

**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, 2018**

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



Sherrill F. Norman, CPA  
Auditor General

The team leader was Walter K. Cunningham, CPA, 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, 2018

## **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, 2018, there were 648<sup>2</sup> charter schools in operation. Pursuant to State law,<sup>3</sup> we reviewed the 644 charter school 2017-18 fiscal year audit reports filed with us,<sup>4</sup> considered those reports and other records associated with charter school financial trends, and compiled this report of significant findings and financial trends identified in those audit reports.

The results of our review of the 644 charter school audit reports and other records are summarized below.

### **Significant Findings**

- A total of 208 findings were included in 104 (16 percent) of the 644 audit reports.
- CPAs considered 38 of the 208 findings to be material weaknesses in internal control over financial reporting and 18 of the findings to be noncompliance with provisions of laws, regulations, contracts, or grants that were required by *Government Auditing Standards (GAS)* to be reported.<sup>5</sup>
- Eighty-six audit reports, including 16 audit reports with material weakness findings and 7 other audit reports with noncompliance findings required by *GAS* to be reported, addressed 154 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>6</sup> for audit findings were not included for 105 (50 percent) of the 208 findings. These 105 findings were included in 54 (52 percent) of the 104 audit reports with findings.
- Thirty-six (35 percent) of the 104 audit reports with findings contained findings repeated from prior fiscal year audit reports. Specifically, 36 audit reports contained a total of 54 findings repeated from the 2016-17 fiscal year audit reports and 20 audit reports contained a total of 25 findings repeated from both the 2016-17 and 2015-16 fiscal year audit reports. In total, 54 (26 percent) of the 208 findings included in the 104 audit reports were repeat findings.

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

<sup>2</sup> There were 648 charter schools in operation during the 2017-18 fiscal year according to Florida Department of Education records and our analysis of the charter school audit reports.

<sup>3</sup> Section 11.45(7)(f), Florida Statutes.

<sup>4</sup> Four charter schools closed during the 2017-18 fiscal year and did not file audit reports with us.

<sup>5</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>6</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.

## Financial Trends

- Auditors reported unmodified opinions in 643 of 644 audit reports and a modified opinion (i.e., disclaimer of opinion) in 1 report.
- The audit reports for 7 charter schools included a statement by the CPA questioning the ability of the charter school to continue operations on an ongoing basis
- Fifty-four (8 percent) of the 644 charter schools reported a general fund, or other unrestricted fund, deficit total unassigned and assigned fund balance or unrestricted net assets at June 30, 2018. In comparison, 66 (11 percent) of 629 charter schools reported deficits at June 30, 2017.

## **BACKGROUND**

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Charter schools are established pursuant to State law<sup>7</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>8</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>9</sup> Charter technical career centers are established pursuant to State law<sup>10</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>11</sup> requires charter schools to obtain annual financial audits and Auditor General rules<sup>12</sup> provide guidelines for certified public accountants (CPAs) to follow when conducting and reporting the results of the audits.

State law<sup>13</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.

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<sup>7</sup> Sections 1002.33, Florida Statutes.

<sup>8</sup> Pursuant to Section 1002.32, Florida Statutes, State universities may grant charters to lab (developmental research) schools.

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

<sup>10</sup> Section 1002.34, Florida Statutes.

<sup>11</sup> Section 218.39(1)(e) and (f), Florida Statutes.

<sup>12</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>13</sup> Section 11.45(7)(f), Florida Statutes.

## ***SIGNIFICANT FINDINGS***

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### **Classification of Audit Findings**

Auditing standards require auditors to report material weaknesses and significant deficiencies 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 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 644 charter school 2017-18 fiscal year audit reports filed with us and noted that, although the audit reports for 540 charter schools contained no audit findings, the audit reports for 104 charter schools included a total of 208 findings. For purposes of this report, the audit findings are generally classified as:

- Material weaknesses and noncompliance required by GAS to be reported.
- 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 by GAS to be Reported**

The audit reports for 28 charter schools (identified in Table 1) included a total of 38 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 2016-17 fiscal year, 12 charter schools had a total of 15 findings that were considered by the respective CPAs to be material weaknesses.

