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REPORT ON SIGNIFICANT FINANCIAL TRENDS AND FINDINGS IN 2009-10 FISCAL YEAR AUDITS OF DISTRICT SCHOOL BOARDS

STATE OF FLORIDA
AUDITOR GENERAL
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REPORT ON SIGNIFICANT FINANCIAL TRENDS AND FINDINGS IN 2009-10 FISCAL YEAR AUDITS OF DISTRICT SCHOOL BOARDS

SUMMARY

This report provides a summary of significant financial trends and findings identified in the audits of the 67 district school boards. For the 2009-10 fiscal year, audits of 51 school districts were performed by our office and audits of 16 school districts were performed by other independent certified public accountants. The audit reports prepared by the other independent certified public accountants were required to be filed with us no later than June 30, 2011.

Significant Financial Trends

- **At June 30, 2010, school districts Statewide had an average level of general fund unreserved fund balance that was 11.89 percent of general fund revenues (financial condition ratio), which represents an increase of more than 3 percent over the average financial condition ratio for the previous fiscal year. Of the 67 school districts, 3 had ratios that were less than 3 percent at June 30, 2010. In these circumstances, these three school districts have significantly less resources available for emergencies and unforeseen situations than other school districts.**

Significant Findings

- **The audit reports for 65 of 67 districts included audit findings addressing weaknesses in internal control or instances of noncompliance with applicable laws or rules. Nine audit reports included one or more findings that were considered to be material weaknesses, which represents a significant decrease from the fifteen audit reports that included material weaknesses for the previous fiscal year.**

BACKGROUND

Sections 11.45 and 218.39, Florida Statutes, provide for audits of district school boards to be performed annually by the Auditor General or by other independent certified public accountants (CPAs). The scope of these audits includes an examination of the financial statements, the issuance of a report on compliance and internal control in accordance with generally accepted government auditing standards, and the issuance of a report on compliance and internal control relative to Federal awards in accordance with United States Office of Management and Budget *Circular A-133*.

Section 11.45(7)(f), Florida Statutes, requires that we annually compile a summary of significant financial trends and findings identified in school district audit reports.

