect on the financial statements and any other instances of noncompliance with provisions of laws or regulations that warrant the attention of those charged with governance. The classification of an audit finding is dependent upon its potential impact on the specific charter school under audit. Therefore, the classification of an audit finding could vary from charter school to charter school.

We reviewed the 629 charter school 2016-17 fiscal year audit reports filed with us through May 31, 2018, and noted that, although the audit reports for 540 charter schools contained no audit findings, the audit reports for 89 charter schools included a total of 161 findings. For purposes of this report, the audit findings are generally classified as:

- Material weaknesses and noncompliance required to be reported by GAS.
- Significant deficiencies and other instances of noncompliance with applicable laws or rules, or additional matters that should be addressed by management.

### **Material Weaknesses and Noncompliance Required to be Reported by GAS**

The audit reports for 12 charter schools (identified in Table 1) included a total of 15 findings that were considered by the respective certified public accountants (CPAs) to be material weaknesses in the charter schools' internal control over financial reporting. In contrast, for the 2015-16 fiscal year, 15 charter schools had a total of 18 findings that were considered by the respective CPAs to be material weaknesses.

The 2016-17 fiscal year audit reports for 6 of the 12 charter schools included material weakness findings that addressed incorrect accounting transactions, and the reports for 3 charter schools included material weakness findings that addressed an inadequate separation of duties. The material weakness findings in the other audit reports addressed, for example, deficiencies in financial statement presentation, disbursement controls, payroll controls, records management, or school policies and procedures. In addition to material weaknesses, 6 of the 12 audit reports included other types of audit findings.

**Table 1**  
**Charter Schools With Reported Material Weaknesses**  
**For the Fiscal Year Ended June 30, 2017**

	County	School
1	Bay	Bay Haven Charter Academy Elementary School
2	Bay	Bay Haven Charter Academy Middle School
3	Bay	North Bay Haven Career Academy
4	Bay	North Bay Haven Charter Academy Elementary School
5	Bay	North Bay Haven Charter Academy Middle School
6	Broward	South Broward Montessori Charter School <sup>a</sup>
7	Duval	School for Accelerated Learning and Technologies
8	Leon	Imagine Charter School at Leon
9	Madison	Madison Creative Arts Academy <sup>a</sup>
10	Manatee	Manatee School of Arts and Sciences
11	Polk	The Schools of McKeel Academy
12	St. Johns	St. Augustine Public Montessori School <sup>a</sup>

<sup>a</sup> These charter schools each received 2 material weakness findings; whereas, the other charter schools listed each received 1 material weakness finding.

The audit reports for 6 other charter schools (identified in Table 2) each included a finding that was required to be reported by GAS. In contrast, for the 2015-16 fiscal year, 18 charter schools had a total of 21 noncompliance findings that were required to be reported by GAS.

The 2016-17 fiscal year audit reports for the 6 charters schools included noncompliance findings required to be reported by GAS that addressed expenditures in excess of budgeted amounts for 2 charter schools, failure to post the budget to the Web site for 2 charter schools, failure to include dual signatures on checks for 1 charter school, and the lack of periodic reconciliations of the accounting records to accounts payable records for 1 charter school.

**Table 2**  
**Charter Schools With Noncompliance**  
**Required to be Reported by GAS**  
**For the Fiscal Year Ended June 30, 2017**

	County	School
1	Alachua	Central Charter School <sup>a</sup>
2	Madison	James Madison Preparatory High School
3	Volusia	Reading Edge Academy
4	Volusia	Samsula Academy
5	Sarasota	Student Leadership Academy of Venice
6	Manatee	William Monroe Rowlett Academy for Arts and Communication

<sup>a</sup> The noncompliance finding for this school was also classified as a significant deficiency.

