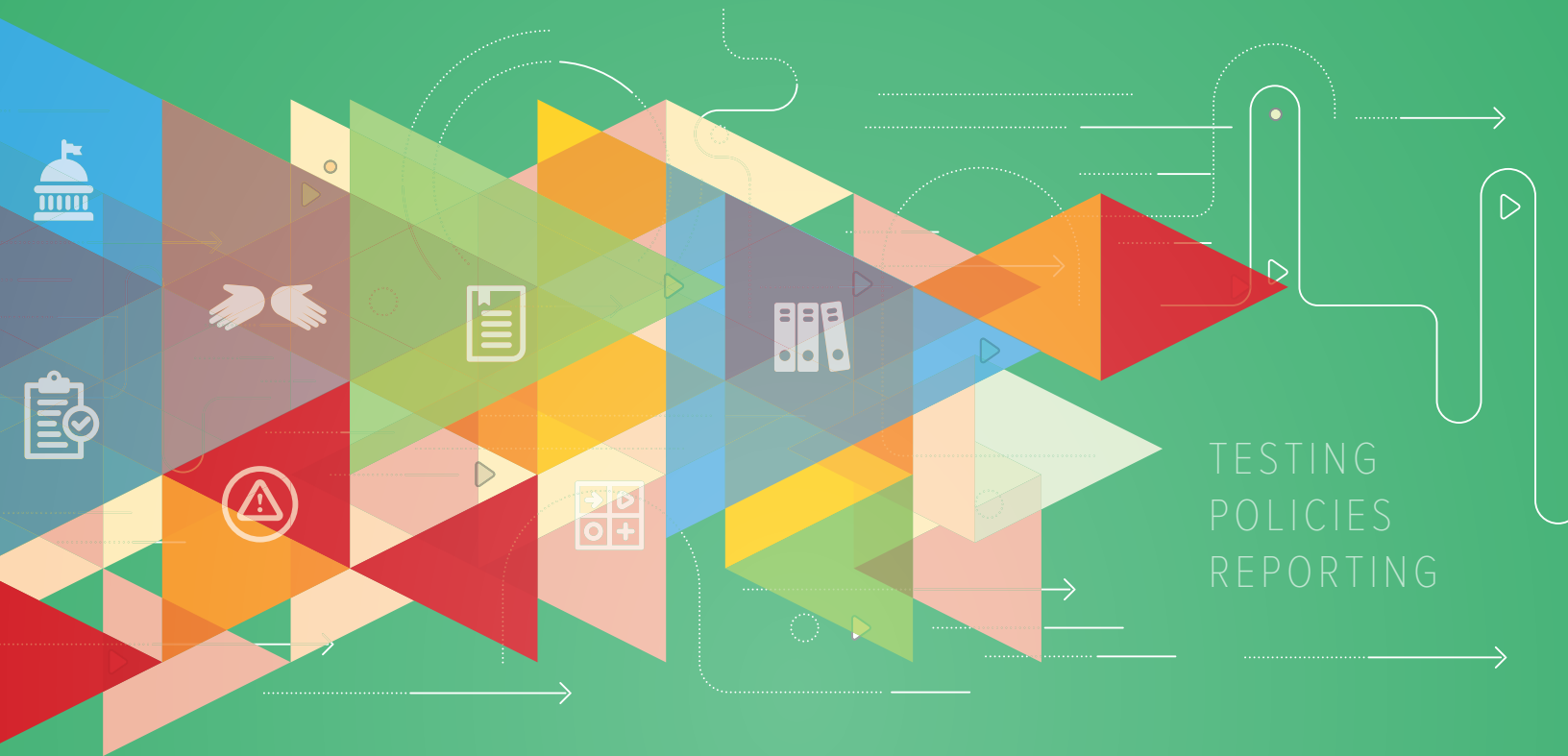




Florida Institute of Certified Public Accountants



TESTING
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CHARTER SCHOOL PRACTICE AID

A FLORIDA INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS PRACTICE AID

Prepared by the
State & Local Government
COMMITTEE

Revised: July 2019

Charter School Practice Aid

A Florida Institute of Certified Public Accountants Practice Aid

Prepared by the
FICPA State and Local
Government Committee
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Preface

This Practice Aid has been prepared to assist the Florida independent auditor in obtaining an understanding of the compliance issues that may be addressed in an audit of a Florida charter school including testing and reporting matters.

This Practice Aid provides listings or examples of statutory and other legal references pertinent to charter schools. Although this Practice Aid does not address charter technical career centers created pursuant to Section 1002.34, F.S., many of the audit requirements described herein are also applicable to charter technical career centers. However, auditors of charter technical career centers should not assume that statutory or other legal references provided herein are applicable to charter technical career centers.

This Practice Aid does not represent or establish professional standards in auditing and is not an authoritative professional reference source. Accordingly, it should be used only in conjunction with generally accepted auditing standards and other authoritative guidelines.

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Acknowledgements

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State and Local Government Mission Statement

Enhance knowledge and promote excellence among members interested in state and local government accounting, auditing, and other related issues.

For more information on becoming a Committee member, visit the FICPA Web site at www.ficpa.org and click on Member Resources, Committees/Chapters/Connect, Committees.

Introduction

This Practice Aid is designed to assist those CPAs involved, or contemplating involvement, in charter school audits. This Practice Aid is one result of the FICPA's dedication to improvement in professional practices.

The Committee's intent is to share with auditors and the staff of the charter schools and charter school sponsors the complex array of information that it has gathered concerning reporting and compliance requirements applicable to Florida's charter schools.

Charter schools were established in response to the desire and need for alternative education opportunities within structured legal confinements.

Charter schools are required to operate under a charter with a sponsor. The sponsor may be the local school district or a state university. They may meet the requirements to be a component unit of their sponsor and have specific reporting requirements from their sponsor in addition to Generally Accepted Accounting Principles ("GAAP"). Pursuant to the charter, various types of entities may operate charter schools, including but not limited to, not-for-profit organizations, municipalities, and state colleges.

This Practice Aid is primarily directed toward auditors who have been contracted to provide independent audits of charter schools. It is not intended to be an audit program for compliance or generally accepted auditing standards ("GAAS") purposes. Rather, it serves as an aid to inform the auditor about compliance and GAAS requirements and how to locate them. It is not all inclusive in content; rather, it is intended to stimulate and provoke thought in developing audit plans and programs. We recommend that each auditor, from the partner to the entry-level staff, study this Practice Aid.

Internal auditors and other accountants involved with charter schools, including sponsor's staff, will find this aid useful as a practical resource manual. Its overview of the audit requirements for reporting and compliance determination will assist in supporting audits from the client's perspective. It should assist in the understanding of what information is needed by the auditors. It is also recommended as a staff-training tool.

Historical Background

Early Beginnings

In the early 1990s, Florida committed to the concept of systemic educational reform and has never looked back. Fanning the reform movement was an almost universal recognition of the need to ensure higher student achievement levels in public education. Florida's major reform initiatives included establishing higher academic standards, providing parents more educational choices, and ensuring real accountability for results. Charter schools are independent public schools of choice, created on the basis of an agreement or "charter" between a group of school organizers and a sponsoring body.

Charter schools are granted flexibility in providing expanded learning experiences to meet the individual educational needs of each student by using innovative learning methods. In return, they are held accountable for measurable results and educational outcomes. Since Minnesota enacted the first charter law in 1991, charter schools have had a significant role in educational reform throughout the nation.

Early charter school advocates understood that transformation of Florida's public education must occur. Their hope for charter schools was threefold. First, charter schools would improve student learning and increase parental choice. Second, charter schools would improve the public education system through competition and dissemination of innovative practices. And third, charter schools would allow local groups to establish schools with unique philosophies and to meet needs without the burdensome bureaucratic procedures and rules required of traditional public schools.

Charter school legislation was first introduced in the Florida Legislature in 1995 but failed to pass. The necessary groundwork was laid, however, enabling the charter school movement to gain momentum and a wider support base among Florida citizens. As a promising initiative, the concepts of innovation, flexibility, student performance, and local decision-making found in charter schools were consistent with Florida's statewide plan for school reform and accountability.

In May 1996, legislation authorizing the creation of charter schools as a part of Florida's state system of public education was officially signed into law. The law specifically charged charter schools to improve educational opportunities for low-performing students, increase parental choice, influence the traditional public school system, and foster innovation. The concept received overwhelming support in the legislature, with a vote of 96 - 18 in the House of Representatives and 32 - 8 in the Florida Senate.

Florida's charter school law took effect July 1, 1996. Within months after approval by the Florida Legislature, the law's impact on the public school system began to be realized. Charter applications were submitted and approved by school boards in Dade, Escambia, Leon, Polk and Walton school districts, resulting in five charter schools enrolling almost 350 students and opening their doors for the 1996-97 school year. At the same time, applications for charter schools were announced in twelve additional school districts and applications were being developed in at least seven others.

Since the first year of operation of charter schools, Florida has experienced the rapid expansion of charter schools throughout the state. Every subsequent year has shown an

increase in the number of charter schools operating in the state, as well as in the number of students enrolled in charter schools. For the 2017-18 school year, over 295,000 students were enrolled in 655 charter schools in 47 school districts.¹ In the 2017-18 fiscal year, Florida ranked third in the nation in the number of operating charter schools.²

Pursuant to Section 1002.33(1), F.S., charter schools are part of the state's program of public education and all charter schools in Florida are public schools. A charter school may be formed by creating a new school or converting an existing public school to charter status. A public school may not use the term charter in its name unless it has been approved.

The terms and conditions for the operation of a charter school are set forth by the sponsor and the applicant in a written contractual agreement, called a charter. Section 1002.33(6)(b), F.S. provides that a sponsor shall receive and review all charter school applications using an evaluation instrument developed by the Florida Department of Education.

Charter school applications may be submitted pursuant to Section 1002.33(6), F.S. If the sponsor denies or fails to act on the application, the applicant may appeal to the State Board of Education (SBE) pursuant to Section 1002.33(6)(c), F.S. In order to ensure fiscal responsibility, a charter school application must include a full accounting of expected assets, a projection of expected sources and amounts of income, and an expense projection that includes a full accounting of the costs of operation, including start-up costs.

Pursuant to Section 1002.331(3)(a), F.S., a high-performing charter school may submit an application pursuant to Section 1002.33(6) in any school district in the state to establish and operate a new charter school that will substantially replicate its educational program. A sponsor can only deny an application submitted by a high-performing charter school under limited circumstances and must provide, in writing to the applicant and the Florida Department of Education, the specific reasons for denial of the application. If the sponsor fails to act on the application within 90 days after receipt, the application is deemed approved.

Recent Florida legislation (Section 1002.333 F.S.) provides guidance for any charter school identified as a "School of Hope." A "School of Hope" is 1) a charter school that serves students from one or more persistently low-performing schools and students who reside in a Florida Opportunity Zone; is located in a Florida Opportunity Zone or in the attendance zone of a persistently low-performing school or within a 5-mile radius of such school, and is a Title I eligible school; or 2) a school operated by a hope operator pursuant to Section 1008.33(4)(b)3. The Florida Department of Education (FDOE) maintains a list of schools of hope operators at: <http://www.fldoe.org/schools/school-choice/other-school-choice-options/schools-of-hope/>

Auditors of these "Schools of Hope" should become familiar with Section 1002.333 F.S. which addresses specific requirements such as, performance-based agreements, statutory authority, facilities, funding, revolving loans and noncompliance issues, among others.

¹ Source: Florida Department of Education September 2018 Fact Sheet – Florida Charter Schools.

² Source: National Alliance for Public Charter Schools "Estimated Charter Public School Enrollment, 2017-18" report.

General Audit Considerations

General Audit Requirements

Florida law clearly recognizes the importance of financial accountability by entities operating for public benefit. To accomplish that objective, applicable law prescribes a series of reporting and independent verification procedures to ensure that entities accurately and fully account for the public resources entrusted to their care. Charter schools are tuition-free and are supported primarily through state education funds.

Specific legal requirements for audits are set forth in Section 218.39, F.S., and Chapter 10.850, Rules of the Auditor General. Section 1002.33(6)(b)5., F.S., allows the deferral of start-up operations up to two years from application approval for adequate facility planning; however, if the charter school receives or expends any financial resources, an audit is required even though the school is not yet operating.

As required by Section 218.39, F.S., each charter school must obtain an independent annual financial audit performed in accordance with the Chapter 10.850, Rules of the Auditor General. As defined in Section 218.31, F.S., the term "financial audit" means "an examination of financial statements in order to express an opinion on the fairness with which they are presented in conformity with generally accepted accounting principles and an examination to determine whether operations are properly conducted in accordance with legal and regulatory requirements."