The 2017-18 audit reports for 7 of the 28 charter schools included material weakness findings that addressed incorrect accounting transactions, and the reports of 5 schools included material weakness findings that addressed 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, 16 of the 28 audit reports included other types of audit findings.

**Table 1**  
**Charter Schools With Reported Material Weaknesses**  
**For the Fiscal Year Ended June 30, 2018**

	County	School	Number of Material Weakness Findings
1	Bay	Bay Haven Charter Academy	1
2	Bay	Bay Haven Charter Academy Middle School	1
3	Bay	North Bay Haven Career Academy	1
4	Bay	North Bay Haven Charter Academy Elementary School	1
5	Bay	North Bay Haven Charter Academy Middle School	1
6	Broward	Andrews High School	1
7	Broward	Ben Gamla Preparatory Academy	2
8	Broward	Ben Gamla Preparatory Charter High School	2
9	Broward	South Broward Montessori Charter School	2
10	Broward	Sunrise High School	1
11	Duval	School for Accelerated Learning and Technologies	1
12	Hillsborough	Community Charter School of Excellence	2
13	Manatee	Manatee School of Arts and Sciences	2
14	Manatee	Team Success A School of Excellence	2
15	Miami-Dade	ASPIRA Arts Deco Charter School	2
16	Miami-Dade	ASPIRA Leadership and College Preparatory Academy	2
17	Miami-Dade	ASPIRA Raul Arnaldo Martinez Charter School	2
18	Miami-Dade	C.G. Bethel High School	1
19	Miami-Dade	Chambers High School	1
20	Miami-Dade	Youth Co-Op Charter School	1
21	Miami-Dade	Youth Co-Op Preparatory High School	1
22	Osceola	Avant Garde Academy of Osceola	1
23	Osceola	Avant Garde Academy K8 of Osceola	1
24	Osceola	Main Street High School	1
25	Palm Beach	Bright Futures Academy	1
26	Palm Beach	Mavericks High School at Palm Springs	1
27	Polk	Cypress Junction Montessori	1
28	St. Johns	St. Augustine Public Montessori School	2
<b>Total Number of Material Weakness Findings</b>			<b><u>38</u></b>

The audit reports for 13 charter schools (identified in Table 2) each included 1 or more noncompliance findings that were required by GAS to be reported. In contrast, for the 2016-17 fiscal year, 6 charter schools had a total of 6 noncompliance findings that were required by GAS to be reported.

The 2017-18 fiscal year audit reports for the 13 charter schools included a total of 18 noncompliance findings required by GAS to be reported. The 18 findings cited, for example, 3 charter schools that failed

to provide audits by sponsor-established deadlines, 3 charter schools that incurred expenditures in excess of budgeted amounts, and 3 charter schools that remitted employee withholding taxes late.

**Table 2**  
**Charter Schools With Noncompliance**  
**Required by GAS to be Reported**  
**For the Fiscal Year Ended June 30, 2018**

	County	School	Number of Noncompliance Findings Required by GAS to be Reported
1	Columbia	Belmont Academy	1
2	Duval	Biscayne High School	1
3	Leon	The School of Arts and Sciences on Thomasville Road	1
4	Leon	The School of Arts and Sciences at the Centre	1
5	Manatee	Rowlett Academy	2
6	Manatee	Rowlett Middle Academy	1
7	Manatee	Team Success A School of Excellence <sup>a</sup>	2
8	Miami-Dade	ASPIRA Arts Deco Charter School	2
9	Miami-Dade	ASPIRA Leadership and College Preparatory Academy	2
10	Miami-Dade	ASPIRA Raul Arnaldo Martinez Charter School	2
11	Volusia	Reading Edge Academy	1
12	Volusia	Samsula Academy	1
13	Madison	James Madison Preparatory Charter High School	1
<b>Total Number of Noncompliance Findings Required by GAS to be Reported</b>			<b><u>18</u></b>

<sup>a</sup> The 2 noncompliance findings for this school were also classified as material weaknesses.