## Significant Deficiencies and Other Audit Findings

A total of 141 findings (88 percent of the 161 findings reported) in 81 audit reports were considered by the respective CPAs to be significant deficiencies, other instances of noncompliance with applicable laws and rules, or additional matters that should be addressed by management. Six audit reports had both material weaknesses and other types of audit findings, and 1 other audit report had a noncompliance finding that was also classified as a significant deficiency. The following is a summary of the predominant audit findings not considered to be material weaknesses or material noncompliance:

- **Separation of Duties.** For 10 charter schools, the CPAs noted that certain duties and responsibilities were not adequately separated. Consequently, the charter schools' ability to properly safeguard assets was limited and there was an increased risk that errors or fraud, should they occur, may not be timely detected. The CPAs recommended that, due to the small number of staff members and size of certain charter schools, the charter schools reassign duties and responsibilities or establish compensating controls.
- **Budget Administration.** For 5 charter schools, the CPAs noted inadequate controls over budget administration that caused certain budgetary amounts to be overexpended. Weaknesses in budgetary controls increase the risk of inefficient or inappropriate use of financial resources, which may result in a deteriorating financial condition.
- **Policies and Procedures.** For 11 charter schools, the CPAs noted that policies and procedures were inadequate or had not been established in writing. Adequate written policies and procedures are necessary to ensure implementation of controls and compliance with laws, rules, and good business practices.
- **Cash Controls.** For 17 charter schools, the CPAs noted inadequate controls over cash. The noted control deficiencies included untimely prepared bank reconciliations and inadequately safeguarded cash collections. These deficiencies increase the risk that unauthorized disbursements or loss of cash could occur and not be timely detected.
- **Transparency.** For 14 charter schools, the CPAs noted that the charter schools did not maintain on their Web sites the information required by State law.<sup>12</sup> According to the reports, the schools' Web sites lacked required information such as school budgets, independent financial audit reports, and minutes of governing board meetings. The CPAs also reported that 3 charter schools did not comply with transparency requirements, although these instances of noncompliance were not reported as audit findings. Providing the required Web site information encourages citizen involvement; enhances the public's ability to analyze, monitor, and evaluate financial outcomes; and promotes government transparency.
- **Payroll and Personnel Administration.** For 9 charter schools, the CPAs noted inadequate controls or noncompliance with applicable legal requirements related to payroll and personnel administration. For example, because of inadequate controls, 1 charter school did not always calculate Florida Retirement System contributions using correct employee wage amounts. Such payroll and personnel control deficiencies affect a charter school's ability to comply with legal requirements associated with payroll and personnel obligations.
- **Other Expenditures.** For 26 charter schools, the CPAs noted purchasing and other disbursement control deficiencies, such as inadequate documentation to support expenditures. Lack of controls over purchasing and invoice payment functions could affect a charter school's ability to demonstrate the appropriate use of public resources.

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<sup>12</sup> Section 1002.33(9)(p), Florida Statutes.

- **Records Management.** For 14 charter schools, the CPAs noted that accounting and financial records were not properly and accurately maintained. Deficiencies included transactions either not posted or incorrectly posted to the accounting records and insufficient monitoring and review of account balances. Such recordkeeping deficiencies may affect the reliability of a charter school's records and related financial reports.
- **Miscellaneous Findings.** For 26 charter schools, the CPAs noted various audit findings related to areas such as capital assets, significant delays in providing requested information to the auditor, and emergency preparedness. In addition, 1 of the 26 charter school audit reports included a Federal awards significant deficiency finding addressing Child Nutrition Cluster eligibility noncompliance. Other miscellaneous findings noted charter schools with financial position concerns, including those with total fund balance deficits.

## Detail of Audit Findings

Of the 161 findings, 105 (65 percent) did not include the audit report finding information prescribed by Auditor General rules.<sup>13</sup> These 105 findings were included in 57 (64 percent) of the 89 audit reports with findings. Specifically, the 105 findings did not include one or more of the following required finding information elements:

- A description of the criteria or specific requirement upon which the audit finding was based (e.g., a statutory, regulatory, or other citation).
- A description of the condition found, including the facts that support the deficiency identified in the finding.
- A proper perspective (e.g., the number of records examined and the quantity or dollar value of deficiencies noted) necessary to judge the prevalence and consequences of the findings, such as whether the findings represent an infrequent occurrence or a systemic problem.

Audit findings that do not include the required information hinder the ability of audit report users to understand the nature and magnitude of the problem addressed in the finding and the necessary corrective action and may contribute to an increase in repeat audit findings.

