

**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, 2019**

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 Jacqueline M. Bell, 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, 2019

## **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, 2019, there were 650 charter schools in operation.<sup>2</sup> Pursuant to State law,<sup>3</sup> we reviewed the 648 charter school 2018-19 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 648 charter school audit reports and other records are summarized below.

### **Significant Findings**

- A total of 323 findings were included in 199 (31 percent) of the 648 audit reports.
- CPAs considered 26 of the 323 findings to be material weaknesses in internal control over financial reporting and 29 of the 323 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>
- 176 audit reports, including 6 audit reports with material weakness findings and 8 other audit reports with noncompliance findings required by *GAS* to be reported, addressed 268 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 88 (27 percent) of the 323 findings. These 88 findings were included in 44 (22 percent) of the 199 audit reports with findings.
- 41 (21 percent) of the 199 audit reports with findings contained findings repeated from prior fiscal year audit reports. Specifically, 41 audit reports contained a total of 72 findings repeated from the 2017-18 fiscal year audit reports and 20 audit reports contained a total of 25 findings repeated from both the 2017-18 and 2016-17 fiscal year audit reports. In total, 72 (22 percent) of the 323 findings included in the 199 audit reports were repeat findings.

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

<sup>2</sup> The number of charter schools was determined based on Florida Department of Education records and our analysis of charter school audit reports, which identified some instances in which individual schools were reported as a single reporting entity.

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

<sup>4</sup> Two charter schools closed during the 2018-19 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 647 of 648 audit reports and a modified opinion (i.e., disclaimer of opinion) in 1 report.
- 73 (11 percent) of the 648 charter schools reported a general fund, or other unrestricted fund, deficit total unassigned and assigned fund balance or unrestricted net assets at June 30, 2019. In comparison, 54 (8 percent) of 644 charter schools reported deficits at June 30, 2018. Deficits may be indicative of a charter school's poor or declining financial health.
- 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.

## BACKGROUND

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Charter schools in Florida are public schools and are part of the State's program of public education.<sup>7</sup> Charter schools typically operate under a charter contract with a sponsoring school district or State university<sup>8</sup> and receive funding similar to other public schools. A charter school must be organized as a nonprofit organization and may be operated by a nonprofit organization, municipality, or other public entity.<sup>9</sup>

Similarly, charter technical career centers may be created as part of the State's program of public education.<sup>10</sup> Charter technical career centers typically operate under a charter contract 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 sponsors.

Although part of the State's program of public education, charter schools and charter technical career centers (hereafter collectively referred to as charter schools) are exempt from many of the laws and rules that govern the operations of their sponsors and other public schools. However, there are also provisions in State law specific to charter schools, including a provision that requires charter schools to obtain annual financial audits by certified public accountants (CPAs).<sup>11</sup> State law<sup>12</sup> requires Auditor General rules<sup>13</sup> to provide guidelines for the CPAs to follow when conducting and reporting the results of the charter school audits.

State law<sup>14</sup> also 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> Section 11.45(8), Florida Statutes.

<sup>13</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>14</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 in a charter school audit report is dependent upon the finding's potential impact on the specific charter school under audit. Therefore, the classification of similar audit findings could vary from charter school to charter school.

We reviewed the 648 charter school 2018-19 fiscal year audit reports filed with us and noted that the audit reports for 449 charter schools (68 percent) contained no audit findings. The audit reports for the other 199 charter schools included a total of 323 findings. In contrast, for the 2017-18 fiscal year, we noted that there were 208 findings in 104 charter school audit reports. The significant increase in the number of findings for the 2018-19 fiscal year is mostly attributable to findings regarding the lack of reconciliations of inventories and inadequate capital asset subsidiary records at schools not previously cited.

For purposes of this report, the various classifications of audit findings are discussed under two subheadings:

- 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 15 charter schools (identified in Table 1) included a total of 26 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 2017-18 fiscal year, 28 charter schools had a total of 38 findings that were considered by the respective CPAs to be material weaknesses.