### Significant Deficiencies and Other Audit Findings

A total of 154 findings (74 percent of the 208 findings reported) in 86 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. Sixteen audit reports had both material weaknesses and other types of audit findings, and 7 other audit reports had a noncompliance finding and other types of audit findings. The following is a summary of the predominant audit findings not considered to be material weaknesses or noncompliance required by GAS to be reported:

- **Cash Controls.** For 27 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.
- **General Expenditures.** For 24 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.

- **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.
- **Policies and Procedures.** For 12 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.
- **Transparency.** For 9 charter schools, the CPAs noted that the charter schools did not maintain on their Web sites the information required by State law.<sup>14</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. CPAs also reported in management letters contained in the audit reports that 2 charter schools did not comply with the transparency requirements, although these instances of noncompliance were not cited as audit findings. Providing the required Web site information encourages citizen involvement; enhances the ability to analyze, monitor, and evaluate financial outcomes; and promote government transparency.
- **Payroll and Personnel Administration.** For 8 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, 2 charter schools 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.
- **Separation of Duties.** For 6 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 CPA's 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 4 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.
- **Miscellaneous Findings.** For 32 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. Other miscellaneous findings noted charter schools with financial position concerns, including those with total fund balance deficits.

## Detail of Audit Findings

Of the 208 findings, 105 (50 percent) did not include the audit report finding information prescribed by Auditor General rules.<sup>15</sup> These 105 findings were included in 54 (52 percent) of the 104 audit reports with findings. Specifically, the 105 findings did not include one or more of the following required finding information elements:

<sup>14</sup> Section 1002.33(9)(p), Florida Statutes.

<sup>15</sup> Section 10.856(3), Rules of the Auditor General.



- 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 2017-18 fiscal year audit reports were also included in the 2016-17 and 2015-16 fiscal year audit reports. In total, 54 (26 percent) of the 208 findings included in the 104 audit reports were repeat findings. Specifically, 36 audit reports contained a total of 54 findings repeated from the 2016-17 fiscal year audit reports and 20 audit reports contained a total of 25 findings repeated from both the 2016-17 and 2015-16 fiscal year audit reports.

State law<sup>16</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 April 26, 2019, we notified the Legislative Auditing Committee of the 20 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.

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<sup>16</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 (2013-14 through 2017-18). Table 3 shows the 10 counties with the largest number of charter schools.

**Table 3**  
**Ten Counties with the Largest**  
**Number of Charter Schools**  
**For the Fiscal Year Ended June 30, 2018**

	County	Number of Charter Schools
1	Miami-Dade	130
2	Broward	91
3	Hillsborough	49
4	Palm Beach	49
5	Orange	39
6	Duval	33
7	Polk	25
8	Lee	22
9	Osceola	21
10	Pinellas	17

**EXHIBIT A** also shows that, during the 2017-18 fiscal year, one or more charter schools operated in 47 of the State's 67 counties and, overall, there were 648 charter schools in operation. This number reflects an increase of 33 (5 percent) from the 615 charter schools operating during the 2013-14 fiscal year. Six hundred and forty-four of the 648 charter schools in operation during the 2017-18 fiscal year filed audit reports with us.<sup>17</sup>

### Financial Audit Opinions

State law<sup>18</sup> requires each charter school to obtain an annual financial audit of its accounts and records by an independent CPA. The annual audits are necessary to ensure that management and those charged with governance are promptly informed of the charter school's financial condition, and provide for timely review by the charter school sponsor. The audits also provide financial statement users independent assurance of the reliability of the financial information in the form of an opinion on the financial statements.

Financial auditors issue unmodified opinions to report that financial statements are fairly presented in accordance with generally accepted accounting principles; or, alternatively, auditors may issue a modified

<sup>17</sup> Four charter schools closed during the 2017-18 fiscal year and did not file audit reports with us.