Chapter 10.850, Rules of the Auditor General, requires the audit to be conducted under *Government Auditing Standards* (the Yellow Book) in addition to generally accepted auditing standards. The fundamental purpose of the required financial audit is to provide independent assurance to the citizens and to other affected parties, such as bondholders, debt rating institutions, and other governmental units, that the financial reports prepared by the reporting charter school fully accounts, in accordance with generally accepted accounting principles, for the financial transactions affecting the public resources entrusted to their stewardship. In providing such assurances, the independent auditor must understand and give adequate consideration to a number of legal requirements, generally accepted auditing standards, generally accepted government auditing standards, and generally accepted accounting principles before expressing an opinion on the financial reports of the audited entity.

Auditor Requirements

Because charter school audits are conducted under *Government Auditing Standards*, auditors and audit firms must comply with the various requirements of the Yellow Book in addition to the State of Florida's licensure requirements. See Exhibit I for further information.

Independence

Independence must be met under *Government Auditing Standards* and the independence standards of the American Institute of Certified Public Accountants (AICPA). *Government Auditing Standards* establish a conceptual framework that auditors should use to identify, evaluate, and apply safeguards to address threats to independence. Threats to independence are circumstances that could impair independence. Independence is

impaired if there are no safeguards available to eliminate the threats or reduce them to an acceptable level.

Auditors may be able to provide certain nonaudit services without impairing independence if (1) the nonaudit services are not expressly prohibited, (2) the auditor has determined that the requirements for performing the nonaudit services have been met, and (3) any significant threats to independence have been eliminated or reduced to an acceptable level through the application of safeguards. Other specified nonaudit services will always impair an auditor's independence. The Yellow Book should be obtained and consulted for specific independence requirements. See Appendix I for the web address for the electronic version.

The AICPA made changes to its Code of Professional Conduct (Code), including revisions to the independence standards, effective for engagements covering periods beginning on or after December 15, 2014. These revisions more closely align the AICPA independence standards with the Yellow Book; however, there are still some differences. CPAs should refer to Part 1, Sections 1.000, 1.100 and 1.200 of the Code. Both the Yellow Book and the Code require specific documentation requirements. CPAs should ensure that these documentation requirements are complied with. These include:

- a) Documenting threats to independence that require the application of safeguards, along with the safeguards applied.
- b) Documenting management's ability to effectively oversee nonaudit services; including whether management possesses the suitable skills, knowledge, or experience, and
- c) Documenting the understanding established with the audited entity regarding the nonaudit services to be performed.

Licensure

Individual Florida CPAs are required to hold a current, valid license from the State of Florida in order to perform audits. In addition, firms, including sole proprietors, are required to be separately licensed.

Out-of-state CPAs and CPA Firms are required to obtain a non-resident temporary practice permit to perform an audit in Florida. Permits are required prior to the start of the audit and applications are made through the Florida Department of Business and Professional Regulation.

Licensees must comply with several rules including Florida Board of Accountancy Rule *61H1-22.001 Competence (General Standards)*. This rule may be found on the Florida Administrative Weekly and Florida Administrative Code (FAC) Web site <https://www.flrules.org/>.

Type of Entities and Reporting Models

Charter schools may be created in a number of different corporate forms. The form of entity under which the school exists and the type of sponsor oversight will largely determine the reporting model used by the charter school. This is a primary planning consideration in the audit of the charter school. The auditor must determine the type of organization for the school, the entity type of the sponsor, and the reporting requirements imposed by the sponsor.

The charter contract with the sponsor will specify financial reporting and timing. However, it is advisable for the auditor to communicate directly with the sponsor's financial statement users to determine all significant terms of the requirements for financial reporting and any subsequent refinements to such requirements.

The auditor will need to communicate with the sponsor to determine whether the charter is considered a component unit and how the component unit will be presented in the sponsor's financial statements.

A Florida charter school must be organized as or operated by a not-for-profit corporation per Section 1002.33(12)(i), F.S., but reporting can vary depending on the situation. A municipality or other public entity may also operate a charter school.

Auditors must consult these sources for guidance as to which type of entity the charter school is and which reporting model is appropriate:

- Florida Statutes
- Section 10.855, Rules of the Auditor General
- AICPA Audit Guide for Not-for-Profit Organizations

There are two possible reporting models used for charter schools:

- Governmental (GASB Statement No. 34 format or GASB Statement No. 35 for colleges and universities) (see Exhibits VIII and IX)
- Not-for-profit (FASB ASC 958-205-55 format) (see Exhibit X)

The Financial Accounting Standards Board (FASB) has issued ASU No. 2016-14, which changes financial statement and note disclosure requirements for not-for-profit entities. The new guidance is effective for fiscal years beginning after December 15, 2017, and early implementation is permitted. The sample financial statements in Exhibit X reflect the new financial statement presentation under ASU No. 2016-14.

Per the AICPA Audit Guide for Not-for-Profit Organizations, paragraph 1.03:

Nongovernmental organizations are all organizations other than governmental organizations. Public corporations and bodies corporate and politic are governmental organizations. Other organizations are governmental organizations if they have one or more of the following characteristics:

- a. Popular election of officers or appointment (or approval) of a controlling majority of the members of the organization's governing body by officials of one or more state or local governments;
- b. The potential for unilateral dissolution by a government with the net assets reverting to a government; or
- c. The power to enact and enforce a tax levy.

Furthermore, organizations are presumed to be governmental if they have the ability to issue directly (rather than through a state or municipal authority) debt that pays interest exempt from federal taxation. However,

organizations possessing only that ability (to issue tax-exempt debt) and none of the other governmental characteristics may rebut the presumption that they are governmental if their determination is supported by compelling, relevant evidence.

There are charter contracts that contain a requirement for b. above, stating that upon termination of the charter contract, all assets purchased with public funds revert to the sponsor. Therefore, schools that are separate legal entities and that have this language in their charter contracts are governmental not-for-profit organizations and must be presented in accordance with the governmental accounting model.

When a charter school is operated by a pre-existing entity (a nonprofit or governmental entity), the financial reporting for the school should be consistent with the reporting model used for the operating entity.

Different Types of Charter Schools as Component Units

A charter school shall organize as, or be operated by, a nonprofit organization or a municipality or other public entity and have a contract or charter with the sponsor (in most instances this is a school district).

The charter school's governing body is usually in the form of an independent board of directors. The Board is either made up of teachers, parents, community members or operate in conjunction with local museums, colleges, universities, school districts, or municipalities.

The charter school's governing body is not limited in the number of charter schools it may operate. However, each charter school must report to the sponsor separately, unless more than one school is covered by one charter; in that situation, a combined or consolidated financial statement may be necessary (consult with the sponsor for guidance). The reporting requirements include, but are not limited to, an annual financial audit, program cost report, and an annual progress report. Charter schools may also be subject to the Federal Single Audit Act, but are generally exempt from the Florida Single Audit Act. FTE revenues through the Florida Education Finance Program (FEFP) are not considered grant funding for purposes of the Florida Single Audit Act.

Each charter school that is a separate legal entity is generally considered a "component unit" of the sponsor because the sponsor is financially accountable for the charter school, as the charter school is established by approval of the charter, which is tantamount to the initial appointment of the charter school's governing body, and there is the potential for it to impose specific financial burdens on the sponsor.³ Charter schools that are component units should be included in the sponsor's financial statements. The school's charter with the sponsor generally provides for a due date for submission of the audited financial statements to the sponsor, generally within 2½ to 3 months after the school's year-end.

Examples of financial statement presentation under the governmental and the not-for-profit reporting models are included at Exhibits VIII, IX, and X.

³ January 10, 2014, Florida Department of Education memorandum

Accounting and Financial Reporting

Financial and Program Cost Accounting and Reporting for Florida Schools (Redbook)

In accordance with Section 1002.33(9)(g), F.S., in order to provide financial information that is comparable to that reported for other public schools, a charter school must maintain all financial records that constitute its accounting system in accordance with the accounts and codes prescribed in the most recent issuance of the publication titled “Financial and Program Cost Accounting and Reporting for Florida Schools” or more commonly known as the “Redbook.” However, at the discretion of the charter school’s governing body, a charter school may elect to follow generally accepted accounting principles for not-for-profit organizations, but must reformat this information for reporting in accordance with the state-required formats for inclusion in the sponsor’s financial statements. The uniform chart of accounts provided for in the Redbook prescribes the account structure for fund level reporting. Usually, conversion entries are made for financial reporting purposes to convert these fund level financial statements to the government-wide financial statements.

The Redbook is incorporated by reference in SBE Rule 6A-1.001, FAC, and provides charter schools with a uniform chart of accounts for budgeting and financial reporting purposes. Topics addressed within the Redbook include governmental accounting standards, program cost accounting and reporting, and school internal funds.

It is essential when performing an audit of a charter school that the Redbook be reviewed and the requirements understood. The latest version of the Redbook is available on the FDOE Web site at <http://www.fldoe.org/fefp/redtoc.asp>.

Governmental Accounting

When reported as a governmental unit, the charter school presents two types of financial statements: fund and government-wide financial statements. The following paragraphs are explanations of the two types of statements required under government reporting. The *Governmental Accounting, Auditing, and Financial Reporting*, (the Blue Book) published by the Governmental Finance Officers Association is an excellent resource document for practical guidance.

Fund Financial Statements

When reported as a governmental unit, charter schools use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The basic fund structure for Florida school districts and charter schools follows generally accepted accounting principles for governments. There is no limit to the number of funds an entity may use for accounting and financial reporting purposes; however, a basic principle of governmental accounting states that only the minimum number of funds consistent with legal and operating requirements should be established.

Governmental Funds - Governmental funds typically are used to account for tax-supported activities. This includes funds obtained from state and federal sources. Governmental funds focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

The following fund types are considered governmental funds:

General Fund - This is the chief operating fund of the charter school. A general fund should be used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. An example of a special revenue fund for a charter school would be a fund used to account for federal, state, or local and private grant proceeds and the related expenditures.

Debt Service Funds - These funds are used to account for the accumulation of resources for and the payment of general long-term debt principal and interest. Generally, the use of a debt service fund is not required; however, it may be legally mandated in accordance with the debt provisions.

Capital Project Funds - These funds are used to account for financial resources used for the acquisition or construction of major capital facilities. An example of a capital project fund for a charter school would be a fund used to account for the proceeds and related expenditure of Charter School Capital Outlay funding received through the charter school's sponsor.

Permanent Funds - These funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the charter school's programs. A permanent fund would be used to account for an endowment.

Proprietary Funds - The use of proprietary funds is rare for charter schools. Proprietary funds are used to account for a charter school's activities that are supported, at least in part, by fees or charges. Proprietary funds focus on limitations on the use of net position rather than on the source of its assets.

The following fund types are considered proprietary funds:

Enterprise Funds - These funds are used to account for any activity for which a fee is charged to external users to cover the costs of goods or services provided.

Internal Service Funds - These funds are used to account for any activity that provides goods or services to other funds, departments, or component units of the charter school on a cost-reimbursement basis.

Fiduciary Funds - These funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the charter school's own programs.

The following fund types are considered fiduciary funds:

Pension Trust Funds - These funds should account for the net position held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

Investment Trust Funds - These funds should be used to account for external investment pools that a charter school sponsors.

Private-purpose Trust Funds - These funds should be used to account for the activities of any trust arrangement under which principal and income benefit specific individuals, private organizations, or other governments.

Agency Funds - These funds are used to account for activities that do not involve trust arrangements, whereby the charter school's role is purely custodial in nature such as receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Accordingly, all assets reported in an agency fund are offset by liability; therefore, no revenues or expenses are reported. An example of an agency fund for a charter school would include the accounting for the activities of a parent/teacher organization or booster club.

Note: For the 2019-20 fiscal year, GASB Statement No. 84, *Fiduciary Activities*, will be effective. GASB Statement No. 84 eliminates the Agency Funds fund type and establishes the Custodial Funds fund type. Depending upon the degree of administrative control exercised by the charter school's governing body, school activity and club fees will either be accounted for in the school's general fund or in one or more custodial funds. It is anticipated that the FDOE will publish guidance to assist charter schools in making this determination.

Government-Wide Financial Statements

Government-wide financial statements report information for the charter school as a whole, except for its fiduciary funds, in a manner similar to a private-sector business. All activities included within the government-wide financial statements, both governmental and business-type, are measured and reported using the economic resources measurement focus and the accrual basis of accounting. Governmental funds, however, measure and report activities using the current financial resources measurement focus and the modified accrual basis of accounting. As a result, the data reported in the governmental fund financial statements must be converted to the economic resources measurement focus and the accrual basis of accounting before those data can be reported as governmental activities in the government-wide financial statements. This conversion is presented as a reconciliation in connection with the governmental fund financial statements.