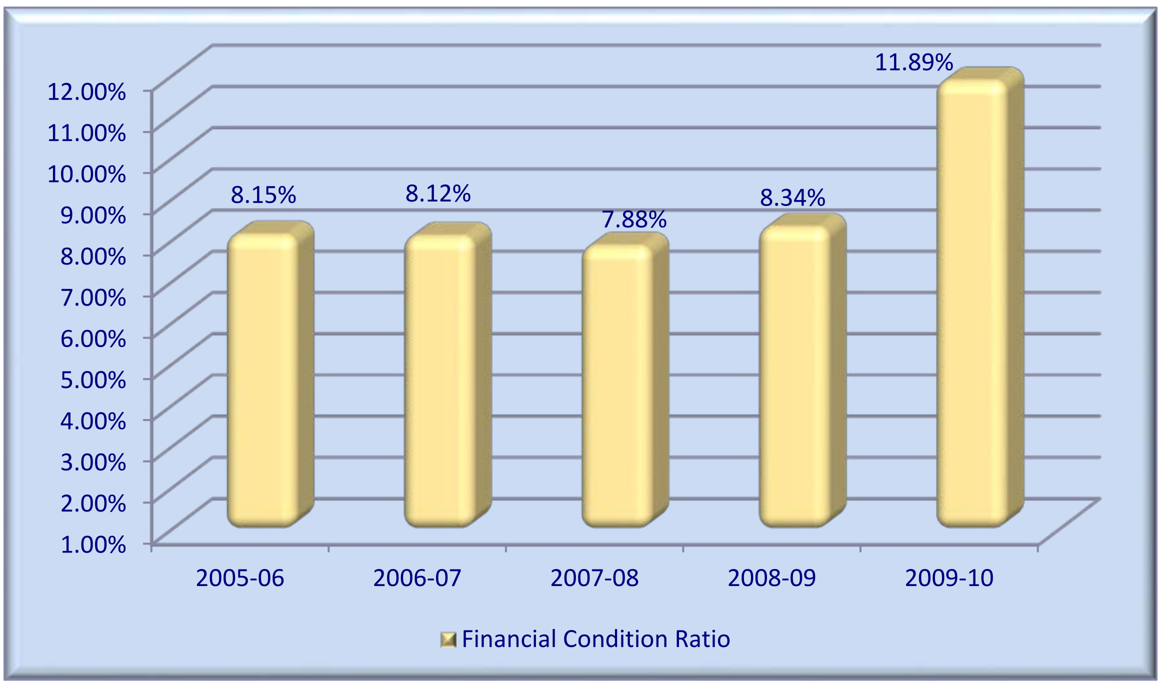
FINANCIAL TRENDS

Section 11.45(7)(f), Florida Statutes, along with other inquiries, evidences that critical interest exists to understand and address factors that affect the financial condition of school districts. The financial condition of school districts can be assessed by a review of the general fund balances and activities, which accounts for the majority of the operating resources and expenditures for K-12 educational programs. Consequently, the general fund is used as the primary basis for measurement of financial condition.

Financial Condition Trends

The financial condition measure used in this report is the ratio of the unreserved fund balance to the revenues in the general fund (see Exhibit 11). The average financial condition ratio was 11.89 percent at June 30, 2010, which is more than a 3 percent increase over the average financial condition ratio for the previous fiscal year. The notable increase for the 2009-10 fiscal year is primarily due to the school districts' receipt and use of American Recovery and Reinvestment Act (ARRA) and other Federal funds for certain allowable operating expenditures. The Florida Department of Education required school districts to account for these funds in special revenue funds, rather than the general fund. As discussed in the **American Recovery and Reinvestment Act and Other Federal Funding** section, with the exception of the Race-to-the-Top grant, ARRA funding will terminate with the 2010-11 fiscal year. Exhibit 1 shows the average financial condition ratio during the five-year period ending with the 2009-10 fiscal year.

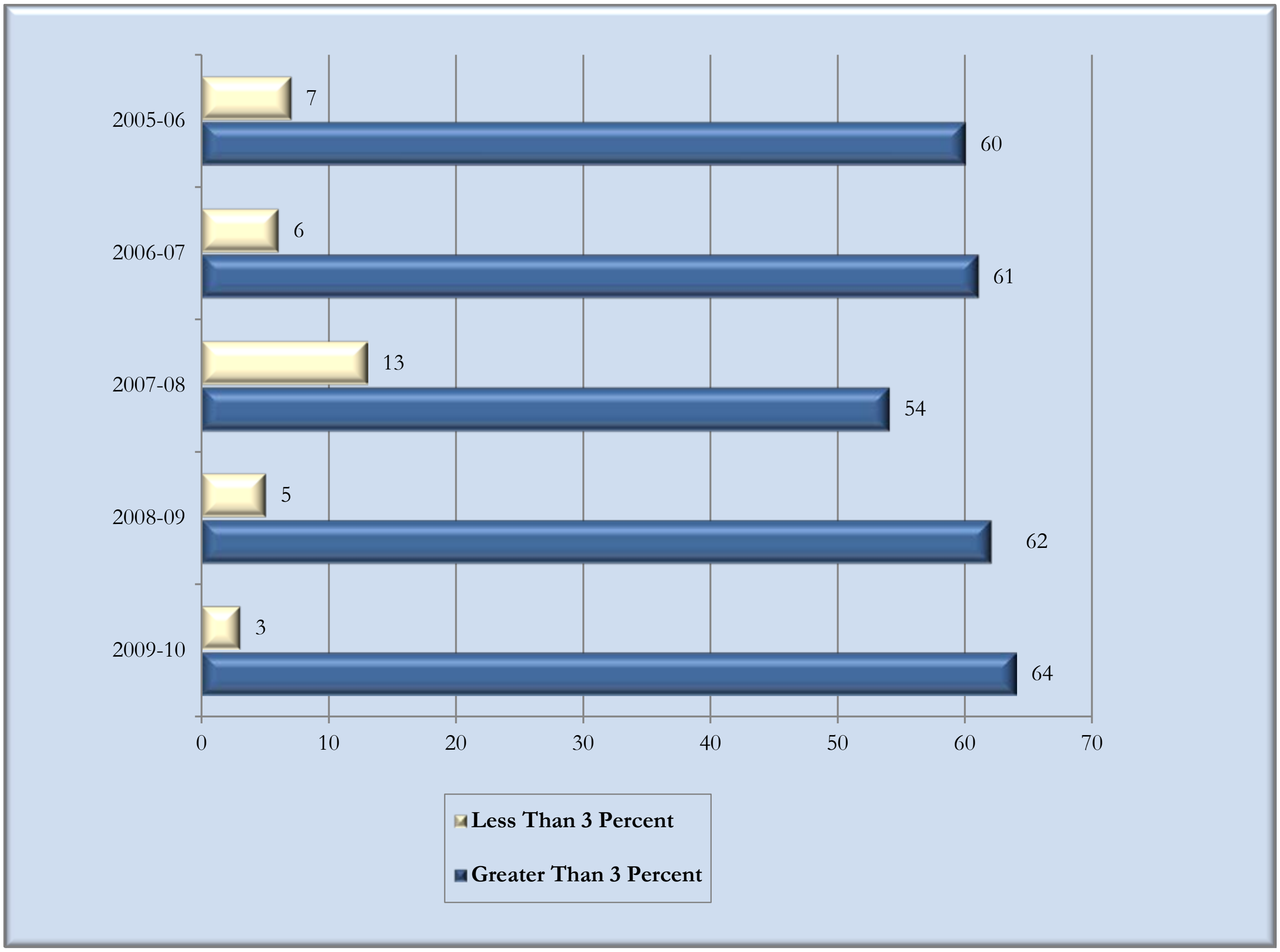
Exhibit 1
Average Financial Condition Ratios
for School Districts[1]