## Repeated Findings from Previous Fiscal Years

A significant number of findings included in the 2016-17 fiscal year audit reports were also included in the 2015-16 and 2014-15 fiscal year audit reports. In total, 47 (29 percent) of the 161 findings included in the 89 audit reports were repeat findings. Specifically, 25 audit reports contained a total of 34 findings repeated from the 2015-16 fiscal year audit reports and 12 audit reports contained a total of 13 findings repeated from both the 2015-16 and 2014-15 fiscal year audit reports.

State law<sup>14</sup> requires us to notify the Legislative Auditing Committee of charter school audit reports that indicate the charter school failed to take full corrective action in response to a recommendation that was included in the two preceding financial audit reports. Pursuant to that law, on May 29, 2018, we notified the Legislative Auditing Committee of the 13 charter schools that failed to take full corrective action in response to one or more of the recommendations included in the two preceding financial audit reports.

<sup>13</sup> Section 10.856(3), Rules of the Auditor General.

<sup>14</sup> Section 218.39(8), Florida Statutes.



## FINANCIAL TRENDS

### Number of Charter Schools

**EXHIBIT A** to this report shows the number of charter schools by county for 5 fiscal years (2012-13 through 2016-17 fiscal years). Table 3 shows the 10 counties with the largest number of charter schools.

**Table 3**  
**Ten Counties With the Largest**  
**Number of Charter Schools**  
**Fiscal Year Ended June 30, 2017**

	County	Number of Charter Schools
1	Miami-Dade	128
2	Broward	99
3	Palm Beach	54
4	Hillsborough	42
5	Orange	40
6	Duval	35
7	Polk	25
8	Lee	23
9	Pinellas	20
10	Osceola	18

**EXHIBIT A** also shows that, during the 2016-17 fiscal year, one or more charter schools operated in 46 of the State's 67 counties and, overall, there were 650 charter schools in operation. This number reflects an increase of 81 (14 percent) from the 569 charter schools operating during the 2012-13 fiscal year. As of May 31, 2018, 629 of the 650 charter schools in operation during the 2016-17 fiscal year had filed audit reports with us.

### Financial Condition Trends

Identifying meaningful financial condition trend data is somewhat problematic as historical financial information for some charter schools is limited;<sup>15</sup> the size and organizational structure of the schools vary significantly;<sup>16</sup> and charter schools do not all present audited financial information on the same accounting basis.<sup>17</sup> However, while these challenges exist, certain reported information is comparable and available for determining the financial condition of the charter school population.

<sup>15</sup> As of June 30, 2017, approximately 16 percent of the charter schools had been in operation for 3 years or less, and approximately 4 percent of the charter schools opened during the 2016-17 fiscal year.

<sup>16</sup> Many charter schools are small, single entity organizations and some are operated by municipalities or not-for-profit organizations. Individual charter schools reported annual revenues ranging from approximately \$16,000 to approximately \$28.2 million for the fiscal year ended June 30, 2017.

<sup>17</sup> Some charter schools present audited financial information on the governmental accounting basis, while others present the information on the not-for-profit accounting basis.

We reviewed the 629 charter school 2016-17 fiscal year audit reports filed with us and analyzed the reported ending fund balance or unrestricted net assets. These balances generally represent residual amounts at fiscal year end that are available to finance the subsequent fiscal year's operations and may provide some indication of a charter school's financial health as of the end of the reporting period.

The financial condition measure used in this report is the ratio of the charter schools' total unassigned and assigned fund balance or unrestricted net assets to the total revenues of the general fund or other unrestricted fund. Table 4 shows, for each of the past 3 fiscal years, the charter schools' average financial condition ratio; the number of charter schools with a financial condition ratio above the average ratio; the number of charter schools with a financial condition ratio below the average ratio but positive balances; and the number of charter schools ending the fiscal year with a general fund, or other unrestricted fund, deficit total unassigned and assigned fund balance or deficit unrestricted net assets.