Nonprofit Accounting

Unlike charter schools that report as a governmental unit, charter schools that report as a nonprofit account for the entity as a whole and use the accrual basis of accounting for reporting.

Nonprofit financial reporting objectives are discussed in FASB ASC 958-205-05. According to FASB ASC 958-205-05-3, the primary purpose of financial statements is to provide relevant information to meet the common interests of donors, members, creditors, and others who provide resources to not-for-profit organizations. Similar to the objectives outlined in Statements of Financial Accounting Concept (SFAC) No. 4, FASB ASC 958-205-05-3 states that external users desire to assess (a) the services a not-for-profit organization provides and its ability to continue to provide those services and (b) how managers discharge their stewardship responsibilities and other aspects of their performance. More specifically, the purpose of nonprofit financial reporting is to provide information about:

1. the amount and nature of a not-for-profit organization's assets, liabilities, and net assets;
2. the effects of transactions and other events and circumstances that change the amount and nature of net assets;
3. the amount and kinds of inflows and outflows of economic resources during a period and the relationship between the inflows and outflows;
4. how a not-for-profit organization obtains and spends its cash; its borrowing and repayment of borrowing; and other factors that may affect its liquidity; and
5. the service efforts of a not-for-profit organization.

Sources of Revenue and Support

As public schools, charter schools are not allowed to charge tuition, and are primarily funded from state funding passed through to local school districts according to enrollment. Additional sources of revenue come from federal funding, such as Title I and Special Education monies, for eligible students.

State Funding

In accordance with Section 1002.33(17), F.S., Students enrolled in a charter school are funded the same as students enrolled in other public schools in the school district, regardless of sponsorship. This funding includes state monies received by the school district from the Florida Education Finance Program (FEFP). This is the primary funding source for the operating costs of charter schools. These funds are generated by multiplying the number of full-time equivalent (FTE) students in each of the funded education programs by cost factors to obtain weighted FTEs. Weighted FTEs are then multiplied by a base student allocation and by a district cost differential in the major calculation to determine the base funding for the charter school from FEFP funds. A sample FEFP revenue estimate worksheet can be found on the FDOE's Web site at the following link:

[Charter School Revenue Estimation Worksheet](#)

In addition, the legislature provides monies for specific purposes provided that the charter school meets the conditions for use of these monies. The following are examples of those revenue sources:⁴

Safe Schools - Funds to be expended on safe schools activities such as: (1) after-school programs for middle school students; (2) other improvements to enhance the learning environment, including implementation of conflict resolution strategies; (3) alternative school programs for adjudicated youth; (4) suicide prevention programs; and (5) other improvements to make the school a safe place to learn.

Instructional Materials - Funding allocation for instructional materials. At least 50% of the annual allocation must be used to purchase instructional materials on the state-adopted list. Up to 50% may be used for the purchase of instructional materials, including library and reference books and non-print materials, not included on the state-adopted list and for the repair and renovation of textbooks and library books.

School Recognition Funds - Funding awarded to schools that sustain high performance or demonstrate substantial improvement in student performance.

Excellent Teaching Program - Revenues received in the amount of the employer's share of Social Security and Medicare taxes for those teachers who qualify for national board certification and receive bonuses in accordance with Section 1012.72, F.S.

Reading Programs - Revenue received for intensive reading programs targeted at improving the reading proficiency of students.

The FDOE provides a revenue worksheet district school boards to use to calculate the amount of FEFP revenues to distribute to charter schools, which may be found at the following link:

[Charter School Revenue Estimation Worksheet](#)

Finally, another major source of state funding comes in the form of Charter School Capital Outlay Funding. Unlike other state funding sources, Charter School Capital Outlay Funding is not based on a proportionate share of monies available to each district school board. Sections 1013.62(2) and (3), contain the calculation methodology, which is mostly based upon FTE counts and free and reduced-price lunch percentages. This money can be used by eligible schools for the purchase of real property: the construction of school facilities; the purchase, lease purchase, or lease of permanent or re-locatable school facilities; the purchase of vehicles to transport students; and renovation, repair, and/or maintenance of school facilities that the charter school owns or is purchasing through a lease-purchase or long-term lease of 5 years or longer. To be eligible for a funding allocation, a charter school must have an annual audit that does not reveal any of the

⁴ The annual General Appropriations Acts often impose additional restrictions or allow additional uses of these revenue sources. Consequently, it is recommended that the practitioner consult the General Appropriations Act applicable to the fiscal year under audit.

financial emergency conditions provided in Section 218.503(1), F.S., for the most recent fiscal year for which such audit results are available.

Additionally, charter schools receive a portion of the local capital improvement ad valorem tax revenues levied by a district school board pursuant to Section 1011.71, F.S., as calculated by the FDOE.

Section 45 of Chapter 2018-6, Laws of Florida, states “For the 2018-19 fiscal year, charter school capital outlay funding shall consist of state funds appropriated in the General Appropriations Act. Beginning in fiscal year 2019-20, charter school capital outlay funding shall consist of state funds when such funds are appropriated in the General Appropriations Act and revenue resulting from the discretionary millage authorized in s. 1011.71(2) if the amount of state funds appropriated for charter school capital outlay in any fiscal year is less than the average charter school capital outlay funds per unweighted full-time equivalent student for the 2018-19 fiscal year, multiplied by the estimated number of charter school students for the applicable fiscal year, and adjusted by changes in the Consumer Price Index issued by the United States Department of Labor from the previous fiscal year.”

Federal Funding

Charter schools may also receive operating and capital monies through the state from the federal government. The most common forms of this type of assistance are:

Charter School Startup and Implementation Grant Program - Federal grant funding available through the Public Charter Schools Program to help new charter schools pay for planning, design, and start-up costs.

Title I Grants - These funds provide financial assistance to schools with a high number or percentage of economically disadvantaged children to help meet the educational needs of children who are failing, or most at risk of failing, to meet challenging academic standards.

Section 1011.69, F.S., limits how much of a district school board’s Title I allocation may be withheld before allocating remaining Title I monies to individual district schools, including charter schools.

Individuals with Disabilities Education Act (IDEA) - This program aims to strengthen academic expectations and accountability of children with disabilities by helping cover the extra costs of serving these children.

National School Lunch and School Breakfast Programs - Federal reimbursement distributed for low-cost or free breakfasts and lunches.

Budgeting

In accordance with Section 1002.33(9)(h), F.S., the charter school’s governing body must annually adopt and maintain a budget for the charter school’s operations. It is this budget that determines what management may spend for day-to-day expenses. Pursuant to Section 1002.33(9)(p), F.S., a charter school must maintain the budget on its Web site.

Capitalized Assets

Included within the Redbook is an appendix that establishes criteria to help the charter school distinguish between supplies and equipment. An equipment item is a material unit that meets all of the following conditions:

1. It retains its original shape and appearance with use.
2. It is nonexpendable, in that it is usually more feasible to repair it rather than replace it with an entirely new unit.
3. It represents an investment of money that makes it feasible and advisable to capitalize the item.
4. It does not lose its identity through incorporation into a different or more complex unit or substance.

If the item does not meet all of the above conditions, the item should be categorized as a supply item.

Monthly Financial Statement

Pursuant to Section 1002.33(9)(g), F.S., each charter school not designated as a high-performing charter school is required to provide a monthly financial statement to its sponsor. High-performing charter schools may provide a quarterly financial statement. The financial statement must contain a balance sheet and a statement of revenue, expenditures, and changes in fund balance.

Auditing

Audit Proposals

The selection of auditors to perform charter school financial audits is governed by Section 218.391, F.S, which requires establishment of an auditor selection committee pursuant to Section 218.391(2), F.S. In selecting auditors to audit the charter school, the auditor selection committee must, pursuant to Section 218.391(3), F.S., establish factors to use for the evaluation of audit services, including, but not limited to, ability of personnel, experience, and ability to furnish the required services; publicly announce and provide interested firms with requests for proposals; evaluate proposals from qualified firms; and rank firms in order of preference. If compensation is one of the evaluation factors recommended by the committee, it cannot be the sole or predominant factor. Chapter 2019-15, Laws of Florida, effective July 1, 2019, amended Section 218.391, F.S., to provide that if an entity fails to select the auditor in accordance with the requirements of subsections (3)-(6), the entity must again perform the auditor selection process in accordance with this section to select an auditor to conduct audits for subsequent fiscal years.

As provided in Section 218.31(17), F.S., the charter school financial audit must include an examination to determine whether operations are properly conducted in accordance with legal and regulatory requirements. Practitioners responding to requests for proposals should be careful about determining the scope of the engagement, including compliance audit requirements and other audit requirements as specified in Chapter 10.550, Rules of the Auditor General. They should also carefully determine whether personnel to be assigned to the engagement have met the requisite continuing education requirements.

It is clear that the Legislature intends for the auditors to demonstrate, through the selection process, their ability to capably perform the audit and for the charter schools to rely on such ability, more so than compensation, in making the auditor selection. Before accepting an engagement, the general laws and regulations applicable to the charter school, as well as the charter provisions, should be given consideration. The specific laws that apply to the charter school may be difficult to locate; however, the research techniques described in this Practice Aid should assist in this task. Knowledge on the part of the auditor of all of these sources of compliance requirements is vital to demonstrating the auditor's ability to perform the required audit.

Considerations Related to Audit Planning

The following is a list of possible considerations for audit planning. This is not intended to be a comprehensive listing.

- Condition of accounting records
- Component unit determination
- Board involvement (level of knowledge and oversight)
- Related party transactions
- Budget adoption and monitoring
- Financial condition
- Determination of sources of revenue
- Internal audit or extent of oversight by the sponsor

Financial Auditing

Scope of the Annual Financial Audit (Section 10.855, Rules of the Auditor General)

As required by the Auditor General, the scope of a “financial audit” shall include:

1. An examination of financial statements to determine whether they are presented, in all material respects, in conformity with generally accepted accounting principles.
2. An examination to determine whether operations are properly conducted in accordance with legal and regulatory requirements.
3. An examination of any additional financial information necessary to comply with generally accepted accounting principles.

Financial statement presentation requirements for charter schools are located in Section 10.855, Rules of the Auditor General, paragraphs 3-5, and 7. Additional requirements regarding Yellow Book, Federal Single Audit Act audits, and compliance with select Florida Statutes are provided in paragraphs 9 - 13 of the same Rule.

Government Auditing Standards (Yellow Book)

Auditors of charter schools should be familiar with *Government Auditing Standards* as it impacts all charter school audits. See Exhibit I for further information on the Yellow Book.

The United States Government Accountability Office revised the Yellow Book in July 2018, which may be located at this link: [Yellow Book](#). The 2018 Yellow Book supersedes the 2011 Yellow Book and is effective for financial audits, attestation engagements, and reviews of financial statements for periods ending on or after June 30, 2020. It is effective for performance audits beginning on or after July 1, 2019. Early implementation is not permitted.

The 2018 Yellow Book will not be applicable to the 2018-19 fiscal year audit; however, the practitioner should be aware of new or changed Yellow Book provisions that will be applicable to future audit periods.

Financial Condition – Required Communications

Section 218.39(5), F.S., provides that, at the conclusion of the audit, the auditor shall notify each member of the governing body of a charter school for which:

1. Deteriorating financial conditions exist that may cause a condition described in Section 218.503(1), F.S., to occur if actions are not taken to address such conditions;
or
2. A fund balance deficit in total or a deficit for that portion of a fund balance not classified as restricted, committed, or nonspendable, or a total or unrestricted net assets deficit, as reported on the fund financial statements of entities required to report under governmental financial reporting standards or on the basic financial statements of entities required to report under not-for-profit financial reporting standards, for which sufficient resources of the charter school, as reported on the fund financial statements, are not available to cover the deficit.

Single Audits

In addition to the annual financial audits required under Section 218.39, F.S., the charter school may also be required to have an annual audit of their federal awards under the Federal *Single Audit Act Amendments of 1996*, the authoritative guidance for which is contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Specific audit requirements applicable to federal awards programs may be found in the Compliance Supplement for Single Audits and in the grant documents applicable to awards not covered by the Compliance Supplement. Requirements identified in these publications may be divided into the categories of general requirements, applicable to the general operations of the charter school, and program specific requirements. Additional guidance concerning the audit of these programs may be found in the AICPA's *Audit and Accounting Guide - Government Auditing Standards and Single Audits*.