**Table 1**  
**Charter Schools With Reported Material Weaknesses**  
**For the Fiscal Year Ended June 30, 2019**

	County	School	Number of Material Weakness Findings
1	Broward	Academic Solutions Academy A	1
2	Broward	Academic Solutions High School	1
3	Broward	South Broward Montessori Charter School	1
4	Broward	Sunshine Elementary Charter School	1
5	Charlotte	Florida Southwestern Collegiate High School	1
6	Duval	Biscayne High School	1
7	Duval	School For Accelerated Learning and Technologies	3
8	Manatee	Lincoln Memorial Academy	2
9	Manatee	Manatee School of Arts and Sciences	1
10	Manatee	Team Success A School of Excellence	4
11	Osceola	Avant Garde Academy of Osceola	1
12	St. Johns	St. Augustine Public Montessori School	3
13	Lee	Heritage Charter Academy, Inc	3
14	Martin	The Hope Center for Autism	2
15	Monroe	Big Pine Elementary Academy	1
<b>Total Number of Material Weakness Findings</b>			<b><u>26</u></b>

The 2018-19 audit reports for 4 of the 15 charter schools shown in Table 1 included material weakness findings that addressed incorrect accounting transactions, and the reports for 4 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, 6 of the 15 audit reports included other types of audit findings.

The audit reports for 22 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 2017-18 fiscal year, 13 charter schools had a total of 18 noncompliance findings that were required by GAS to be reported. The 2018-19 fiscal year audit reports for the 22 charter schools included a total of 29 noncompliance findings required by GAS to be reported. The 29 findings disclosed, for example, that 4 charter schools did not determine retirement contributions correctly, 3 charter schools failed to provide audits by sponsor-established deadlines, and 1 charter school incurred expenditures in excess of budgeted amounts.

**Table 2**  
**Charter Schools With Noncompliance Required by GAS to be Reported**  
**For the Fiscal Year Ended June 30, 2019**

	County	School	Number of Noncompliance Findings Required by GAS to be Reported
1	Alachua	Alachua Learning Academy Middle School	1
2	Alachua	Florida School for Integrated Academics and Technologies Gainesville	1
3	Alachua	Genesis Preparatory School of Gainesville	1
4	Broward	Academic Solutions Academy A <sup>a</sup>	1
5	Broward	Academic Solutions High School <sup>a</sup>	1
6	Broward	Central Charter School	1
7	Duval	Biscayne High School	1
8	Duval	Duval Mycroschool of Integrated Academics and Technologies	1
9	Duval	Lone Star High School	1
10	Lee	Heritage Charter Academy, Inc <sup>a</sup>	3
11	Madison	James Madison Preparatory Charter High School	1
12	Manatee	Lincoln Memorial Academy	1
13	Manatee	Rowlett Academy	1
14	Manatee	Rowlett Middle Academy	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	Palm Beach	G-Star School of the Arts	2
19	Pinellas	Pinellas Mycroschool of Integrated Academics and Technologies	1
20	Polk	Magnolia Montessori Academy	1
21	Volusia	Reading Edge Academy	1
22	Volusia	Samsula Academy	1
<b>Total Number of Noncompliance Findings Required by GAS to be Reported</b>			<b><u>29</u></b>

<sup>a</sup> The noncompliance finding(s) for this charter school was also classified as a material weakness.

### Significant Deficiencies and Other Audit Findings

A total of 268 findings (83 percent of the 323 findings reported) in 176 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 8 other audit reports had noncompliance findings required to be reported by GAS. The predominant topics for the 268 audit findings not considered to be material weaknesses or noncompliance required by GAS to be reported were:

- **Capital Assets.** For 112 charter schools, the CPAs noted that reconciliations of inventories were not performed and capital asset subsidiary records were inadequate. Capital asset accountability deficiencies may affect an entity's ability to demonstrate that it has efficiently and appropriately acquired, disposed of, and safeguarded capital assets and increase the risk that such assets could be misappropriated without prompt detection and resolution.
- **Cash Controls.** For 30 charter schools, the CPAs noted inadequate controls over cash. The noted control deficiencies included untimely prepared bank reconciliations and cash collections not adequately safeguarded. These deficiencies increase the risk that unauthorized disbursements or loss of cash could occur and not be timely detected.
- **General Expenditures.** For 22 charter schools, the CPAs noted purchasing or 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 17 charter schools, the CPAs noted that accounting and financial records were not properly and accurately maintained. The noted 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 15 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.
- **Separation of Duties.** For 11 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.
- **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>15</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 6 charter schools did not comply with 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 promotes 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, 4 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.
- **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.