**Table 4**  
**Summary of Financial Condition Ratios**  
**For the Fiscal Years Ended June 30, 2015, 2016, and 2017**

Fund Balance or Net Assets	Fiscal Year Ended June 30		
	2015	2016	2017
<b>Average financial condition ratio</b>	<b>14.99%</b>	<b>15.93%</b>	<b>17.33%</b>
<b>Number of:</b>			
Schools with ratio above average	226	227	230
Schools with ratio below average (positive balances)	305	316	331
Schools with deficit balances	92	88	68
<b>Total number of schools included in our review</b>	<b><u>623</u></b>	<b><u>631</u></b>	<b><u>629</u></b>

As shown in **EXHIBIT B** to this report, 68 (11 percent) of the 629 charter schools reported a general fund, or other unrestricted fund, deficit unassigned and assigned fund balance or deficit unrestricted net assets at June 30, 2017, which is a decrease from the 88 (14 percent) of the 631 charter schools that reported deficits at June 30, 2016. The financial condition ratio for the 68 charter schools that reported deficit balances ranged from negative 62 percent to less than negative 1 percent. Four of the 68 charter schools reporting a deficit balance were in their first year of operation. Forty of the 68 charter schools reporting a deficit balance had reported a deficit for 2 or more years, and 25 of those 40 had reported a deficit for 3 or more years.

### Financial Condition Concerns and Monitoring

State law<sup>18</sup> sets forth the process for determining whether a charter school is in a state of financial emergency. The law provides that, when one or more of the conditions specified by law (e.g., failure to make payments for loans, uncontested claims, or wages and salaries)<sup>19</sup> have occurred, or will occur if action is not taken to assist the charter school, the charter school is to notify its sponsor, the

<sup>18</sup> Section 218.503(2), Florida Statutes.

<sup>19</sup> Section 218.503(1), Florida Statutes.

Commissioner of Education, and the Legislative Auditing Committee. Additionally, Auditor General rules<sup>20</sup> require the charter school’s independent CPA to apply appropriate procedures and state in the management letter whether the charter school met one or more of the specified conditions. State law<sup>21</sup> prohibits charter schools that have met any of the specified conditions from being designated as a high-performing charter school. High-performing charter schools are granted more flexibility than other charter schools in meeting certain statutory requirements.

If a charter school is reported as meeting one or more of the specified conditions, we are required to notify the Commissioner of Education and the Legislative Auditing Committee. If the Commissioner of Education determines that the charter school needs a financial recovery plan to resolve the condition, the charter school is considered to be in a state of financial emergency. For the 2016-17 fiscal year, the CPAs who audited the charter schools identified three charter schools that met one of the specified conditions in State law. The Commissioner of Education determined that each of the three charter schools needed a financial recovery plan to resolve the condition and considered these charter schools (identified in Table 5) to be in a state of financial emergency.

**Table 5**  
**Charter Schools in a State of Financial Emergency**  
**For the Fiscal Year Ended June 30, 2017**

	County	School
1	Lee	Unity Charter School of Cape Coral, Inc.
2	Lee	Unity Charter School of Fort Myers, Inc.
3	Miami-Dade	Florida International Academy

Note: As shown in **EXHIBIT B** to this report, each of these charter schools had deficit fund balances or deficit net assets.

In contrast, for the 2015-16 fiscal year, CPAs identified eight charter schools (shown in Table 6) that had met one of the specified conditions in State law, but the Commissioner of Education did not consider those or any other charter school to be in a state of financial emergency for that period.

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<sup>20</sup> Chapter 10.850, Rules of the Auditor General for Audits of Charter Schools and Similar Entities, The Florida Virtual School, and Virtual Instruction Program Providers.

<sup>21</sup> Section 1002.331(1)(c), Florida Statutes.

**Table 6**  
**Charter Schools Meeting a Specified**  
**Condition in Section 218.503, Florida Statutes**  
**For the Fiscal Year Ended June 30, 2017**

	County	School
1	Alachua	Micanopy Middle School
2	Broward	Paramount Charter School <sup>a, b</sup>
3	Duval	Valor Academy of Leadership High School <sup>a</sup>
4	Duval	Valor Academy of Leadership Middle School <sup>a</sup>
5	Duval	Virtue Arts and Science Academy High School <sup>a</sup>
6	Duval	Virtue Arts and Science Academy Middle School <sup>a</sup>
7	Hillsborough	Legacy Preparatory Academy
8	Putnam	Putnam Edge High School <sup>b</sup>

<sup>a</sup> These charter schools closed during or subsequent to the fiscal year ended June 30, 2017; therefore, audit reports were not filed with us for that period.

<sup>b</sup> Although the reason for the condition was not reported, we confirmed with the charter school auditor that the condition was met due to the lack of funds.