The FDOE provides various grants to charter schools and promulgates their requirements for application and amendment procedures in their publication *Project Application and Amendment Procedures for Federal and State Programs - Green Book 2015* located on the FDOE Web site (<http://www.fldoe.org/finance/contracts-grants-procurement/grants-management/project-application-amendment-procedur.stml>) under Finance/Comptroller. This publication describes the project application and amendment procedures for state and federal projects administered by the FDOE. It is not intended to encompass all requirements that may pertain to any specific project. Recipients of funding are expected to be aware of program-specific requirements that may pertain to their particular funding source; however, some of the more common documents related to program administration and compliance are listed in this publication.

For those federal programs funded by the United States Department of Education (ED), there are also published regulations for which the auditor should be aware. The Code of Federal Regulations (CFR) is a codification of the general and permanent rules published in the Federal Register by the executive director and agencies of the federal government. Links to the Uniform Guidance and ED Technical guidance may be found on the United States Department of Education's Web site at:

www2.ed.gov/policy/fund/reg/edgarReg/edgar.html.

Compliance Auditing

An integral part of a charter school audit is the requirement to ascertain whether the school's operations are properly conducted in accordance with legal and regulatory requirements. Audit planning should consider, at a minimum, the following:

- A) Charter School Contract or Charter
- B) Rules of the Auditor General
- C) Contractual Obligations
- D) Florida Statutes
- E) Florida Administrative Code

A compliance program should be constructed addressing the various elements of compliance that impact the charter school. A sample compliance checklist is provided in Exhibit III. This checklist is not intended to be all inclusive and some items may not apply to every situation.

Guidance follows addressing the above-noted regulatory requirements. More detailed guidance on these and other regulatory requirements is located in Exhibits II and III.

Charter School Contract or Charter

Government Auditing Standards requires testing and reporting on internal control over financial reporting and on compliance with laws, regulations, contracts, and grant agreements and other matters. One of the most important documents that imposes the greatest inherent risk is the charter school's contract or charter with the sponsor. Each charter contains a minimum of requirements as detailed in Section 1002.33, F.S. However, each sponsor may impose additional reporting requirements if they provide reasonable and specific justification. The sponsor and charter school's governing body are required to use a standard charter contract prepared by the FDOE pursuant to Section 1002.33(7), F.S., and any term or condition of a proposed charter contract that differs from the standard contract is presumed a limitation on charter school flexibility.

FDOE standard charter school applications and other standardized documents may be found at: www.fl DOE.org/schools/school-choice/charter-schools/charter-school-reference

The initial term of a charter is 5 years, excluding 2 planning years.

Rules of the Auditor General

These Rules are intended to implement, interpret, or make specific, certain statutory provisions that are within the authority of the Auditor General. All Auditor General Rules, together with other audit-related guidance, are available on the Auditor General's Web site at <https://flauditor.gov>.

Chapter 10.850, Rules of the Auditor General, was developed to implement various provisions of Sections 11.45, 218.39 and 1002.33, F.S. These laws require the charter schools to submit their annual financial report to the Auditor General for review.

Chapter 10.850, Rules of the Auditor General, recognizes the authoritative hierarchy established by the AICPA and the Comptroller General of the United States to set financial

reporting and auditing standards. Those financial reporting and auditing standards are incorporated into the Rules by reference.

Section 10.856, Rules of the Auditor General, provides the contents of the audit report required to be filed with the Auditor General for review, including the auditor's reports on the financial statements, internal control and compliance, and other audit reports required pursuant to other federal laws (Single Audit); a management letter; audited financial statements and required supplementary information, prepared in accordance with GAAP; and a written statement of explanation or rebuttal. An audit report submittal checklist (see Exhibit XI) is available on the Auditor General's Web site under Rules and Guidelines to ensure all required information is filed with the Auditor General's office.

Section 10.857, Rules of the Auditor General, provides guidance on the time frame for submitting the audited financial report and other items.

- When a financial audit reveals that one or more of the conditions specified in Section 218.503(1), F.S., have occurred or will occur if action is not taken to assist the charter school, the auditor must notify the governing body of the charter school, the sponsor, and the Commissioner of Education within seven business days after the finding is made.
- One paper copy and an electronic copy of the audit report are required to be submitted to the Auditor General within 45 days after delivery of the report to the school's governing body.
- The date that the audit report was delivered to the school's governing body must be included in the correspondence accompanying the audit report (see Report Submittal Checklist on the Auditor General's Web site noted above).

Contractual Obligations

Generally, charter schools are subject to various compliance requirements as a result of debt issuances, grants, intergovernmental agreements, and similar contractual arrangements. Care must be taken to become knowledgeable of these compliance requirements in order to test compliance as appropriate.

Florida Statutes and Florida Administrative Code

The Florida Statutes and FAC contain a number of statutes and rules that are applicable to charter schools – see Exhibit II for a listing. Awareness of these statutes and rules, and how they impact charter schools, is integral to a charter school audit.

A review of applicable parts of the foregoing material prior to and during the compliance phase of the audit is essential. A review of other specialized and general legal publications dealing with state law and charter school law may also be necessary. The State Constitution, Laws of Florida, and Florida Statutes can be found on the Florida Legislature's "Online Sunshine" Web site at <http://www.leg.state.fl.us>.

Audit Report

The Auditor General has implemented the provisions of Section 218.39, F.S., by adopting Chapter 10.850, Rules of the Auditor General, which prescribe standards for the auditor's examination of and reports on the financial statements of charter schools. The Rules have also been adopted by and incorporated within the Rules of the State Board of Accountancy.

Audit Report (Section 10.856, Rules of the Auditor General)

As required by the Auditor General, the audit report must at least include:

1. A table of contents
2. The auditor's report on the basic financial statements
3. The auditor's report on internal control and compliance
4. Any reports and related financial information required pursuant to the Federal *Single Audit Act Amendments of 1996* and the Uniform Guidance
5. The "management letter" required by Section 218.39(4), F.S., and defined in Rule 10.854(1)(e)
6. The basic financial statements with related notes and supplementary information required by generally accepted accounting principles
7. The written statement of explanation or rebuttal required by Section 10.857(2), Rules of the Auditor General

Management's Discussion and Analysis

In accordance with Section 10.855(7), Rules of the Auditor General, for those schools required to use the governmental reporting model, the basic financial statements should be accompanied by management's discussion and analysis (the "MD&A"). The MD&A is a narrative report presented before the basic financial statements and should introduce the basic financial statements and provide analytical overviews of the year's activity based on knowledge of transactions, events and conditions reflected in the statements.

Auditors' Reports

In accordance with Section 10.856(2)(b), Rules of the Auditor General, the auditor's report on the basic financial statements and report on internal control and compliance must be based on an audit conducted in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*.

Professional Standards AU-C 265 - *Communicating Internal Control Related Matters Identified in an Audit* requires the auditor to communicate control deficiencies that are "significant deficiencies" or "material weaknesses" in internal control; provides guidance on evaluating the severity of control deficiencies identified in an audit of financial statements; and identifies indicators of material weaknesses. It also includes an appendix that provides examples of circumstances that may be significant deficiencies or material weaknesses.

The auditor is required to communicate significant deficiencies and material weaknesses identified in the audit, in writing, to management and those charged with governance. This includes the significant deficiencies and material weaknesses that were communicated in previous audits if they have not yet been remediated. The body charged with governance may take different forms in different entities, for example, a board of directors, a committee

of the board of directors (for example, an audit or legislative oversight committee), a committee of management (for example, a finance, budget or governmental agency executive committee), partners, equivalent persons, or some combination of these parties. It also recognizes that in some smaller entities, management and those charged with governance may be the same people, for example, the owner of an owner-managed entity.

The written communication is best made by the report release date (the date on which the auditor grants permission for the client to use the auditor's report in connection with the financial statements), but should be made no later than 60 days following the *report release date*. Illustrative written communications to management and those charged with governance are provided at Exhibits VI and VII, respectively.

One issue relates to a client's inability to prepare its financial statements or to review such financial statements to ensure that it is in the proper format and contains all the necessary disclosures to ensure conformity with the basis of accounting used by that entity. Such inability would result in a control deficiency, a significant deficiency, or a material weakness. Following is an excerpt from the AU-C 265 appendix that addresses this issue.

“Employees or management who lack the qualifications and training to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with generally accepted accounting principles (GAAP), the person responsible for the accounting and reporting function lacks the skills and knowledge to apply GAAP in recording the entity's financial transactions or preparing its financial statements.”

Making a determination of whether a deficiency in internal control, significant deficiency, or material weakness exists depends on the facts and circumstances particular to each situation.

Management Letter

Section 218.39(4), F.S., and Chapter 10.850, Rules of the Auditor General, require the inclusion of a management letter in each audit report. The management letter must be bound into the audit report provided to the Auditor General, as well as the audit reports that the charter school files with the sponsor and for public inspection. However, the management letter is not required to be included in any other audit report, such as that submitted pursuant to the GFOA's Certificate of Achievement for Excellence in Financial Reporting Program or to bonding agencies or financial institutions. Section 10.854(1)(e), Rules of the Auditor General, defines the management letter and addresses the elements of the management letter as follows:

"Management letter" means a statement of the auditor's comments and recommendations. This letter must be prepared and included as a part of each financial audit report pursuant to Section 218.39(4), F.S., and Section 10.856(2)(d), Rules of the Auditor General. The management letter shall include, but not be limited to:

1. A statement as to whether corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, not otherwise addressed in the auditor's report pursuant to Rule 10.856(2)(b). If an

audit finding in the preceding financial audit report is uncorrected, the auditor must determine whether the finding was also included in the second preceding fiscal year financial audit report. Uncorrected findings in the current fiscal year audit report must cite the finding reference numbers used in the preceding and, as applicable, the second preceding financial audit reports.

2. A statement describing the results of the auditor's determination as to whether or not the charter school has met one or more of the conditions described in Section 218.503(1), F.S., and identification of the specific condition(s) met [See also Section 10.857(2), Rules of the Auditor General.]
3. Any recommendations to improve the school's financial management.
4. Noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. Note: Fraud, noncompliance with provisions of laws or regulations and contracts or grant agreements, or abuse that does not warrant the attention of those charged with governance, or internal control deficiencies that are not material weaknesses or significant deficiencies may be reported in the management letter based on professional judgment.
5. The name or official title of the school and the school code assigned by the Florida Department of Education.
6. For charter schools and centers:
 - a. A statement that the auditor applied financial condition assessment procedures pursuant to Rule 10.855(12).
 - b. If deteriorating financial conditions are noted, a statement that the charter school's financial condition is deteriorating and a description of conditions causing the auditor to make this conclusion. If the auditor has reported that the charter school has met one or more of the conditions specified in Section 218.503(1), F.S. (see 2. above), this statement shall indicate whether such condition resulted from a deteriorating financial condition. Findings regarding deteriorating financial condition shall be prepared in accordance with Rule 10.856(3).
7. For charter schools only, a statement describing the results of the auditor's determination pursuant to Rule 10.855(13) as to whether the charter school maintains on its Web site the information specified in Section 1002.33(9)(p), F.S.

The format of the management letter is left up to the option of the auditors as long as it contains the required elements. Two example formats can be found at Exhibits IV and V.

Exhibit IV appears to satisfy all the requirements, is an acceptable method, and has been a customary practice of some auditors. A single document (schedule) is issued covering all compliance matters and other comments (i.e., those matters that are not clearly inconsequential, considering both quantitative and qualitative factors) rather than report them in the separate reports and letters required by generally accepted government auditing standards. This practice should continue to be acceptable as long as significant deficiencies and material weaknesses in internal control, and material compliance violations, if any, are identified and referenced within the internal control/compliance

report, but the comment may be made in the single document where all the findings are reported.

Exhibit V is in the form of a letter, on letterhead, and signed by the auditor. It is a sample management letter from the Auditor General's Web site at https://flauditor.gov/pages/tech_education.html. It addresses all of the requirements of Section 10.854(1)(e), Rules of the Auditor General.

Delivery of Audit Report and Management's Response (Section 10.857, Rules of the Auditor General)

As required by the Auditor General, the audit report must be delivered to the following:

1. School management
2. Each member of the governing body
3. School's sponsor
4. Each member of the audit committee charged with governance as defined in *AICPA Professional Standards*, AU-C Section 260
5. Florida Department of Education
6. Head of the governing body of all component units included in the audit

Also, one paper copy and an electronic copy, including management's response and the Audit Report Submittal Checklist (see Exhibit XI), must be submitted to the Auditor General within 45 days after delivery of the audit report to the school's governing body, but no later than 9 months after the end of the school's fiscal year

Reporting Due Dates

Each individual contract or charter held between a charter school and sponsor has its own reporting requirements. Most charters require at a minimum the charter school provide an annual financial audit, an annual program cost report and an annual progress report. As the sponsor has its own set of reporting requirements to meet with state agencies, it is important to meet their deadlines.