<sup>18</sup> Section 218.39, Florida Statutes.

opinion (e.g., a qualified or disclaimer of opinion) if the financial statements do not align with those principles. For example, qualified opinions indicate that most information included in the financial statements is accurately presented, except for a few discrepancies, and a disclaimer of opinion indicates that, because of certain conditions, no opinion is given regarding the financial statements.

For the 2017-18 fiscal year, auditors concluded, in 643 of the 644 audit reports, that charter schools accurately reported financial information for the 2017-18 fiscal year and issued unmodified opinions on those financial statements. The auditor for the other charter school reported a modified opinion. Specifically, the auditor of Team Success A School of Excellence reported a disclaimer of opinion because the auditor was unable to obtain sufficient appropriate audit evidence to issue an opinion.

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## Financial Condition Trends

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Identifying meaningful financial condition trend data is somewhat problematic as the size and organizational structure of the charter schools vary significantly;<sup>19</sup> charter schools do not all present audited financial information on the same accounting basis;<sup>20</sup> and some charter schools are relatively new.<sup>21</sup> However, certain reported information is comparable and available for determining the financial condition of the charter school population.

We reviewed the 644 charter school 2017-18 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 audited, 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 positive balances but a financial condition ratio below the average ratio; and the number of charter schools that ended the fiscal year with a general fund, or other unrestricted fund, deficit total unassigned and assigned fund balance or deficit unrestricted net assets.

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<sup>19</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 \$43,873 to \$27.6 million for the fiscal year ended June 30, 2018.

<sup>20</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.

<sup>21</sup> As of June 30, 2018, 14 percent of the charter schools had been in operation for 3 years or less, and 5 percent of the charter schools opened during the 2017-18 fiscal year.

**Table 4**  
**Summary of Financial Condition Ratios**  
**For the Fiscal Years Ended June 30, 2016, 2017, and 2018**

Fund Balance or Net Assets	Fiscal Year Ended June 30		
	2016	2017	2018
<b>Average financial condition ratio</b>	<b>15.93%</b>	<b>17.33%</b>	<b>20.40%</b>
<b>Number of:</b>			
Schools with ratios above the average ratio	227	230	230
Schools with ratios below the average ratio but with positive balances	316	331	360
Schools with deficit balances	88	68	54
<b>Total number of schools included in our review</b>	<b><u>631</u></b>	<b><u>629</u></b>	<b><u>644</u></b>

As shown in **EXHIBIT B** to this report, 54 (8 percent) of the 644 charter schools reported a general fund, or other unrestricted fund, deficit unassigned and assigned fund balance or deficit unrestricted net assets at June 30, 2018, which is a decrease from the 68 (11 percent) of the 629 charter schools that reported deficits at June 30, 2017. The financial condition ratio for the 54 charter schools that reported deficit balances ranged from less than negative 1 percent to negative 125 percent. Eight of the 54 charter schools reporting a deficit balance were in their first year of operation. Nine of the 54 charter schools reported a deficit for only the 2016-17 and 2017-18 fiscal years and 18 other charter schools reported a deficit for the 2015-16, 2016-17, and 2017-18 (or more) fiscal years.

### Financial Condition Concerns and Monitoring

State law<sup>22</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>23</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 Commissioner of Education, and the Legislative Auditing Committee. Additionally, Auditor General rules<sup>24</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>25</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,

<sup>22</sup> Section 218.503(2), Florida Statutes.

<sup>23</sup> Section 218.503(1), Florida Statutes.

<sup>24</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>25</sup> Section 1002.331(1)(c), Florida Statutes.

the charter school is considered to be in a state of financial emergency. For the 2017-18 fiscal year, the CPAs who audited the charter schools identified eight charter schools that met one of the specified conditions in State law. The Commissioner of Education determined none of the eight charter schools (identified in Table 5) to be in a state of financial emergency.