Section 1011.051, Florida Statutes, requires school district superintendents to notify the Commissioner of Education and respective school board if the general fund unreserved fund balance in the school district's approved operating budget is projected to fall below 3 percent of projected general fund revenues during the current fiscal year. For consistency with this statutory requirement, Exhibit 2 shows the number of school districts with ratios of less than 3 percent during the five-year period ending with the 2009-10 fiscal year.

[1] The Statewide financial condition ratio average for the 2005-06 fiscal year was originally calculated to limit the skewing of the average by relatively small school districts that had financial condition ratios well outside the normal range. For that fiscal year, the financial condition ratio included in the Statewide average calculation was capped at 20 percent. Without consideration of the 20 percent cap, the percentage would have been 8.66 percent for the 2005-06 fiscal year.

Exhibit 2
Number of School Districts with Financial Condition Ratios Above and Below 3 Percent



As indicated in Exhibit 2, the number of school districts with financial condition ratios that were less than 3 percent at fiscal year-end has decreased over the past five years to only three school districts at June 30, 2010. However, these three school districts have significantly less resources available for emergencies and unforeseen situations than other school districts. In addition, Exhibit 3 identifies the financial condition of those school districts and the number of consecutive years that their financial condition ratio was under 3 percent.

Exhibit 3
School Districts with Financial Condition Ratios[2] Less Than 3 Percent

School District	Financial Condition Ratio - 06-30-2010	Number of Consecutive Years Ratio Under 3%
Broward	2.75%	1
Indian River	1.13%	1
Manatee	2.96%	3

The financial condition ratio of several other school districts was under the above-noted threshold at certain times during the five-year period, but not at June 30, 2010. Historically, school districts that experience a weak financial condition implement measures that generally restore their financial condition to a favorable position within one or two fiscal periods.

Pursuant to Section 1011.051, Florida Statutes, during the 2009-10 fiscal year, only three school districts (Gadsden, Jefferson, and Taylor) submitted notifications to the Commissioner of Education that the general fund unreserved fund balance in their operating budget was projected to fall below the 3 percent threshold, representing a significant decrease from the ten school districts that submitted such notifications in the previous fiscal year. In addition, during the 2010-11 fiscal year, none of the school districts submitted such notifications to the Commissioner of Education.