APPENDIX I - EXHIBITS

The following exhibits have been provided to give readers further details and examples:

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EXHIBIT I - YELLOW BOOK

Auditors of charter schools should be familiar with *Government Auditing Standards* (GAS). These standards, which are commonly referred to as the “Yellow Book,” cover federal entities and those organizations receiving federal funds. In the State of Florida, Chapter 10.850, Rules of the Auditor General, requires all charter school audits to comply with *Government Auditing Standards*, which are available on the United States Government Accountability Office Web site at <http://www.gao.gov/assets/590/587281.pdf>. The Yellow Book general, fieldwork, and reporting standards for financial audits parallel the AICPA auditing standards in many instances; however, some of these standards exceed the AICPA auditing standards. Particular areas of note are the independence, CPE, and quality control and peer review requirements. See page 17 regarding issuance of the revised Yellow Book.

Independence - Auditors should be cognizant of the specific independence requirements of the Yellow Book. They differ from the AICPA independence standards in some respects.

CPE - Auditors performing audits of engagements covered by the Yellow Book are required to attain CPE that does not parallel those required by the Florida Board of Accountancy. Auditors performing work under GAS must complete, every 2 years, at least 24 hours of CPE that directly relates to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. Those auditors involved in any amount of planning, directing, or reporting on GAS audits, and those auditors who are not involved in those activities but charge 20 percent or more of their time annually to GAS, are required to obtain at least an additional 56 hours of CPE (for a total of 80 hours of CPE in every 2 year period) that enhances the auditor’s professional proficiency to perform audits.

Quality Control and Peer Review - In many respects, these Yellow Book requirements parallel the AICPA standards. Both the AICPA and GAS require the summarization of monitoring procedures at least annually, with identification of any systemic issues needing improvement, along with recommendations for correction action. One difference is that the Yellow Book requires auditors to make their peer review reports publicly available by posting peer review reports on an external Web site or to a publicly available file designed for public transparency of peer review results.

The Yellow Book addresses the concept of “abuse” and auditors’ responsibility to be aware of its existence during the conduct of their audits. In accordance with the Yellow Book, “abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. Abuse does not necessarily involve fraud or noncompliance with provisions of laws, regulations, contracts, or grant agreements.” The 2018 Yellow Book added the definition and related examples of “waste” in addition to abuse that auditors should consider communicating if they become aware of them. “Waste” is defined in the 2018 Yellow Book as “the act of using or expending resources carelessly, extravagantly, or to no purpose. Importantly, waste can include activities that do not include abuse and does not necessarily involve a violation of law. Rather, waste relates primarily to mismanagement,

inappropriate actions, and inadequate oversight.” Because the determination of waste and abuse is subjective, auditors are not required to detect waste and abuse in financial audits.

Under certain circumstances, auditors may have the responsibility to report known or likely fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse directly to parties outside the audited entity. These circumstances only occur after the auditor has informed those charged with governance of management’s failure to act or to act as soon as practicable after the auditor’s communication.

In addition, Chapter 2019-15, Laws of Florida, effective July 1, 2019, amended Section 11.45(1), F.S., to include the definitions of fraud, waste, and abuse⁵ in law and amended Section 1002.33(9)(j), F.S., to require charter schools to establish and maintain internal controls designed to:

- Prevent fraud, waste, and abuse.
- Promote and encourage compliance with applicable laws, rules, contracts, grant agreements, and best practices.
- Support economical and efficient operations.
- Ensure reliability of financial records and reports.
- Safeguard assets.

Consequently, in addition to auditing standards internal control deficiency reporting implications, failure of charter schools to establish adequate internal controls could constitute a violation of Florida law.

⁵ According to Section 11.45(1), F.S., as amended by Chapter 2019-15, Laws of Florida, fraud includes theft of an entity’s assets, bribery, or the use of one’s position for personal enrichment through the deliberate misuse or misapplication of an organization’s resources; waste includes the act of using or expending resources unreasonably, carelessly, extravagantly, or for no useful purpose; and abuse includes behavior that is deficient or improper when compared with behavior that a prudent person would consider a reasonable and necessary operational practice given the facts and circumstances, and the misuse of authority or position for personal gain.

EXHIBIT II - RESEARCH OF COMPLIANCE CRITERIA

Florida Statutes

The Florida Statutes are prepared by the Division of Statutory Revision of the Florida Legislature. They are published following legislative sessions annually. A full publication of the statutes is available at <http://www.leg.state.fl.us/statutes>. The following is a list of statutes applicable to charter schools.

Appeal of charter school application, 1001.02, 1002.33(6)(c)
Audits, 11.40, 11.45, 218.39, 218.391, 1002.33(9)(j)
Budgets, 1002.33(9)(h)
Capital outlay funding, 1002.33(9)(h), 1002.33(19), 1011.71(2), 1013.62
Compensation and salary schedules, 1002.33(16)(b)4, 1012.22(1)(c)
Deteriorating financial conditions and fund balance deficits, 218.39(5), 1002.345
Educational facilities benefit districts, creation, 1013.355(3)
Expedited review by sponsor, 1002.345
Financial emergencies, 218.50, 218.503, 1002.33(7)(c)2, 1002.345
Generally, 1002.33
Governing boards, duties, 1002.33(9)(h)-(k)
High-performing charter schools, 1002.331, 1002.332
Lab schools, 1002.32, 1002.33(5)(a)2, 1012.467(7)(b), 1013.62(5)
Minimum class size, 1002.33(16)(b)3, 1003.03(1)(c)
Monthly financial statement, 1002.33(9)(g)3
Noninstructional contractors with access to school grounds, immunity from liability for sharing criminal history information, 1012.467(7)(b)
Personnel, 1002.33(12), 1012.315, 1012.335, 1012.34, 1012.796(1)(c)
Property tax exemptions, 196.1983, 1002.33(15)(b) and (c)
Public records and sunshine law, 286.011, Chapter 119
Public accountability and approval of school leader preparation programs, 1012.562
Real property acquisitions, tax cancellation, 196.29
Restriction of employment of relatives, 1002.33(24)
School boards, duties, 1002.345, 1011.71, 1012.71(3), 1013.62
School safety, 943.082(4)(b), 1006.07(6)(c), 1006.07(7), 1006.07(9), 1006.12, 1006.1493, 1002.33(16)(b)
Schools of Hope Program, 1002.333
Screening, 1002.33(12)(g)1, 1012.32, 1012.467
Sponsors and cosponsors, 1002.33(5), 1002.345
Standards of conduct and disclosure, 1002.33(26)
State retirement system participation, 121.051, 121.1122, 121.4501, 1002.33(12)(i)
Students, extracurricular activities at public schools, 1002.20(18)(c), 1006.15(3) and (9)
Teacher reemployment after retirement, 238.184
Transparency, 1002.33(9)(p)
Transportation of students, 1011.68, 1013.33(1)
Workforce reductions, 1012.33(5)
Youth mental health awareness and assistance training, 1012.584

Florida Department of Education

Financial and Program Cost Accounting and Reporting for Florida Schools (Redbook 2015) (www.fldoe.org/fefp/redtoc.asp) - The primary purpose of the Redbook is to provide a uniform chart of accounts for budgeting and financial reporting. Topics include governmental accounting standards, program cost accounting and reporting, and school internal funds. Charter schools are required to provide financial information that is comparable to that reported for other public schools pursuant to Section 1002.33(9)(g), F.S.

Project Application and Amendment Procedures for Federal and State Programs - Green Book 2015 (<http://www.fldoe.org/finance/> under Contracts, Grants, & Procurement) - The FDOE provides various grants to charter schools in Florida. The FDOE promulgates its requirements for application and amendment procedures in this publication, which describes the project application and amendment procedures for state and federal projects administered by the FDOE. It is not intended to encompass all requirements that may pertain to any specific project. Recipients of funding are expected to be aware of program-specific requirements that may pertain to its particular funding source; however, some of the more common documents related to program administration and compliance are listed in this publication.

Publications and Papers - (<http://www.fldoe.org/finance/contracts-grants-procurement/grants-management/>) - The FDOE's Web site also has several links related to Title I of the NLCB (No Child Left Behind) and exceptional student education programs. The auditor may find these links useful in reviewing charter school federal expenditures.

Florida School Choice Web site (<http://www.fldoe.org/schools/school-choice/charter-schools>) - This Web site provides guidance and technical assistance for charter school operations.

Florida Attorney General's Office

Additional aid in interpreting Florida Statutes may be found in the *Annual Report of the Attorney General*, which contains the Attorney General's official opinions on questions of law. Although the opinions of the Attorney General do not have the weight of law, they are highly persuasive and should be consulted by the auditor when attempting to interpret Florida law. Each volume has an index and a consolidated index is occasionally issued. The complete text of Attorney General Opinions since 1971 can be found, in the form of a searchable database, on the Attorney General's Web site at <http://myfloridalegal.com/opinions>. The Attorney General of Florida has issued several opinions relating to charter schools, including the following:

- [AGO 98-48](#) 07/31/1998 Dual office holding, charter school
- [AGO 2000-24](#) 04/25/2000 Charter school, exemption from traffic impact fee
- [AGO 2001-23](#) 03/23/2001 Charter school subject to open government laws
- [AGO 2002-55](#) 08/14/2002 School capital outlay surtax, charter schools
- [AGO 2004-26](#) 05/11/2004 Santa Rosa Island Authority, funding of charter school
- [AGO 2004-67](#) 12/17/2004 Charter schools, funding
- [AGO 2006-48](#) 12/06/2006 County, advancement of funds to charter school
- [AGO 2010-14](#) 04/22/2010 Charter Schools, Nepotism
- [AGO 2013-04](#) 03/21/2013 Virtual charter schools, costs of student attendance

- [AGO 2013-06](#) 04/01/2013 Conversion Charter School, Municipalities
[AGO 2013-27](#) 11/20/2013 Charter Schools – Governing Board
[AGO 2016-09](#) 08/02/2016 Charter Schools-Municipalities - Special Assessment

Public Records and Sunshine Laws

Chapter 119, F.S., the Florida Public Records Law, provides that as a matter of state policy, “... all state, county, and municipal records are open for personal inspection and copying by any person. Providing access to public records is a duty of each agency.” Public records are defined to include “all documents, papers, letters, maps, books, tapes, photographs, films, sound recordings, data processing software, or other material, regardless of the physical form, characteristics, or means of transmission, made or received pursuant to law or ordinance or in connection with the transaction of official business by any agency.” The Division of Library and Information Services within the Florida Department of State is responsible for adopting rules to establish retention schedules and a disposal process for public records. Charter schools must comply with the Florida Public Records Law pursuant to Section 1002.33(16)(b)2., F.S.

The Florida Sunshine Law is a series of laws designed to guarantee that the public has access to the public records of governmental bodies in Florida. Article I, 24(b) of the Florida Constitution states that “All meetings of...any collegial public body of a county, municipality, school district, or special district at which official acts are to be taken or at which public business of such body is to be transacted or discussed, shall be open and noticed...” Section 286.011, F.S., spells out in detail how meetings must be conducted, notices and minutes, and how exemptions apply to attorney-client sessions and labor union negotiations. Charter schools must comply with this law pursuant to Section 1002.33(16)(b)1., F.S.

The Florida Department of Legal Affairs, headed by the Attorney General, is responsible for administering the Florida Public Records and Sunshine Laws and publishes the Government-in-the-Sunshine Manual to assist in implementing these laws. The Manual can be accessed in electronic form on the Attorney General’s Web site at <http://www.myflsunshine.com/sun.nsf/sunmanual>.

Florida Administrative Code

The (FAC) is a compilation of the rules adopted by state agencies. The FAC is published and continuously updated by the Florida Department of State, and includes descriptions of each agency’s organization, practices, and procedures, including a listing of the agency’s forms and instructions. The SBE rules are located under Chapter 6 (subsection 6a) of the FAC. The complete text of the FAC can be accessed on the Florida Department of State’s Web site at www.flrules.org.

EXHIBIT III - COMPLIANCE CHECKLIST

As noted before, *Government Auditing Standards* requires testing and reporting on internal control over financial reporting and on compliance with laws, regulations, contracts, and grant agreements and other matters. The below sample compliance checklist is not intended to be all inclusive and some items may not apply to every situation. The sample checklist is intended to serve as a resource for auditors and is not intended to supplant the judgment, or risk assessments, of the independent certified public accountant engaged to perform the audit.