**Table 5**  
**Charter Schools Meeting a Specified**  
**Condition in Section 218.503, Florida Statutes**  
**For the Fiscal Year Ended June 30, 2018**

	County	School
1	Lee	Unity Charter School of Cape Coral
2	Miami-Dade	ASPIRA Arts Deco Charter School
3	Miami-Dade	ASPIRA Leadership and College Preparatory Academy
4	Miami-Dade	ASPIRA Raul Arnaldo Martinez Charter School
5	Osceola	Avant Garde Academy of Osceola
6	Osceola	Avant Garde Academy K8 of Osceola
7	Palm Beach	Bright Futures Academy
8	Palm Beach	Eagle Arts Academy

In contrast, for the 2016-17 fiscal year, CPAs identified three charter schools that met one of the specified conditions in State law and the Commissioner of Education determined those charter schools to be in a state of financial emergency for that period.

In addition, the 2017-18 fiscal year audit reports for seven 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 2016-17 fiscal year, there were three charter school audit reports with going concern statements. Table 6 identifies the charter schools that received going concern statements for the 2017-18 and 2016-17 fiscal years.

**Table 6**  
**Charter Schools With Going Concern Statements**  
**For the Fiscal Years Ended June 30, 2018 and 2017**

	County	School
<b>2018</b>		
1	Duval	School for Accelerated Learning and Technologies
2	Flagler	Palm Harbor Academy
3	Hillsborough	Pivot Charter School - Tampa
4	Miami-Dade	Advantage Academy Santa Fe Charter School
5	Palm Beach	Eagle Arts Academy
6	Hernando	Gulf Coast Middle School
7	Pasco	Florida Cyber Charter Academy at Pasco
<b>2017</b>		
1	Escambia	Escambia Charter School
2	Lee	Goodwill L.I.F.E. Academy
3	Levy	Whispering Winds Charter School

As discussed in the **Student Enrollment and Related Funding** section of this report, 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 2017 through May 2019, a total of 24 charter schools closed. Our examination of Florida Department of Education (FDOE) or sponsoring school district records disclosed that:

- 6 charter schools closed because the schools merged with other charter schools or for academic and other reasons unrelated to financial difficulties.
- 2 charter schools closed due, in part, to financial difficulties.
- Records did not disclose the reason 16 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 295,814 students were enrolled in Florida charter schools during the 2017-18 fiscal year. To evaluate the student enrollment of the charter schools that continued operations during the 2015-16, 2016-17, and 2017-18 fiscal years, we compared the full-time equivalent (FTE) students of charter schools for those periods. The total number of FTE in Florida charter schools increased by approximately 12,700 from the 2016-17 fiscal year to the 2017-18 fiscal year, which is 100 less than the 12,800 increase from the 2015-16 fiscal year to the 2016-17 fiscal year.

For the 2017-18 fiscal year, the base Florida Education Finance Program (FEFP) allocation was \$4,203.95 per FTE student, which represents an increase of \$43.24 from the final 2016-17 fiscal year FEFP allocation of \$4,160.71 per FTE student. Based on the 2018-19 FEFP Fourth Calculation released by the FDOE in April 2019, the 2018-19 fiscal year FEFP allocation is expected to be \$4,204.42 per FTE, an increase of \$0.47 per FTE from the 2017-18 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***

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The objectives of this project for charter school audit reports filed pursuant to State law<sup>26</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 the 644 audit reports for the fiscal year ended June 30, 2018, prepared by independent CPAs and filed with us.

Our methodology included a review of the 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***

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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, 2018.



Sherrill F. Norman, CPA  
Auditor General

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<sup>26</sup> Section 218.39, Florida Statutes.