Factors Impacting Financial Condition

As previously discussed, the 2009-10 fiscal year financial condition ratio was significantly impacted by the receipt and use of ARRA and other Federal funding. Further analyses of school district financial trend data identified other factors that impact the financial condition of school districts and may increase the risk of weak financial condition. While no single factor is identified as a guaranteed predictor of financial condition, factors such as declining property values, declining or increasing enrollment, and school and class sizes require the exercise of effective financial management to limit the impact on the school districts' financial condition.

Declining Property Taxes. Property taxes are the primary source of local revenues for school districts, and as part of the overall general economic decline, property values have decreased Statewide. According to the Florida Department of Revenue, Statewide property values declined from approximately $1.8 trillion in calendar year 2008, to $1.4 trillion in calendar year 2010, a decrease of 22.22 percent. As a result, Statewide property tax levies for school district operations declined from approximately $13 billion for the 2007-08 fiscal year to $11.1 billion for the 2009-10 fiscal year, a decrease of 14.61 percent.

Declining Enrollment. Although Statewide enrollment increased slightly from the 2004-05 fiscal year to the 2009-10 fiscal year, student enrollment actually declined for three of the fiscal years in that period. The largest decline was noted from the 2007-08 fiscal year to the 2008-09 fiscal year, and totaled approximately 18,600. This decline was caused, in part, by a decrease in the general population of Florida, which was the first general population reduction

[2] Ratios were calculated based on the "purchases" method of accounting for inventory (i.e., inventory on hand at fiscal year-end is reported as an asset and reservation of fund balance) because the "purchases" method results in a more conservative presentation of the available fund balance. The ratios for the school districts, as calculated based on amounts reported on those school districts' financial statements, were adjusted for purposes of Exhibit 3 for those school districts that did not use the "purchases" method in preparing their financial statements. Because Broward and Manatee County school districts did not use the "purchases" method, the ratios for those school districts were adjusted.

since calendar year 1946. From April 2008 to December 2010, the State's population dropped from 18,807,219[3] to 18,801,310[4], a decrease of 5,909. A slight increase in student enrollment of approximately 6,000 was noted for the 2009-10 fiscal year. Variations in student enrollment and the related impact on funding from year to year can make school district planning and budgeting decisions for staffing and other activities more challenging.

Exhibit 4 shows 29 school districts that had declining enrollment of more than 1 percent over the five-year period. School districts in this situation, particularly the smaller school districts, experience difficulty with these gradual enrollment declines as it is difficult to reduce instructional staff because often no one grade or class within an individual school may be affected enough to justify the reduction of instructional staff.

[3] Source: The Bureau of Economic and Business Research at the University of Florida (estimate).

[4] Source: United States 2010 Census.

Exhibit 4
School Districts with Declining Enrollment over Five Years

Number	School District	2009-10 Unweighted FTE*	2004-05 Unweighted FTE*	Decrease	Percentage Decrease
1	Bradford	3,139.20	3,657.38	(518.18)	-14.17%
2	Jefferson	1,138.95	1,322.32	(183.37)	-13.87%
3	Madison	2,720.45	3,145.04	(424.59)	-13.50%
4	Hamilton	1,697.90	1,938.15	(240.25)	-12.40%
5	Hendry	6,883.95	7,566.05	(682.10)	-9.02%
6	Taylor	2,880.86	3,161.43	(280.57)	-8.87%
7	Putnam	11,050.14	12,029.72	(979.58)	-8.14%
8	Gulf	1,972.59	2,140.16	(167.57)	-7.83%
9	Monroe	7,896.09	8,511.51	(615.42)	-7.23%
10	Pinellas	104,305.97	112,284.21	(7,978.24)	-7.11%
11	Franklin	1,223.65	1,315.63	(91.98)	-6.99%
12	Okaloosa	28,702.67	30,833.61	(2,130.94)	-6.91%
13	Escambia	40,187.12	43,083.70	(2,896.58)	-6.72%
14	Levy	5,820.46	6,137.03	(316.57)	-5.16%
15	Broward	255,174.05	269,041.09	(13,867.04)	-5.15%
16	Bay	25,152.79	26,496.50	(1,343.71)	-5.07%
17	Miami-Dade	343,953.31	362,253.43	(18,300.12)	-5.05%
18	Gilchrist	2,603.91	2,740.44	(136.53)	-4.98%
19	Okeechobee	6,908.64	7,230.77	(322.13)	-4.45%
20	Calhoun	2,183.34	2,282.39	(99.05)	-4.34%
21	Alachua	27,077.11	28,192.84	(1,115.73)	-3.96%
22	Volusia	62,060.65	64,609.27	(2,548.62)	-3.94%
23	Charlotte	16,562.65	17,229.00	(666.35)	-3.87%
24	Washington	3,870.72	4,017.25	(146.53)	-3.65%
25	Gadsden	5,873.43	6,085.53	(212.10)	-3.49%
26	Seminole	64,157.54	66,141.39	(1,983.85)	-3.00%
27	Duval	124,049.54	127,747.68	(3,698.14)	-2.89%
28	Brevard	71,592.08	73,452.41	(1,860.33)	-2.53%
29	Holmes	3,287.79	3,322.48	(34.69)	-1.04%
	* Full-time Equivalent				