Florida Statute Section	Compliance Requirement	Procedure
1002.33(7) (see Standard Charter Contract Section 3A)	School may not discriminate on the basis of race, gender, ethnicity, religion, national or ethnic origin, or disability in the admission of students.	Review a sample of advertisements and listing of students.
1002.33(9)(d)	No fees or tuitions will be charged, except those fees normally charged by other public schools.	Review revenue for unusual fees.
1002.33(6)(a)2	The Sunshine State standards shall be used as the curriculum guideline.	Review curriculum in the school's Operations Handbook.
1002.33(7) (see Standard Charter Contract Section 10H)	The school's teaching assignments must match the State Course Code Directory numbers.	Obtain copy of each list and compare.
1002.33(16)(b)3 1003.03(1)(c)	Class size may not exceed 25 students.	Review list of students per class.
1002.33(7) (see Standard Charter Contract Section 1C.3)	The school's curriculum and instructional strategies for reading must be consistent with the Florida Standards (i.e., Next Generation Sunshine State Standards).	The new baseline for school grading was conducted in the summer of 2016. Follow up with the school board and the FDOE for initial performance standards
1002.33(16)(c)1	The school must designate at least one individual to be responsible for duties that would normally be assigned to a district school superintendent.	Review documentation evidencing designation of such duties.
1002.33(8)(p)2	The school's governing body must appoint a representative to facilitate parental involvement. The representative's contact information must be provided annually in writing to parents and posted prominently on the school's Web site.	Review annual written notice and Web site information for representative.

Florida Statute Section	Compliance Requirement	Procedure
1002.33(7)(a)5 1002.3105(5) 1003.4281 1003.4282	The school's charter contract must address, for secondary schools, the method for determining that a student has satisfied the graduation requirements specified in Florida Statutes (see Sections 1002.3105(5), 1003.4281, and 1003.4282, F.S.	Review charter contract and requirements in operation handbook.
1002.33(7) (see Standard Charter Contract Section 3L)	The school's Student Conduct Code must be compliant with IDEA, Section 504 of the Rehabilitation Act, and the American with Disabilities Act for student with disabilities.	Review Student Conduct Code.
1002.33(7) (see Standard Charter Contract Section 3J)	The school must provide ESE and ESOL programs.	Review student listing for ESE and ESOL students.
1002.33(7) (see Standard Charter Contract Section 3H.3)	Records of students leaving the school must be provided to the school board.	Confirm with school board.
1002.33(7) (see Standard Charter Contract Section 4A.1(ii))	School must report its student enrollment to the school board as provided in Section 1011.62, F.S., and in accordance with the definitions in Section 1011.61, F.S., at the agreed upon intervals and using the method used by the school board when recording and reporting cost data by program.	Confirm with school board.
1002.33(20)(a)	If assessed by the school board, the school must pay an administrative fee, based on the applicable specified percentage, for administrative and educational services.	Confirm with school board.
1002.33(17)(b) 1011.62	If categorical funds are received, the school must document funds received were expended for their established purpose.	Inquire if funds received and review documentation of expenses.
1002.33(17)(c)	If Title I funds are received, the school is required to submit a Title I plan to the school sponsor.	Confirm with school sponsor that plan was submitted and review plan.
1002.33(19) 1013.62(4) 1013.71(2)	Capital outlay funding received by the school must be used only for specified purposes.	Review all or test a sample of capital expenditures during audit period.

Florida Statute Section	Compliance Requirement	Procedure
1002.33(9)(g)	Financial records must be maintained in accordance with the accounts and codes prescribed in the <i>Financial and Program Cost Accounting and Reporting for Florida Schools</i> (Redbook) or the charter school may elect to follow GAAP for not-for-profit organizations, but must reformat such information to provide for financial reporting comparable to that reported for other public schools.	Review accounting records and requirements in Redbook (if applicable).
1002.33(9)(g)3	The school must provide monthly (or quarterly for a high-performing school) financial statements to the sponsor.	Confirm with sponsor.
1002.33(7) (see Standard Charter Contract Section 4G.3(iii))	The school must provide an annual cost report, in a form an manner consistent with GAAP, to the school board by the last business day in July.	Confirm with school board.
1002.33(12)(g)3	The school's governing body must adopt policies establishing the duty of instructional personnel and school administrators to report, and procedures for reporting, alleged misconduct by other instructional personnel and school administrators which affects the health, safety, or welfare of a student.	Review policies and include in client rep letter.
1002.33(18)(a)	A startup school must utilize facilities that comply with the Florida Building Code	Review certificate of occupancy.
1002.33(18)(b)	A school must utilize facilities that comply with the Florida Fire Prevention Code.	Review certificate of occupancy.
1002.33(7) (see Standard Charter Contract Section 5B)	The school must provide the school board with a list of the facilities to be used and their location and provide for periodic health and safety inspections conducted by school board school board safety personnel.	Obtain list of facilities, request and review copies of safety inspection reports, and determine whether school has taken action to remedy deficiencies noted in inspection reports.
1002.33(7) (see Standard Charter Contract Section 5A)	The school must request permission from the school board for changes in facility locations.	Review minutes for evidence of changes in facility locations.
1002.33(20)(c)	Transportation must be provided consistent with the requirements of subpart I.E. of Chapter 1006 and Section 1012.45, F.S.	Inquire of policies for transportation.
1002.33(7) (see Standard Charter	The school must provide food services to its students consistent with applicable Florida Statutes. If the School elects to participate in the National School Lunch Program,	Inquire as to meals provided.

Florida Statute Section	Compliance Requirement	Procedure
Contract Section 7)	it must follow all applicable Federal rules and regulations.	
1002.33(7) (see Standard Charter Contract Section 8)	The school must provide for the insurance and coverage amounts specified in Section 8 of the charter contract.	Obtain and review copies of insurance certificates.
1002.33(7) (see Standard Charter Contract Section 8)	The school must maintain faithful performance of duty coverage for the school's administrators/principal and governing body, and coverage shall be in the amount of no less than one million (\$1,000,000) dollars per loss /two million (\$2,000,000) dollars annual aggregate. In lieu of employee dishonesty/crime insurance, the school may provide for fidelity bond coverage of equal coverage amount.	Obtain and review copies of insurance certificates.
1002.33(12)(a)	The school must select its own employees but may contract with the school sponsor for the services of personnel employed by the sponsor.	Determine whether school selected its employees (i.e., the employees were not selected by a Management Company or other entity).
1002.33(12)(f)	School the teachers must be certified as required by Chapter 1012, F.S., although the school may employ or contract with skilled selected noncertified personnel to provide instructional services or to assist instructional staff members as education paraprofessionals in the same manner as defined in Chapter 1012, F.S., and as provided by State Board of Education rules applicable to charter schools.	Review school policies and, for a sample of teachers and noncertified employees, review certifications or other documentation evidencing compliance with Chapter 1012, F.S.
1002.33(12)(g)1	School employees and members of the school's governing body must undergo background screening as provided in Section 1012.32, F.S.	For a sample of employees, and all members of the school's governing body, request and review evidence of required screenings.
1002.33(7) (see Standard Charter Contract Section 9A)	The school's governing body must consist of at least three (3) members.	Review list of board members.
1002.33(9)(p)3	The school's governing body must hold at least two public board meetings per school year.	Verify board meetings were held.

Florida Statute Section	Compliance Requirement	Procedure
1002.33(9)(p)3 1002.33(16)(b)1 (see 286.011) 1002.33(7) (see Standard Charter Contract Section 11B.2)	The school's governing body's meetings must be noticed, open, and accessible to the public and school must maintain minutes of such meetings. The minutes must be forwarded to the sponsor monthly.	Obtain copies of minutes, review, and summarize. Confirm with sponsor that sponsor was timely provided minutes for all meetings.
1002.33(9)(k)	The school must make annual progress reports to the sponsor, which contain at least the information specified in Section 1002.33(9)(k)1 – 4, F.S.	Confirm with sponsor, review sample of progress reports, verify report of spreadsheet in compliance.
1002.33(9)(p)1	The school must maintain a Web site that enables the public to obtain information regarding the school; the school's academic performance; the names of the governing body's members; the programs at the school; any management companies, service providers, or education management corporations associated with the school; the school's annual budget and its annual independent fiscal audit; the school's grade pursuant to Section 1008.34, F.S.; and, on a quarterly basis, the minutes of governing body's meetings.	View the school's Web site and verify that these items have been posted.

EXHIBIT IV - SAMPLE MANAGEMENT LETTER - SCHEDULE FORMAT

Auditor's Findings, Comments, and Recommendations (Management Letter)

Material Weaknesses

Significant Deficiencies

(If there are no significant deficiencies, delete this section;
do not state that there are no significant deficiencies)

Material Compliance Violations

Immaterial Compliance Violations

Other Comments and Recommendations

Requirements of the Rules of the Auditor General

1. A statement describing the results of the auditor's determination as to whether the charter school met any of the conditions described in Section 218.503(1), Florida Statutes, and, if applicable, identification of the specific condition(s) met (negative assurance not allowed).
2. A statement that the auditor applied financial condition assessment procedures per Section 10.855(12), Rules of the Auditor General.
3. If deteriorating financial conditions are noted, a statement that the charter school's financial condition is deteriorating and a description of conditions causing the auditor to make this conclusion. If the auditor has reported that the charter school has met one or more of the conditions specified in Section 218.503(1), Florida Statutes, this statement shall indicate whether such condition resulted from a deteriorating financial condition.
4. Name or official title of the charter school and the school code assigned by the Florida Department of Education.
5. A statement describing the results of the auditor's determination pursuant to Section 10.855(13), Rules of the Auditor General, as to whether the charter school maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Status of Prior Year Findings and Recommendations

(Address the status of each prior year finding and recommendation indicating whether or not corrective action has been taken to address each recommendation. If there were no findings in the prior year, state this fact. If an audit finding in the preceding financial audit report is uncorrected, the auditor must determine whether the finding was also included in the second preceding fiscal year financial audit report. Uncorrected findings in the current fiscal year audit report must cite the finding reference numbers used in the preceding and, as applicable, second preceding financial audit reports.)

NOTES

- Only include the sections that are relevant.
- Need to identify management letter comments by reference numbers to facilitate identification (e.g., 2019-001, 2019-002, etc.). *Although not required, a tabulation such as the following showing current fiscal year findings and the corresponding finding numbers that were also identified in the two preceding fiscal year financial audit reports may be useful in demonstrating compliance with this rule.*

Tabulation of Uncorrected Audit Findings		
Current Year Finding No.	2017-18 FY Finding No.	2016-17 FY Finding No.
2019-001	2018-001	2017-001

EXHIBIT V - SAMPLE MANAGEMENT LETTER – LETTER FORMAT

MANAGEMENT LETTER

Honorable ***(Board of Directors) (name of entity)***, Florida.

Report on the Financial Statements

We have audited the financial statements of the ***(name of entity)***, Florida, as of and for the fiscal year ended June 30, 20XX, and have issued our report thereon dated _____, 20XX. ***(If the auditor's report on the financial statements includes any departures from an unmodified opinion, disclose such departures in the management letter.)***

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; ***(if applicable)*** Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.850, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, ***(if applicable)*** Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance, and ***(if applicable)*** Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated _____, 20XX, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report ***(except as noted below under the heading Prior Year Findings and Recommendations - use when appropriate)***. ***If there were no recommendations made in the preceding audit report, state such in the management letter. If an audit finding in the preceding financial audit report is uncorrected, the auditor must determine whether the finding was also included in the second preceding fiscal year***

financial audit report. Uncorrected findings in the current fiscal year audit report must cite the finding reference numbers used in the preceding and, as applicable, the second preceding fiscal year financial audit report.

Although not required, a tabulation such as the following showing current fiscal year findings and the corresponding finding numbers that were also identified in the two preceding fiscal year financial audit reports may be useful in demonstrating compliance with this rule.

Tabulation of Uncorrected Audit Findings		
Current Year Finding No.	2017-18 FY Finding No.	2016-17 FY Finding No.
2019-001	2018-001	2017-001

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is ***(legal name of charter school or center)***, and the school code assigned by the Florida Department of Education is XXXX.

Financial Condition

Section 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the ***(name of charter school or center)*** met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions(s) met. In connection with our audit, we determined that the ***(name of charter school or center)*** did not meet any of the conditions described in Section 218.503(1), Florida Statutes. ***(If the charter school or center met any of the conditions in Section 218.503(1), Florida Statutes, revise the language as appropriate and specify in the management letter which of the conditions described in Section 218.503(1) were met and state whether or not the condition resulted from a deteriorating financial condition, as defined in Rule 10.854(1)(b), Rules of the Auditor General.)***

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General we applied financial condition assessment procedures for the ***(name of charter school or center)***. It is management’s responsibility to monitor the ***(name of charter school or center)***.

center)'s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. ***(If the financial condition assessment procedures disclose a deteriorating financial condition(s), include a statement that the charter school's financial condition is deteriorating and a description of the deteriorating financial condition(s). Findings regarding deteriorating financial conditions shall be prepared in accordance with Section 10.856(3), Rules of the Auditor General. The auditor may want to make a statement that the assessment was done as of the fiscal year end.)***

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether the ***(name of charter school)*** maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the ***(name of charter school)*** maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. ***(If the entity did not maintain the required information on its Web site, revise the language as appropriate.)***

Other Matters

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations ***(or, if applicable, state the recommendations)***.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings ***(or, if applicable, state the findings and recommendations)***. ***Fraud, noncompliance with provisions of laws or regulations and contracts or grant agreements, or abuse that does not warrant the attention of those charged with governance, or internal control deficiencies that are not material weaknesses or significant deficiencies, may be reported in the management letter based on professional judgment.)***

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies ***(refer***

to other governmental agencies if appropriate), the Board of Directors, applicable management, and *(name of entity's charter sponsor)*, and is not intended to be and should not be used by anyone other than these specified parties.