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<sup>15</sup> Section 1002.33(9)(p), Florida Statutes.



- **Miscellaneous Findings.** For 21 charter schools, the CPAs noted various audit findings related to areas such as infrequent board meetings, related party transactions, and inadequate knowledge to prepare financial statements. Other miscellaneous findings noted charter schools with financial position concerns, including those with total fund balance deficits.

## Detail of Audit Findings

Of the 323 findings reported by the respective CPAs, 88 (27 percent) did not include the audit report finding information prescribed by Auditor General rules.<sup>16</sup> These 88 findings were included in 44 (22 percent) of the 199 audit reports with findings. Specifically, the CPAs did not include in the 88 findings 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 2018-19 fiscal year audit reports were also included in the 2017-18 and 2016-17 fiscal year audit reports. In total, 72 (22 percent) of the 323 findings included in the 199 audit reports were repeat findings. Specifically, 41 audit reports contained a total of 72 findings repeated from the 2017-18 fiscal year audit reports and 20 audit reports contained a total of 25 findings repeated from both the 2017-18 and 2016-17 fiscal year audit reports.

State law<sup>17</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. Accordingly, on May 21, 2020, 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 10.856(3), Rules of the Auditor General.

<sup>17</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 (2014-15 through 2018-19). 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, 2019**

	County	Number of Charter Schools
1	Miami-Dade	134
2	Broward	86
3	Hillsborough	49
4	Palm Beach	49
5	Orange	41
6	Duval	32
7	Polk	27
8	Osceola	24
9	Lee	21
10	Pinellas	17

**EXHIBIT A** also shows that, during the 2018-19 fiscal year, one or more charter schools operated in 47 of the State's 67 counties and, overall, there were 650 charter schools in operation. This number reflects an increase of 7 (1 percent) from the 643 charter schools operating during the 2014-15 fiscal year. All but 2 of the 650 charter schools in operation during the 2018-19 fiscal year filed audit reports with us. These 2 charter schools closed during the 2018-19 fiscal year.

### 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 opinion (e.g., a qualified or disclaimer of opinion) if the financial statements do not align with those

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

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 2018-19 fiscal year, auditors concluded in 647 of the 648 audit reports that charter schools accurately reported financial information for the 2018-19 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 Heritage Charter Academy, Inc. 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 useful for determining the financial condition of the charter school population.

We reviewed the 648 charter school 2018-19 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 \$46,312 to \$29.7 million for the fiscal year ended June 30, 2019.

<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, 2019, 13 percent of the charter schools had been in operation for 3 years or less, and 4 percent of the charter schools opened during the 2018-19 fiscal year.

**Table 4**  
**Summary of Financial Condition Ratios**  
**For the Fiscal Years Ended June 30, 2017, 2018, and 2019**

Fund Balance or Net Assets	Fiscal Year Ended June 30		
	2017	2018	2019
<b>Average Financial Condition Ratio</b>	<b>17.33%</b>	<b>20.40%</b>	<b>19.95%</b>
<b>Number of:</b>			
Schools with ratios above the average ratio	230	230	241
Schools with ratios below the average ratio but with positive balances	331	360	334
Schools with deficit balances	68	54	73
<b>Total number of schools included in our review</b>	<b><u>629</u></b>	<b><u>644</u></b>	<b><u>648</u></b>