In addition, the 2016-17 fiscal year audit reports for three other charter schools included statements by the respective CPAs questioning the ability of the charter schools to continue operations on an ongoing basis (i.e., going concern statements). In comparison, for the 2015-16 fiscal year, there were four charter school audit reports with going concern statements. Table 7 identifies the charter schools that received going concern statements for the 2016-17 and 2015-16 fiscal years.

**Table 7**  
**Charter Schools With Going Concern Statements**  
**For the Fiscal Years Ended June 30, 2017 and 2016**

	County	School
<b>2017</b>		
1	Escambia	Escambia Charter School
2	Lee	Goodwill L.I.F.E. Academy
3	Levy	Whispering Winds Charter School <sup>a</sup>
<b>2016</b>		
1	Hillsborough	Florida Virtual Academy at Hillsborough
2	Levy	Whispering Winds Charter School <sup>a</sup>
3	Palm Beach	Learning Path Academy
4	Pinellas	Florida Virtual Academy at Pinellas

<sup>a</sup> The audit reports for this charter school contained a going concern statement for both fiscal years.

As discussed in the following **Student Enrollment and Related Funding** section, although some charter schools close each year, the total number of charter schools and charter school full-time equivalent (FTE) students has been increasing. During the period July 2016 through May 2018, a total of 36 charter

schools closed. Our examination of Florida Department of Education (FDOE) or sponsoring school district records disclosed that:

- 13 charter schools closed because the schools merged with other charter schools or for academic and other reasons unrelated to financial difficulties.
- 13 charter schools closed due, in part, to financial difficulties.
- FDOE records did not disclose the reason 10 charter schools closed.

Effective financial monitoring and timely and appropriate adjustments to operations are critical to ensure that charter school operating costs remain within available financial resources. Such monitoring is particularly crucial for charter schools that meet one or more of the specified conditions of State law, are in a state of financial emergency, have audit reports containing going concern statements, or report deficit total unassigned and assigned fund balances or deficit unrestricted net assets.

### **Student Enrollment and Related Funding**

FDOE records indicate that 283,118 students were enrolled in Florida charter schools during the 2016-17 fiscal year. To evaluate the student enrollment of the charter schools that continued operations during the 2014-15, 2015-16, and 2016-17 fiscal years, we compared the full-time equivalent (FTE) students of charter schools for those periods. We found that the total number of FTE students for the 630 charter schools operating during both the 2015-16 and 2016-17 fiscal years increased by approximately 12,800 from the 2015-16 fiscal year to the 2016-17 fiscal year, which is 2,800 more than the 10,000 increase from the 2014-15 fiscal year to the 2015-16 fiscal year.

In addition, for the 2016-17 fiscal year, the base Florida Education Finance Program (FEFP) allocation was \$4,160.71 per FTE student, which represents an increase of \$6.26 from the final 2015-16 fiscal year FEFP allocation of \$4,154.45 per FTE student. Based on the 2017-18 FEFP Fourth Calculation released by the FDOE in May 2018, the 2017-18 fiscal year FEFP allocation is expected to be \$4,203.95 per FTE student, an increase of \$43.24 per FTE student from the 2016-17 fiscal year final allocation. Student enrollment and related funding can be useful information in assessing the financial stability and health of charter schools.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

The objectives of this project for charter school audit reports filed pursuant to State law<sup>22</sup> were to identify significant findings and financial trends based on our review of the audit reports. The scope of this project included a review of 629 audit reports for the fiscal year ended June 30, 2017, prepared by independent CPAs and filed with us by May 31, 2018.

Our methodology included a review of applicable audit reports and a compilation of significant findings and financial trends. We conducted this review in accordance with applicable generally accepted government auditing standards. We believe that the procedures performed provide a reasonable basis for the summaries of significant findings and financial trends included in this report.

## **AUTHORITY**

Pursuant to Section 11.45(7)(f), Florida Statutes, I have directed that this report be prepared to present a summary of significant findings and financial trends identified during our review of charter school and charter technical career center audit reports prepared by independent certified public accountants for the fiscal year ended June 30, 2017.



Sherrill F. Norman, CPA  
Auditor General

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<sup>22</sup> Section 218.39, Florida Statutes.