(Signature of CPA firm)

(name of CPA firm)

(date of management letter)

[NOTE: This example management letter is intended to provide guidance concerning the preparation of a management letter pursuant to Chapter 10.850, Rules of the Auditor General for Audits of Charter Schools and Similar Entities, Florida Virtual School, and Virtual Instruction Program Providers. It should be amended as appropriate based on the auditor's professional judgment regarding the particular circumstances of the audit and changes to Government Auditing Standards and/or Chapter 10.850, Rules of the Auditor General for Audits of Charter Schools and Similar Entities, Florida Virtual School, and Virtual Instruction Program Providers.]

EXHIBIT VI – SAMPLE COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS IDENTIFIED IN AN AUDIT (AU-C 265) REPORT

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Report on the Financial Statements

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sample Charter School, Inc. (the “School”), a component unit of the School Board of Sample County, Florida, as of and for the fiscal year ended June 30, 20XX, and the related notes to the financial statements, which collectively comprise Sample Charter School, Inc.’s basic financial statements, and have issued our report thereon dated September 15, 20XX.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the management letter dated September 15, 20XX as items 20XX-001 and 20XX-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a 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. We consider the deficiencies described in the management

letter dated September 15, 20XX as items 20XX-003 and 20XX-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. We consider the deficiencies described in the management letter dated September 15, 20XX, as items 20XX-005 and 20XX-006 to be noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management of the School, in the management letter dated September 15, 20XX.

Sample Charter School's Response to Findings

The School's response to the findings identified in our audit is described in the accompanying letter of management response. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

(Signature of CPA firm)
(name of CPA firm)
(CPA firm's city and state)
September 15, 20XX

**EXHIBIT VII – SAMPLE COMMUNICATION WITH THOSE CHARGED WITH
GOVERNANCE (AU-C 260) LETTER**

September 15, 20XX

To the Board of Directors of
the Sample Charter School, Inc.

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sample Charter School, Inc. (the “School”) for the year ended June 30, 20XX. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 15, 20XX. Professional standards also require that we provide you with the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 20XX fiscal year. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the School’s financial statements were:

Management’s estimate of the useful lives of capital assets is based on the historical asset life of School capital assets and industry standards, in order to determine the value and period of time over which individual capital assets are to be depreciated. We evaluated the key factors and assumptions used to develop the useful lives of capital asset in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements was

The disclosure of concentration of revenue sources in Note X to the financial statements: the school receives revenues for current operations primarily

from the State of Florida through the School Board of Sample County, Florida.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 15, 20XX.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

(Signature of CPA firm)
(name of CPA firm)
(CPA firm's city and state)
September 15, 20XX

**EXHIBIT VIII – FINANCIAL STATEMENT PRESENTATION UNDER THE
GOVERNMENTAL MODEL – EXAMPLE 1
(COMBINED FORMAT FOR A SINGLE PROGRAM SCHOOL)**

STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 20XX

	Governmental Funds					Adjust- ments	Statement of Net Position
	General Fund	Foundation Fund	Grants Fund	Capital Outlay	Total		
Assets:							
Cash and cash equivalents	\$ 226,187	\$ 71,396	\$ 48,962	\$	\$ 346,545	\$	\$ 346,545
Accounts receivable, FEFP capital outlay funds				94,691	94,691		94,691
Internal receivables	5,546				5,546	(5,546)	-
Capital assets, net of accumulated depreciation						163,234	163,234
Total assets	<u>\$ 231,733</u>	<u>\$ 71,396</u>	<u>\$ 48,962</u>	<u>\$ 94,691</u>	<u>\$ 446,782</u>	<u>\$ 157,688</u>	<u>\$ 604,470</u>
Liabilities:							
Accounts payable	3,738				3,738		3,738
Retirement plan payable	17,435				17,435		17,435
Internal payables		61	5,485		5,546	(5,546)	-
Refundable advance			37,567		37,567		37,567
Total liabilities	<u>21,173</u>	<u>61</u>	<u>43,052</u>	<u>-</u>	<u>64,286</u>	<u>(5,546)</u>	<u>58,740</u>
Fund Balances: ¹							
Restricted				94,691	94,691	(94,691)	-
Assigned		71,335	5,910		77,245	(77,245)	-
Unassigned	210,560				210,560	(210,560)	-
Total fund balances	<u>210,560</u>	<u>71,335</u>	<u>5,910</u>	<u>94,691</u>	<u>382,496</u>	<u>(382,496)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 231,733</u>	<u>\$ 71,396</u>	<u>\$ 48,962</u>	<u>\$ 94,691</u>	<u>\$ 446,782</u>		
Net Position:							
Investment in capital assets						163,234	163,234
Restricted for capital expenditures						94,691	94,691
Unrestricted						287,805	287,805
Total net position						<u>\$ 545,730</u>	<u>\$ 545,730</u>

The accompanying notes are an integral part of this financial statement.

¹Nonspendable and/or committed fund balance classifications may also be included in this section.

**EXHIBIT VIII – FINANCIAL STATEMENT PRESENTATION UNDER THE
GOVERNMENTAL MODEL – EXAMPLE 1
(COMBINED FORMAT FOR A SINGLE PROGRAM SCHOOL) (continued)**

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the year ended June 30, 20XX

	Governmental Funds				Total	Adjust- ments	Statement of Activities
	General Fund	Foundation Fund	Grants Fund	Capital Outlay			
Expenditures/expenses							
Instruction – basic	\$ 819,390	\$	\$ 7,183	\$	\$ 826,573	\$ 5,272	\$ 831,845
Instruction – exceptional	54,495				54,495		54,495
Pupil personnel services	27,502				27,502		27,502
Instruction and curriculum development	22,257		632		22,889		22,889
School board	23,667				23,667		23,667
School administration	174,618	1,726	2,150		178,494		178,494
Facilities, acquisition and construction	3,273				3,273	(3,273)	-
Fiscal Services	38,309				38,309		38,309
Operation of Plant	186,647			100,324	286,971	50,939	337,910
Total expenditures/expenses	1,350,158	1,726	9,965	100,324	1,462,173	52,938	1,515,111
Program revenues:							
Charges for services	65,285				65,285		65,285
Net program expense							1,449,826
General revenues:							
State sources	1,227,793			156,035	1,383,828		1,383,828
Local sources	121,470	24,280	6,664		152,414		152,414
Interest income	896	3,937	2,454	3,456	10,743		10,743
Total general revenues and transfers	1,350,159	28,217	9,118	159,491	1,546,985	-	1,546,985
Excess (deficit) of revenues and transfers over expenditures	65,286	26,491	(847)	59,167	150,097	(150,097)	-
Change in net position						97,159	97,159
Fund balance/net position:							
Beginning of year	145,274	44,844	6,757	35,524	232,399	216,172	448,571
End of year	\$ 210,560	\$ 71,335	\$ 5,910	\$94,691	\$ 382,496	\$ 163,234	\$ 545,730

The accompanying notes are an integral part of this financial statement.

**EXHIBIT IX – FINANCIAL STATEMENT PRESENTATION UNDER THE
GOVERNMENTAL MODEL – EXAMPLE 2 (TRADITIONAL FORMAT)**

STATEMENT OF NET POSITION
June 30, 20XX

	Governmental Activities
ASSETS	
CURRENT ASSETS	
Cash	\$ 650,994
Accounts receivable	14,713
Deposits	44,880
Prepaid expenses	61,681
Total current assets	<u>772,268</u>
CAPITAL ASSETS	
Capital Assets, net of accumulated depreciation	
Improvements other than buildings	122,314
Furniture, fixtures and equipment	74,758
Information technology equipment	69,411
Computer software	380
Motor vehicles	3,504
Total capital assets	<u>270,367</u>
Total assets	<u>1,042,635</u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts payable	15,769
Accrued payroll and payroll taxes	74,908
Noncurrent liabilities:	
Due within one year	13,375
Total liabilities	<u>104,052</u>
NET POSITION	
Net investment in capital assets	256,992
Unrestricted	681,591
Total net position	<u>\$ 938,583</u>

The accompanying notes are an integral part of this financial statement.

**EXHIBIT IX – FINANCIAL STATEMENT PRESENTATION UNDER THE
GOVERNMENTAL MODEL – EXAMPLE 2 (TRADITIONAL FORMAT) (continued)**

**STATEMENT OF ACTIVITIES
For the year ended June 30, 20XX**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Basic instruction	\$ 2,618,579	\$ -	\$ -	\$ -	\$ (2,618,579)
Exceptional instruction	69,316	-	-	-	(69,316)
Other instruction	116,545	138,147	-	-	21,602
Health services	38,532	-	-	-	(38,532)
Media services	30,970	-	-	-	(30,970)
Curriculum development	198,189	-	-	-	(198,189)
Staff development	26,596	-	-	-	(26,596)
Board	33,784	-	-	-	(33,784)
General administration	77,431	-	-	-	(77,431)
School administration	326,429	-	-	-	(326,429)
Facilities	11,811	-	-	-	(11,811)
Fiscal services	73,637	-	-	-	(73,637)
Food services	211,947	156,934	45,247	-	(9,766)
Planning and evaluation	8,880	-	-	-	(8,880)
Staff services	24,603	-	-	-	(24,603)
Transportation	193,398	-	-	-	(193,398)
Operation of plant	854,249	-	-	492,228	(362,021)
Maintenance of plant	10,995	-	-	-	(10,995)
Capital outlay	198,395	257,654	-	-	59,259
Interest expense	2,564	-	-	-	(2,564)
Total governmental activities	\$ 5,126,850	\$ 552,735	\$ 45,247	\$ 492,228	(4,036,640)
			General revenues:		
			Grants and entitlements not restricted to specific programs		4,159,563
			Interest income		20,760
			Other revenues		34,492
			Total revenues		<u>4,214,815</u>
			Change in net position		178,175
			Net position at July 1, 20XX		<u>760,408</u>
			Net position at June 30, 20XX		<u>\$ 938,583</u>

The accompanying notes are an integral part of this financial statement.

**EXHIBIT IX – FINANCIAL STATEMENT PRESENTATION UNDER THE
GOVERNMENTAL MODEL – EXAMPLE 2 (TRADITIONAL FORMAT) (continued)**

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 20XX

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 650,944	\$ -	\$ -	\$ 650,944
Accounts receivable	14,713	-	-	14,713
Due from other agencies	-	-	-	-
Deposits	44,930	-	-	44,880
Prepaid expenses	61,681	-	-	61,681
Total assets	<u>\$ 772,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 772,268</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 15,769	\$ -	\$ -	\$ 15,769
Accrued payroll and Payroll taxes	74,908	-	-	74,908
Total liabilities	<u>90,677</u>	<u>-</u>	<u>-</u>	<u>90,677</u>
FUND BALANCES				
Unassigned	681,591	-	-	681,591
Total fund balances	<u>681,591</u>	<u>-</u>	<u>-</u>	<u>681,591</u>
Total liabilities and fund balances	<u>\$ 772,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 772,268</u>

The accompanying notes are an integral part of this financial statement.

**EXHIBIT IX – FINANCIAL STATEMENT PRESENTATION UNDER THE
GOVERNMENTAL MODEL – EXAMPLE 2 (TRADITIONAL FORMAT) (continued)**

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 20XX

Fund balances – total governmental funds	\$ 681,591
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The net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:

Improvements other than building, net of \$44,268		
accumulated depreciation	122,314	
Furniture, fixture and equipment, net of \$58,602		
accumulated depreciation	74,758	
Information technology equipment, net of \$88,643		
accumulated depreciation	69,411	
Computer software, net of \$15,256		
accumulated depreciation	380	
Motor vehicles, net of \$75,339		
accumulated depreciation	<u>3,504</u>	
Total capital assets		270,367

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Capital leases	<u>(13,375)</u>
Total net position of governmental activities	<u>\$ 938,583</u>

The accompanying notes are an integral part of this financial statement.