## EXHIBIT A

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

	County	Fiscal Year				
		2013-14	2014-15	2015-16	2016-17	2017-18
1	Alachua	14	14	14	15	15
2	Bay	10	10	10	10	11
3	Brevard	10	10	11	11	12
4	Broward	93	98	102	99	91
5	Charlotte	1	1	2	2	3
6	Citrus	1	1	2	2	2
7	Clay	-	1	3	3	3
8	Collier	4	5	5	5	6
9	Columbia	2	2	1	1	1
10	Dixie	1	1	1	1	1
11	Duval	30	34	36	35	33
12	Escambia	8	9	6	6	6
13	Flagler	2	2	2	2	2
14	Franklin	1	1	1	1	1
15	Gadsden	1	2	2	2	1
16	Glades	2	2	2	2	2
17	Hernando	3	3	3	3	3
18	Hillsborough	43	46	42	42	49
19	Indian River	5	5	5	5	5
20	Jefferson	-	-	-	-	3
21	Lake	10	10	8	8	9
22	Lee	18	21	22	23	22
23	Leon	7	6	7	6	5
24	Levy	2	2	2	2	2
25	Madison	2	2	1	2	2
26	Manatee	12	12	12	11	12
27	Marion	3	4	4	4	4
28	Martin	2	2	2	2	2
29	Miami-Dade	128	128	126	128	130
30	Monroe	6	6	6	6	6
31	Okaloosa	3	3	3	3	3
32	Orange	32	35	36	40	39
33	Osceola	13	13	17	18	21
34	Palm Beach	48	52	50	54	49
35	Pasco	7	9	9	10	11
36	Pinellas	22	22	23	20	17
37	Polk	26	25	23	25	25
38	Putnam	3	3	3	3	3



	County	Fiscal Year				
		2013-14	2014-15	2015-16	2016-17	2017-18
39	Santa Rosa	2	2	2	2	2
40	Sarasota	10	11	12	12	11
41	Seminole	3	3	4	4	4
42	St. Johns	6	6	6	4	3
43	St. Lucie	5	5	5	5	5
44	Sumter	1	1	1	1	1
45	Volusia	9	8	8	7	7
46	Wakulla	1	1	1	1	1
47	Walton	3	3	3	2	2
<b>Totals</b>		<b><u>615</u></b>	<b><u>643</u></b>	<b><u>646</u></b>	<b><u>650</u></b>	<b><u>648</u></b>

Source: Florida Department of Education records and our analysis of charter school audit reports.

**EXHIBIT B****SUMMARY OF CHARTER SCHOOLS WITH  
DEFICIT FUND BALANCES OR DEFICIT NET ASSETS****AT JUNE 30, 2018**

<b>COUNTY/School</b>		<b>General or Other Unrestricted Fund Balance or Total Net Assets</b>	<b>Total Unassigned and Assigned Fund Balance or Unrestricted Net Assets</b>
<b>ALACHUA</b>			
1	Florida School for Integrated Academics and Technologies Gainesville	\$ (40,336)	\$ (47,527)
2	Micanopy Middle School	(14,078)	(14,959)
<b>BREVARD</b>			
3	Legacy Academy Charter <sup>a</sup>	(17,318)	(35,412)
4	Palm Bay Academy	1,647,696	(55,835)
<b>BROWARD</b>			
5	Avant Garde Academy of Broward <sup>b</sup>	(37,594)	(37,594)
6	Bridgeprep Academy of Hollywood Hills <sup>c</sup>	(96,932)	(96,932)
7	Franklin Academy F <sup>c</sup>	(180,263)	(180,263)
8	Franklin Academy Pembroke Pines High School	(115,146)	(117,576)
9	Franklin Academy Sunrise <sup>c</sup>	(235,973)	(241,037)
10	International School of Broward <sup>c</sup>	(108,880)	(137,321)
11	Kidz Choice Charter School <sup>b</sup>	(148,681)	(219,364)
12	New Life Charter Academy <sup>c</sup>	(6,000)	(6,000)
13	South Broward Montessori Charter School <sup>b</sup>	28,388	(50,654)
<b>CITRUS</b>			
14	Academy of Environmental Science	8,800	(6,068)
<b>DUVAL</b>			
15	Biscayne High School	(24,897)	(57,720)
16	Duval Mycroschool of Integrated Academics and Technologies	(64,055)	(76,218)
17	Florida Cyber Charter Academy at Duval <sup>a</sup>	-	(6,733)
18	School for Accelerated Learning and Technologies <sup>b</sup>	(662,222)	(662,222)
<b>ESCAMBIA</b>			
19	Escambia Charter School <sup>b</sup>	(13,412)	(13,412)
<b>GLADES</b>			
20	Pemayetv Emahakv Charter Middle School	(127,670)	(127,670)
<b>HILLSBOROUGH</b>			
21	Avant Garde Academy Westchase <sup>a</sup>	(228,622)	(238,622)
22	Bell Creek Academy High School <sup>c</sup>	(149,315)	(155,609)
23	Bridgeprep Academy of Riverview Charter School <sup>a</sup>	(281,961)	(350,196)
24	Community Charter School of Excellence <sup>b</sup>	(42,831)	(105,155)
25	Legacy Preparatory Academy <sup>c</sup>	(92,783)	(92,783)
26	Pivot Charter School-Tampa <sup>c</sup>	(147,718)	(156,863)
27	RCMA Leadership Academy	(19,171)	(19,171)
28	The Collaboratory Preparatory Academy <sup>a</sup>	(21,140)	(21,140)
<b>LEE</b>			
29	Unity Charter School of Cape Coral <sup>b</sup>	(240,867)	(261,472)
<b>MADISON</b>			
30	James Madison Preparatory Charter High School <sup>c</sup>	(45,646)	(50,272)