As shown in **EXHIBIT B** to this report, 73 (12 percent) of the 648 charter schools reported a general fund, or other unrestricted fund, deficit unassigned and assigned fund balance or deficit unrestricted net assets at June 30, 2019, which is an increase over the 54 (8 percent) of the 644 charter schools that reported deficits at June 30, 2018. The financial condition ratio for the 73 charter schools that reported deficit balances ranged from less than negative 1 percent to negative 108 percent. Eight of the 73 charter schools reporting a deficit balance were in their first year of operation. Twenty-six of the 73 charter schools reported a deficit for only the 2017-18 and 2018-19 fiscal years and 15 other charter schools reported a deficit for the 2016-17, 2017-18, and 2018-19 (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 specified conditions 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

<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.

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 2018-19 fiscal year, the CPAs who audited the charter schools identified eight charter schools (listed in Table 5) that met one of the specified conditions in State law. The Commissioner of Education determined none of the eight charter schools 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, 2019**

	County	School
1	Broward	Kidz Choice Charter School
2	Duval	School For Accelerated Learning and Technologies
3	Lee	Heritage Charter Academy, Inc.
4	Lee	Oak Creek Charter School of Bonita Springs, Inc.
5	Manatee	Lincoln Memorial Academy
6	Marion	Francis Marion Military Academy
7	Orange	Kid's Community College Charter- Orange County
8	Osceola	Avant Garde Academy K8 of Osceola <sup>a</sup>

<sup>a</sup> The Avant Garde Academy of K8 of Osceola also met a specified condition in Section 218.503, Florida Statutes, for the fiscal year ended June 30, 2018.

Similarly, for the 2017-18 fiscal year, CPAs identified eight charter schools that met one of the specified conditions in State law and the Commissioner of Education determined none of those charter schools to be in a state of financial emergency.

In addition, the 2018-19 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). Similarly, for the 2017-18 fiscal year, there were seven charter school audit reports with going concern statements. Table 6 identifies the charter schools that received going concern statements for the fiscal years ended June 30, 2019, and June 30, 2018. Only Palm Harbor Academy in Flagler County had a going concern statement in the audit reports for both fiscal years.<sup>26</sup>

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<sup>26</sup> According to the auditor's report, the Flagler County District School Board accepted the voluntary termination of the charter contract with Palm Harbor Academy effective October 30, 2018.

**Table 6**  
**Charter Schools With Going Concern Statements**  
**For the Fiscal Years Ended June 30, 2019, and June 30, 2018**

	County	School
<b>2019</b>		
1	Broward	Championship Academy of Distinction at Davie
2	Broward	Kidz Choice Charter School
3	Flagler	Palm Harbor Academy
4	Manatee	Lincoln Memorial Academy
5	Orange	Kid’s Community College Charter-Orange County
6	Osceola	Avant Garde Academy K8 of Osceola
7	Osceola	Florida Aviation Academy
<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

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 2018 through May 2020, a total of 15 charter schools closed. Our examination of Florida Department of Education (FDOE) or sponsoring school district records disclosed that:

- 7 charter schools closed because the schools merged with other charter schools or for academic and other reasons unrelated to financial difficulties.
- 6 charter schools closed due, in part, to financial difficulties.
- Records did not disclose the reason 2 charter schools closed.

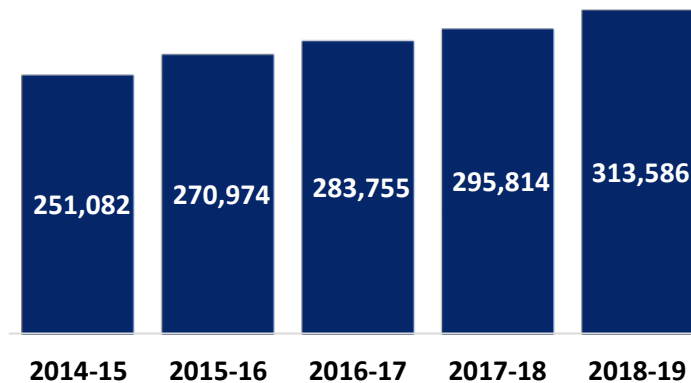
Effective financial monitoring and timely and appropriate adjustments to operations are critical to ensure that charter school operating costs remain within available financial resources. Such monitoring is particularly crucial for charter schools that meet one or more of the specified conditions of 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 313,856 students were enrolled in Florida charter schools during the 2018-19 fiscal year. To evaluate the student enrollment of the charter schools that continued operations during the 2016-17, 2017-18, and 2018-19 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 17,772 from the 2017-18 fiscal year to the 2018-19 fiscal year, which is 5,713 more than the 12,059 increase from the 2016-17 fiscal year to the 2017-18 fiscal year. Chart 1 shows the student enrollment in charter schools for the 2014-15 through 2018-19 fiscal years.