**EXHIBIT IX – FINANCIAL STATEMENT PRESENTATION UNDER THE
GOVERNMENTAL MODEL – EXAMPLE 2 (TRADITIONAL FORMAT) (continued)**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
For the year ended June 30, 20XX

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal passed through local school district	\$ 95,361	\$ -	\$ -	\$ 95,361
Federal passed through state	-	-	45,247	45,247
State passed through local school district	4,064,202	492,228	-	4,556,430
Other revenues	427,778	-	156,934	584,712
Total revenues	<u>4,587,341</u>	<u>492,228</u>	<u>202,181</u>	<u>5,281,750</u>
Expenditures				
Current:				
Basic instruction	2,586,217	-	-	2,586,217
Exceptional instruction	69,316	-	-	69,316
Other instruction	116,545	-	-	116,545
Health services	38,532	-	-	38,532
Media services	30,970	-	-	30,970
Curriculum development	198,189	-	-	198,189
Staff development	26,596	-	-	26,596
Board	33,784	-	-	33,784
General administration	77,431	-	-	77,431
School administration	325,087	-	-	325,087
Facilities	47	-	-	47
Fiscal services	73,436	-	-	73,436
Food services	-	-	207,462	207,462
Planning and evaluation	8,880	-	-	8,880
Staff services	24,603	-	-	24,603
Transportation	186,332	-	-	186,332
Operation of plant	356,450	492,228	-	848,678
Maintenance of plant	10,995	-	-	10,995
Capital outlay	198,395	-	-	198,395
Debt service				
Principal	12,153	-	-	12,153
Interest	2,564	-	-	2,564
Total expenditures	<u>4,376,522</u>	<u>492,228</u>	<u>207,462</u>	<u>5,076,212</u>
Excess (deficiency) of revenues over (under) expenditures	<u>210,819</u>	<u>-</u>	<u>(5,281)</u>	<u>205,538</u>
Other financing sources and (uses):				
Transfer in	-	-	5,281	5,281
Transfer out	(5,281)	-	-	(5,281)
Net changes in fund balance	205,538	-	-	205,538
Fund balances at July 1, 20XX	476,053	-	-	476,053
Fund balances at June 30, 20XX	<u>\$ 681,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 681,591</u>

The accompanying notes are an integral part of this financial statement.

**EXHIBIT IX – FINANCIAL STATEMENT PRESENTATION UNDER THE
GOVERNMENTAL MODEL – EXAMPLE 2 (TRADITIONAL FORMAT) (continued)**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 20XX

Net change in fund balance – total governmental funds \$ 205,538

The change in net position reported for governmental activities
in the statement of activities is different because:

Governmental funds report fixed capital outlays as expenditures.
However, in the statement of activities, the cost of those assets is allocated
over their estimated useful lives and reported as
depreciation expense.

Fixed capital outlay	\$ 23,275	
Depreciation	<u>(62,791)</u>	(39,516)

The issuance of long-term debt (e.g., bonds, leases) provides current
financial resources to governmental funds, while the repayment of the
principal of long-term debt consume the current financial resources
of governmental funds. Neither transaction, however, has any effect
on net position. The net effect of these differences in the treatment
of long-term debt and related items increased net position.

		<u>12,153</u>
Change in net position of governmental activities	\$	<u>178,175</u>

The accompanying notes are an integral part of this financial statement.

**EXHIBIT X – FINANCIAL STATEMENT PRESENTATION UNDER THE
NOT-FOR-PROFIT MODEL (FASB ASC 958-205-55)**

STATEMENT OF FINANCIAL POSITION
June 30, 20XX

ASSETS	20XX
Cash and cash equivalents	\$ 4,785
Accounts and grants receivable	9,085
Prepaid expenses	312
Deposits	52,638
Total assets	<u>\$ 66,820</u>
 LIABILITIES AND NET ASSETS (DEFICIT)	
LIABILITIES	
Accounts payable	\$ 46,538
Accrued expenses	108,837
Deferred revenue	46,263
Due to management company	10,853
Note payable – management company	240,440
Loan payable – management company	150,506
Total liabilities	<u>603,437</u>
 NET ASSETS (DEFICIT)	
Without donor restrictions	<u>(536,617)</u>
Total liabilities and net assets	<u>\$ 66,820</u>

The accompanying notes are an integral part of this financial statement.

**EXHIBIT X – FINANCIAL STATEMENT PRESENTATION UNDER THE
NOT-FOR-PROFIT MODEL (FASB ASC 958-205-55) (continued)**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended June 30, 20XX

REVENUES, GAINS, AND OTHER SUPPORT	Without Donor Restrictions
Per pupil allocation	\$ 1,299,748
Entitlements and federal grants	208,814
Food service	54,701
Special education	68,076
After school car	20,727
Summer school	37,183
Interest income	6,957
Fundraising	843
Other income	5,552
Total revenue	<u>1,702,601</u>
EXPENSES AND LOSSES	
Program services	
Instruction	1,388,428
Food service	114,147
Total program services	<u>1,502,575</u>
Supporting services	
General and administrative	361,527
Interest	12,054
Total supporting services	<u>373,581</u>
Total expenses	<u>1,876,156</u>
Change in net assets	<u>(173,555)</u>
Net assets (deficit) at beginning of year	<u>(363,062)</u>
Net assets (deficit) at end of year	<u>\$ (536,617)</u>

The accompanying notes are an integral part of this financial statement.

**EXHIBIT X – FINANCIAL STATEMENT PRESENTATION UNDER THE
NOT-FOR-PROFIT MODEL (FASB ASC 958-205-55) (continued)**

STATEMENT OF CASH FLOWS
Year ended June 30, 20XX

CASH FLOWS FROM OPERATING ACTIVITIES	20XX
Change in net assets	\$ (173,555)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
(increase) decrease in assets:	
Accounts and grants receivable	15,068
Prepaid expenses	(312)
Due from management company	1,390
Deposits	(37,500)
Increase (decrease) in liabilities:	
Accounts payable	34,142
Accrued expenses	14,598
Deferred revenue	(98,704)
Due to management company	10,853
Net cash provided by (used by) operating activities	(234,020)
 CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from note payable	20,615
Proceeds from loan payable	150,506
Net cash provided by (used by) financing activities	171,121
Net increase (decrease) in cash and cash equivalents	(62,899)
Cash and cash equivalents at beginning of year	67,684
Cash and cash equivalents at end of year	\$ 4,785
 SUPPLEMENTAL DATA FOR NONCASH FINANCING ACTIVITIES	
Cash paid for interest	\$ -

The accompanying notes are an integral part of this financial statement.

**EXHIBIT X – FINANCIAL STATEMENT PRESENTATION UNDER THE
NOT-FOR-PROFIT MODEL (FASB ASC 958-205-55) (continued)**

**STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 20XX**

	Program Services			Supporting Services			Total Expenses
	Instruction	Food Services	Total Program Services	General and Administrative	Interest	Total Supporting Services	
Salaries	\$ 555,371	\$ 45,659	\$ 601,030	\$ 144,611	\$ -	\$ 144,611	\$ 745,641
Employee benefits	166,611	13,698	180,309	43,383	-	43,383	223,692
Professional and technical services	138,843	11,415	150,258	36,153	-	36,153	186,411
Insurance and bond premiums	111,074	9,132	120,206	28,922	-	28,922	149,128
Travel	41,653	3,424	45,077	10,846	-	10,846	55,923
Repairs and maintenance	69,421	5,707	75,128	18,076	-	18,076	93,204
Rentals	166,611	13,698	180,309	43,383	-	43,383	223,692
Communications	83,306	6,849	90,155	21,692	-	21,692	111,847
Public utility services other than energy	6,942	571	7,513	1,808	-	1,808	9,321
Other purchased services	8,331	685	9,016	2,169	-	2,169	11,185
Energy services	13,884	1,141	15,025	3,615	-	3,615	18,640
Material and supplies	9,719	799	10,518	2,531	-	2,531	13,049
Capital outlays (noncapitalizable)*	11,107	913	12,020	2,892	-	2,892	14,912
Others	5,555	456	6,011	1,446	12,054	13,500	19,511
Total	\$ 1,388,428	\$ 114,147	\$ 1,502,575	\$ 361,527	\$ 12,054	\$ 373,581	\$ 1,876,156

* Expenditures not meeting capitalization threshold under the Not-for-Profit Model (FASB ASC 958-205-55)

**EXHIBIT XI – AUDIT REPORT SUBMITTAL CHECKLIST
DISTRICT SCHOOL BOARD, CHARTER SCHOOL AND SIMILAR ENTITY,
FLORIDA VIRTUAL SCHOOL (INCLUDING FLORIDA VIRTUAL SCHOOL
GLOBAL), AND VIRTUAL INSTRUCTION PROGRAM PROVIDER
AUDIT REPORT SUBMITTAL CHECKLIST**

Entity Name and, for charter schools, the School Code Assigned by the Florida Department of Education: _____

Entity Address: _____

Entity Contact Person:

Name: _____

Title: _____

Phone Number: _____

E-mail Address: _____

CPA or Other (if applicable):

Name: _____

Title: _____

Phone Number: _____

E-mail Address: _____

Fiscal Year Audited: _____

Date the auditor delivered the audit report to the entity: _____

Does the audit report include the following items required by Sections 10.806(2) or 10.856(2), Rules of the Auditor General, as applicable?

_____ Financial statements, as described in Sections 10.805(3) and 10.855(3) - (8), Rules of the Auditor General, as applicable, together with related notes to financial statements?

_____ Required supplementary information such as the management's discussion and analysis?

_____ The auditor's report on the financial statements?

_____ The auditor's report on internal control and compliance?

_____ If applicable, the auditor's reports and related financial information required pursuant to the Federal Single Audit Act Amendments of 1996, Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance); or other applicable Federal law?

- _____ The management letter defined in Sections 10.804(1)(f) and 10.854(1)(e), Rules of the Auditor General, as applicable?
- _____ The written statement of explanation or rebuttal required by Sections 10.807(1) and 10.857(2), Rules of the Auditor General, as applicable?
- _____ For district school boards that had an impact fee adopted by ordinance on their behalf, an “affidavit” signed and sworn to by the chief financial officer before an officer authorized to administer oaths (e.g., notary public) stating that the district school board complied with the requirements of Section 163.31801, Florida Statutes?

In addition to the above, have the following requirements been complied with:

- _____ Are all of the above elements of the audit report included in a **single document** as required by Sections 10.806(2) and 10.856(2), Rules of the Auditor General, as applicable?
- _____ Are **one** paper copy and **one** electronic copy of the audit report being submitted as required by Sections 10.807(3) and 10.857(4), Rules of the Auditor General, as applicable?
- _____ Is the electronic copy named using all lower case letters as follows: [fiscal year] [name of entity].pdf? For example, the converted document for the 2018-19 fiscal year for Alachua County District School Board should be named 2019 alachua county dsb.pdf, while the converted document for the 2018-19 fiscal year for Alachua Learning Center, Inc. should be named 2019 alachua learning center.pdf. If the charter school goes by a DBA (doing business as), use the DBA in the file name.
- _____ Was the audit report submitted within 45 days after receipt of the audit report from the auditor, but no later than 9 months after the end of the fiscal year? **NOTE:** There is no provision in law authorizing an extension for filing the audit report.

This checklist should accompany the audit report. It is suggested that you retain a copy of the checklist for your files. Do not hesitate to contact us if assistance or clarification is needed regarding reporting requirements. Our contact information is as follows:

Auditor General
Local Government Audits/342
Claude Pepper Building, Room 401
111 West Madison Street
Tallahassee, Florida 32399-1450

Telephone: (850) 412-2881
Fax: (850) 488-6975
E-mail Address: flaudgen_dsb_charter@aud.state.fl.us
Web site Address: www.myflorida.com/audgen

APPENDIX II - WEB ADDRESSES

The following are a collection of Web sites mentioned throughout this guide:

Florida Administrative Weekly and Florida Administrative Code <https://www.flrules.org/>

Florida Attorney General's Web site at <http://myfloridalegal.com/opinions>

Florida Auditor General's Web site at <http://www.myflorida.com/audgen/>

Florida Department of Education Green Book (<http://www.fldoe.org/finance/contracts-grants-procurement/grants-management/project-application-amendment-procedur.stml>)

Florida Department of Education Redbook <http://www.fldoe.org/fefp/redtoc.asp>

Florida State Constitution, Laws of Florida, and Florida Statutes.
<http://www.leg.state.fl.us>.

Government Auditing Standards 2011 Revision (Yellow Book)
<http://www.gao.gov/assets/590/587281.pdf>

Government Auditing Standards 2018 Revision (Yellow Book)
<https://www.gao.gov/products/GAO-18-568G>