## EXHIBIT A

### NUMBER OF CHARTER SCHOOLS IN OPERATION BY COUNTY FOR 5 FISCAL YEARS

	County	Fiscal Year				
		2012-13	2013-14	2014-15	2015-16	2016-17
1	Alachua	16	14	14	14	15
2	Bay	10	10	10	10	10
3	Brevard	7	10	10	11	11
4	Broward	82	93	98	102	99
5	Charlotte	1	1	1	2	2
6	Citrus	1	1	1	2	2
7	Clay	-	-	2	3	3
8	Collier	3	4	5	5	5
9	Columbia	1	2	2	1	1
10	Dixie	1	1	1	1	1
11	Duval	21	30	34	36	35
12	Escambia	9	8	9	6	6
13	Flagler	3	2	2	2	2
14	Franklin	1	1	1	1	1
15	Gadsden	1	1	2	2	2
16	Glades	2	2	2	2	2
17	Hernando	1	3	3	3	3
18	Hillsborough	43	43	46	42	42
19	Indian River	5	5	5	5	5
20	Lake	10	10	10	8	8
21	Lee	20	18	21	22	23
22	Leon	7	7	6	7	6
23	Levy	2	2	2	2	2
24	Madison	-	2	2	1	2
25	Manatee	11	12	12	12	11
26	Marion	3	3	4	4	4
27	Martin	2	2	2	2	2
28	Miami-Dade	120	128	128	126	128
29	Monroe	6	6	6	6	6
30	Okaloosa	3	3	3	3	3
31	Orange	32	32	35	36	40
32	Osceola	11	13	13	17	18
33	Palm Beach	42	48	52	50	54
34	Pasco	5	7	9	9	10
35	Pinellas	21	22	22	23	20
36	Polk	27	26	25	23	25
37	Putnam	2	3	3	3	3
38	Santa Rosa	2	2	2	2	2
39	Sarasota	9	10	11	12	12
40	Seminole	3	3	3	4	4
41	St. Johns	5	6	6	6	4
42	St. Lucie	4	5	5	5	5
43	Sumter	1	1	1	1	1
44	Volusia	9	9	8	8	7
45	Wakulla	1	1	1	1	1
46	Walton	3	3	3	3	2
	<b>Totals</b>	<b><u>569</u></b>	<b><u>615</u></b>	<b><u>643</u></b>	<b><u>646</u></b>	<b><u>650</u></b>

**EXHIBIT B****SUMMARY OF CHARTER SCHOOLS WITH  
DEFICIT FUND BALANCES OR DEFICIT NET ASSETS**

AT JUNE 30, 2017

COUNTY/School		General or Other Unrestricted Fund Balance or Total Net Assets	Total Unassigned and Assigned Fund Balance or Unrestricted Net Assets
<b>BREVARD</b>			
1	Campus Charter School	\$ (5,165)	\$ (5,986)
2	Emma Jewel Charter Academy	(18,922)	(20,005)
3	Pineapple Cove Classical Academy	(18,625)	(97,486)
<b>BROWARD</b>			
4	Academic Solutions Academy	(117,708)	(136,302)
5	Avant Garde Academy K8 – Broward	(31,759)	(100,749)
6	Avant Garde Academy of Broward	(29,844)	(31,573)
7	Ben Gamla Charter School – South Broward	(1,312)	(31,197)
8	Bridgeprep Academy of Hollywood Hills	(134,677)	(134,677)
9	Central Charter School	(335,280)	(356,994)
10	Charter School of Excellence at Riverland 1	(230,432)	(230,432)
11	Charter School of Excellence at Riverland 2	(10,779)	(10,779)
12	Franklin Academy A	(346,437)	(346,437)
13	Franklin Academy B	(198,729)	(200,512)
14	Franklin Academy F	(198,845)	(198,845)
15	Imagine Charter School at North Lauderdale	1	(8,104)
16	International School of Broward	(395,565)	(395,565)
17	Kidz Choice Charter School	(9,641)	(80,534)
18	New Life Charter Academy	(40,456)	(40,456)
19	Pivot Charter School – Fort Lauderdale	(426,155)	(477,950)
20	South Broward Montessori Charter School	33,784	(45,258)
<b>DUVAL</b>			
21	School for Accelerated Learning and Technologies	(391,960)	(391,960)
<b>ESCAMBIA</b>			
22	Escambia Charter School	(47,860)	(148,974)
<b>HILLSBOROUGH</b>			
23	Bell Creek Academy	(153,786)	(160,038)
24	Bell Creek Academy High School	(80,013)	(80,013)
25	Bridgeprep Academy of Tampa	(25,836)	(37,836)
26	Community Charter School of Excellence	(37,594)	(76,168)
27	Florida Autism Charter School of Excellence	(22,814)	(32,934)
28	Florida Cyber Charter Academy at Hillsborough	12,696	(75,751)
29	Legacy Preparatory Academy	(117,223)	(117,223)
30	Pivot Charter School – Tampa	(19,479)	(38,888)
31	Town and Country High School	(539,834)	(539,834)
<b>LAKE</b>			
32	Altoona School	(87)	(18,129)
<b>LEE</b>			
33	Goodwill L.I.F.E. Academy	638	(250)
34	Harlem Heights Community Charter	(14,552)	(14,552)
35	Northern Palms Charter High School	(536,763)	(539,746)
36	Oak Creek Charter School of Bonita Springs, Inc.	(133,194)	(147,466)
37	Pivot Charter School – Fort Myers	(29,527)	(58,091)
38	Unity Charter School of Cape Coral, Inc. <sup>a</sup>	(371,117)	(372,963)
39	Unity Charter School of Fort Myers, Inc. <sup>a</sup>	(123,367)	(135,752)