**Chart 1**  
**Charter Schools Student Enrollment**  
**For the 2014-15 through 2018-19 Fiscal Years**



Source: FDOE Florida's Charter Schools Fact Sheet dated September 2019.

For the 2018-19 fiscal year, the base Florida Education Finance Program (FEFP) allocation was \$4,204.42 per FTE student, which represents an increase of \$0.47 from the final 2017-18 fiscal year FEFP allocation of \$4,203.95 per FTE student. Based on the 2019-20 FEFP Fourth Calculation released by the FDOE in May 2020, the 2019-20 fiscal year FEFP allocation is expected to be \$4,279.49 per FTE, an increase of \$75.07 per FTE from the 2018-19 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>27</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 648 audit reports for the fiscal year ended June 30, 2019, 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.

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<sup>27</sup> Section 218.39, Florida Statutes.

## ***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, 2019.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large initial 'S'.

Sherrill F. Norman, CPA  
Auditor General



# EXHIBIT A

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

County	Fiscal Year				
	2014-15	2015-16	2016-17	2017-18	2018-19
1 Alachua	14	14	15	15	14
2 Bay	10	10	10	11	11
3 Brevard	10	11	11	12	12
4 Broward	98	102	99	91	86
5 Charlotte	1	2	2	3	3
6 Citrus	1	2	2	2	1
7 Clay	2	3	3	3	3
8 Collier	5	5	5	6	7
9 Columbia	2	1	1	1	1
10 Dixie	1	1	1	1	1
11 Duval	34	36	35	33	32
12 Escambia	9	6	6	6	5
13 Flagler	2	2	2	2	2
14 Franklin	1	1	1	1	1
15 Gadsden	2	2	2	1	1
16 Glades	2	2	2	2	2
17 Hernando	3	3	3	3	2
18 Hillsborough	46	42	42	49	49
19 Indian River	5	5	5	5	5
20 Jefferson	-	-	-	3	3
21 Lake	10	8	8	9	9
22 Lee	21	22	23	22	21
23 Leon	6	7	6	5	5
24 Levy	2	2	2	2	2
25 Madison	2	1	2	2	2
26 Manatee	12	12	11	12	13
27 Marion	4	4	4	4	4
28 Martin	2	2	2	2	2
29 Miami-Dade	128	126	128	130	134
30 Monroe	6	6	6	6	6
31 Okaloosa	3	3	3	3	3
32 Orange	35	36	40	39	41
33 Osceola	13	17	18	21	24
34 Palm Beach	52	50	54	49	49
35 Pasco	9	9	10	11	11
36 Pinellas	22	23	20	17	17

County	Fiscal Year				
	2014-15	2015-16	2016-17	2017-18	2018-19
37 Polk	25	23	25	25	27
38 Putnam	3	3	3	3	3
39 Santa Rosa	2	2	2	2	2
40 Sarasota	11	12	12	11	11
41 Seminole	3	4	4	4	4
42 St. Johns	6	6	4	3	3
43 St. Lucie	5	5	5	5	5
44 Sumter	1	1	1	1	1
45 Volusia	8	8	7	7	7
46 Wakulla	1	1	1	1	1
47 Walton	3	3	2	2	2
<b>Totals</b>	<b><u>643</u></b>	<b><u>646</u></b>	<b><u>650</u></b>	<b><u>648</u></b>	<b><u>650</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, 2019