COUNTY/School		General or Other Unrestricted Fund Balance or Total Net Assets	Total Unassigned and Assigned Fund Balance or Unrestricted Net Assets
<b>MANATEE</b>			
31	Rowlett Academy	(340,419)	(363,349)
32	State College of Florida Collegiate School <sup>c</sup>	552,195	(210,455)
<b>MARION</b>			
33	Francis Marion Military Academy	(3,466)	(3,466)
<b>MIAMI-DADE</b>			
34	Arts Academy of Excellence <sup>a</sup>	(45,427)	(45,427)
35	Beacon College Prep Charter School <sup>c</sup>	(111,577)	(113,158)
36	Bridgeprep Academy of Arts and Minds Charter Schools <sup>c</sup>	(130,207)	(130,207)
37	Coral Reef Montessori Academy Charter School <sup>b</sup>	(276,275)	(276,275)
38	Miami Arts <sup>c</sup>	68,543	(97,131)
39	Somerset Academy Charter High School - Miami-Dade	(3,740)	(133,020)
<b>OKALOOSA</b>			
40	Collegiate High at Northwest Florida State <sup>c</sup>	14,152	(42,533)
<b>ORANGE</b>			
41	Orange County Preparatory Academy <sup>c</sup>	13,019	(989)
<b>OSCEOLA</b>			
42	Avant Garde Academy of Osceola	(170,903)	(185,538)
43	Avant Grade Academy K8 of Osceola <sup>b</sup>	(429,270)	(450,747)
44	Florida Cyber Charter Academy at Osceola	-	(900)
45	St. Cloud Preparatory Academy High School <sup>a d</sup>	(161,138)	(161,138)
<b>PALM BEACH</b>			
46	Bridgeprep Academy of Palm Beach Charter School <sup>a</sup>	(13,445)	(18,742)
47	Bright Futures Academy	(36,179)	(89,684)
48	Eagle Arts Academy <sup>c</sup>	(1,144,383)	(1,144,383)
49	Franklin Academy D <sup>c</sup>	(119,546)	(119,546)
50	Gulfstream L.I.F.E. Academy	2,985	(1,187)
51	Toussaint L'Ouverture High School for Arts and Social Justice <sup>e</sup>	(9,180)	(9,180)
<b>POLK</b>			
52	Cypress Junction Montessori	2,888	(17,158)
53	Discovery Academy of Lake Alfred	(107,878)	(174,990)
<b>SUMTER</b>			
54	The Villages Charter School <sup>c</sup>	(1,751,979)	(1,756,265)

<sup>a</sup> These 8 charter schools were in their first year of operations.

<sup>b</sup> These 9 charter schools reported fiscal year deficits only at June 30, 2017, and June 30, 2018.

<sup>c</sup> These 18 charter schools reported fiscal year deficits for 3 or more fiscal years.

<sup>d</sup> This charter school had a financial condition ratio of negative 125 percent.

<sup>e</sup> This charter school had a financial condition ratio of negative 1 percent.

Source: Charter school audited financial statements.