COUNTY/School		General or Other Unrestricted Fund Balance or Total Net Assets	Total Unassigned and Assigned Fund Balance or Unrestricted Net Assets
<b>MADISON</b>			
40	James Madison Preparatory Charter High School	(54,981)	(58,646)
41	Madison Creative Arts Academy	208,629	(36,330)
<b>MANATEE</b>			
42	Imagine Charter School at North Manatee	1	(12,469)
43	Imagine School at Lakewood Ranch	1	(58,878)
44	State College of Florida Collegiate School	263,346	(240,332)
<b>MIAMI-DADE</b>			
45	Academir Charter School Middle	(12,598)	(30,659)
46	Academir Preparatory Academy	(139,402)	(176,713)
47	Beacon College Prep Charter School	(193,583)	(212,133)
48	Bridgeprep Academy of Arts and Minds Charter Schools	(136,705)	(142,025)
49	Coral Reef Montessori Academy Charter School	(26,454)	(26,454)
50	Florida International Academy <sup>a</sup>	(259,057)	(282,835)
51	Miami Arts	(130,047)	(261,171)
52	Miami Community Charter High School	(23,409)	(23,409)
53	Miami Community Charter Middle School	(11,451)	(11,451)
54	Palm Glades Preparatory High School	(163,201)	(164,645)
<b>OKALOOSA</b>			
55	Northwest Florida State College Collegiate High School	(56,630)	(103,179)
<b>ORANGE</b>			
56	Legends Academy	(51,269)	(60,876)
57	Oasis Preparatory Academy Charter	-	(8,800)
58	Orange County Preparatory Academy	(41,954)	(68,014)
<b>OSCEOLA</b>			
59	Avant Garde Academy K8 of Osceola	(177,956)	(199,442)
<b>PALM BEACH</b>			
60	Belle Glade Excel Charter School	(415,448)	(438,537)
61	Connections Education Center of The Palm Beaches, Inc.	(112,876)	(151,251)
62	Eagle Arts Academy	(160,233)	(275,635)
63	Franklin Academy B2 – Boynton Beach	760,359	(1,353,741)
64	Franklin Academy D	(272,170)	(272,170)
<b>PINELLAS</b>			
65	The Athenian Academy	5,735	(75,611)
<b>PUTNAM</b>			
66	Putnam Edge High School	(47,108)	(57,765)
<b>SARASOTA</b>			
67	Sarasota Military Academy Prep	(36,796)	(66,306)
<b>SUMTER</b>			
68	The Villages Charter School	(1,571,217)	(1,573,971)

<sup>a</sup> The Commissioner of Education considered these charter schools (also identified in Table 5) to be in a state of financial emergency pursuant to Section 218.503, Florida Statutes.