COUNTY/School	General or Other Unrestricted Fund Balance or Total Net Assets	Total Unassigned and Assigned Fund Balance or Unrestricted Net Assets
<b>BAY</b>		
1 Palm Bay Preparatory Elementary Academy <sup>a</sup>	\$(2,299,388)	\$(2,347,847)
<b>BREVARD</b>		
2 Emma Jewel Charter Academy	518	(41,130)
3 Legacy Academy Charter <sup>b</sup>	6,383	(55,535)
4 Palm Bay Academy <sup>b</sup>	1,499,331	(292,695)
5 Pineapple Cove Classical Academy at West Melbourne <sup>c</sup>	9,908	(10,331)
<b>BROWARD</b>		
6 Bridgeprep Academy of Hollywood Hills <sup>d</sup>	(66,185)	(72,231)
7 Championship Academy of Distinction at Hollywood	-	(556)
8 Championship Academy of Distinction High School	-	(6,845)
9 Charter School of Excellence	(117,374)	(128,844)
10 Franklin Academy F <sup>d</sup>	(187,542)	(230,896)
11 Franklin Academy Pembroke Pines High School <sup>b</sup>	(185,140)	(185,140)
12 International School of Broward <sup>d</sup>	(97,489)	(97,489)
13 Kidz Choice Charter School <sup>d</sup>	(309,528)	(378,891)
14 New Life Charter Academy <sup>d</sup>	(33,993)	(33,993)
15 Somerset Academy Elementary South Campus <sup>c</sup>	(208,363)	(261,457)
16 Somerset Academy Key Charter High School	4,966	(3,812)
17 Somerset Academy Riverside Charter Middle School	6,595	(10,593)
<b>CLAY</b>		
18 St. Johns Classical Academy	(57,955)	(62,588)
<b>COLLIER</b>		
19 Bridgeprep Academy Collier <sup>c</sup>	(7,997)	(43,036)
<b>DUVAL</b>		
20 Bridgeprep Academy of Duval Charter School	35,188	(11,900)
21 Florida Cyber Charter Academy at Duval <sup>b</sup>	-	(7,731)
22 San Jose Academy	29,280	(4,682)
23 School For Accelerated Learning and Technologies <sup>d</sup>	(473,895)	(473,895)
24 School of Success Academy-SOS	(14,853)	(14,853)

COUNTY/School		General or Other Unrestricted Fund Balance or Total Net Assets	Total Unassigned and Assigned Fund Balance or Unrestricted Net Assets
<b>HILLSBOROUGH</b>			
25	Avant Garde Academy Westchase <sup>b</sup>	(28,327)	(43,497)
26	Community Charter School of Excellence <sup>d</sup>	(32,522)	(74,846)
27	Florida Autism Charter School of Excellence	(74,184)	(84,304)
28	Florida Connections Academy <sup>c</sup>	564	(4,061)
29	Kids Community College Charter High School	(83,312)	(83,312)
30	Legacy Preparatory Academy <sup>d</sup>	(60,782)	(60,782)
31	Pivot Charter School – Tampa <sup>d</sup>	(191,410)	(222,942)
32	Plato Academy Tampa Charter School	(112,146)	(112,146)
<b>JEFFERSON</b>			
33	Jefferson County High	(298,118)	(330,635)
34	Jefferson County Middle	8,038	(20,246)
<b>LEE</b>			
35	Heritage Charter Academy, Inc <sup>d</sup>	(223,409)	(244,014)
36	Oak Creek Charter School of Bonita Springs, Inc.	(240,699)	(240,699)
<b>MADISON</b>			
37	James Madison Preparatory Charter High School <sup>d</sup>	(27,958)	(42,456)
<b>MANATEE</b>			
38	Lincoln Memorial Academy <sup>c</sup>	(1,633,907)	(1,633,907)
39	Oasis Middle School	(128,529)	(128,529)
40	Rowlett Middle Academy	(67,993)	(115,248)
<b>MARION</b>			
41	Francis Marion Military Academy <sup>b</sup>	(92,974)	(92,974)
42	McIntosh Area School	4,261	(260)
<b>MIAMI-DADE</b>			
43	Archimedean Academy	51,466	(107,080)
44	Arts Academy of Excellence <sup>b</sup>	(169,317)	(169,317)
45	ASPIRA Arts Deco Charter School	(571,351)	(571,351)
46	ASPIRA Leadership and College Preparatory Academy	(473,794)	(473,794)
47	Bridgeprep Academy South	73,917	(29,610)

COUNTY/School		General or Other Unrestricted Fund Balance or Total Net Assets	Total Unassigned and Assigned Fund Balance or Unrestricted Net Assets
<b>MIAMI-DADE (Continued)</b>			
48	Coral Reef Montessori Academy Charter School <sup>d</sup>	(57,646)	(57,646)
49	Excelsior Language Academy of Hialeah	57,010	(22,590)
50	Mater Academy Bay Elementary	(1,993)	(82,136)
51	Mater Gardens Academy Middle School	(108,737)	(131,984)
52	Pinecrest Glades Preparatory Academy Middle High School <sup>e</sup>	161,610	(533)
53	Somerset Academy Bay Middle School	63,606	(20,445)
54	Somerset Academy Charter High School - Miami-Dade <sup>b</sup>	53,246	(9,735)
55	Somerset Gables Academy	20,598	(43,865)
56	Sports Leadership of Miami Charter High	140,731	(28,881)
57	Theodore R. and Thelma A. Gibson Charter School	4,372	(25,312)
58	True North Classical Academy South <sup>c</sup>	(79,181)	(79,181)
<b>MONROE</b>			
59	Big Pine Elementary Academy	(71,580)	(84,994)
<b>OKALOOSA</b>			
60	Northwest Florida State College Collegiate High School <sup>d</sup>	56,368	(12,548)
<b>ORANGE</b>			
61	Kid's Community College Charter - Orange County	(385,721)	(385,721)
62	Pinecrest Collegiate Academy <sup>c</sup>	53,208	(30,372)
63	Prosperitas Leadership Academy	(1,621)	(33,566)
<b>OSCEOLA</b>			
64	Avant Garde Academy K8 of Osceola <sup>d</sup>	(709,281)	(730,114)
65	Bridgeprep Academy Osceola County <sup>c</sup>	(146,533)	(352,118)
66	Florida Cyber Charter Academy at Osceola <sup>b</sup>		(6,187)
67	St. Cloud Preparatory Academy	2,549	(4,251)
<b>PALM BEACH</b>			
68	Bridgeprep Academy of Palm Beach Charter School <sup>b</sup>	(29,554)	(71,272)
69	Franklin Academy C	(122,751)	(122,751)
70	Toussaint L'Ouverture High School for Arts and Social Justice <sup>b</sup>	(25,227)	(25,227)
71	University Preparatory Academy Palm Beach	(68,000)	(117,437)

COUNTY/School		General or Other Unrestricted Fund Balance or Total Net Assets	Total Unassigned and Assigned Fund Balance or Unrestricted Net Assets
<b>PASCO</b>			
72	Plato Academy Trinity Charter School	(343,815)	(348,483)
<b>SUMTER</b>			
73	The Villages Charter School <sup>d</sup>	(1,831,820)	(1,836,473)

<sup>a</sup> Charter school had a financial condition ratio of negative 108 percent.

<sup>b</sup> Charter school is 1 of 11 charter schools that reported fiscal year deficits only at June 30, 2018, and June 30, 2019.

<sup>c</sup> Charter school is 1 of 8 charter schools in its first year of operations.

<sup>d</sup> Charter school is 1 of 15 charter schools that reported fiscal year deficits for 3 or more fiscal years.

<sup>e</sup> Charter school had a financial condition ratio of 1 percent.

Source: Charter school audited financial statements.