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

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

Number	School District	2009-10 Unweighted FTE*	2004-05 Unweighted FTE*	Increase	Percentage Increase
1	Flagler	12,975.10	9,625.96	3,349.14	34.79%
2	St. Johns	29,645.67	24,121.14	5,524.53	22.90%
3	Lake	40,553.61	35,382.24	5,171.37	14.62%
4	Lee	79,509.34	70,422.57	9,086.77	12.90%
5	St. Lucie	38,571.07	34,503.70	4,067.37	11.79%
6	Hernando	22,764.00	20,381.48	2,382.52	11.69%
7	Clay	35,897.59	32,235.79	3,661.80	11.36%
8	Pasco	66,164.75	59,531.10	6,633.65	11.14%
	* Full-time Equivalent				

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

Future Financial Trends Considerations

<u>Economic Downturn</u>. The weakness in Florida's economy for the last few fiscal years has, at times, resulted in State funding reductions from the original budgeted funding amounts via mid-year holdbacks for the school districts. However, for the 2009-10 fiscal year, the base Florida Education Finance Program (FEFP) allocation was initially estimated to be $3,630.62 per full-time equivalent (FTE) student, and the allocation was not revised. This amount represents a decrease of $255.52 from the final per FTE FEFP of $3,886.14 for the 2008-09 fiscal year. Based on the 2010-11 FEFP Fourth Calculation released by the Florida Department of Education in April 2011, the per FTE FEFP allocation for the 2010-11 fiscal year is expected to further decline by $6.86, from the 2009-10 fiscal year final allocation, to $3,623.76. For comparison purposes, this per FTE FEFP allocation amount of $3,623.76 is slightly lower than the 2003-04 fiscal year final per FTE FEFP allocation amount of $3,630.03. FTE in school districts increased by approximately 6,000 from the 2008-09 fiscal year to the 2009-10 fiscal year, and based on the 2010-11 FEFP Fourth Calculation, FTE increased further, by approximately 9,000, in the 2010-11 fiscal year. However, these small increases follow three years of decreasing enrollment, and under these conditions, effective financial monitoring and timely and appropriate adjustments to operations are critical to school districts to ensure that the costs of operations remain within available financial resources.

<u>Debt and Other Long-Term Financing</u>. School districts may finance capital outlay projects by issuing long-term debt such as general obligation bonds and school district revenue bonds and by entering into long-term lease finance arrangements generally referred to as certificates of participation. The long-term debt and other financing obligations reported as outstanding as of June 30, 2010, consisted primarily of: certificates of participation totaling approximately

$13.8 billion; Qualified Zone Academy Bonds (QZABs), Qualified School Construction Bonds (QSCBs), and Build America Bonds (BABs) totaling approximately $181 million, $540 million, and $97 million, respectively; and school district revenue, general obligation, and State Board of Education bonds totaling approximately $1.2 billion, $293 million, and $593 million, respectively. Generally, school districts extinguish their debt through various pledged resources such as capital outlay millage, discretionary sales surtax, pari-mutuel, and other tax proceeds. As of June 30, 2010, pledged resources were sufficient to cover the required debt service by school districts. However, given the impact of the economic downturn on revenue sources, such as sales tax and property assessments, school districts will need to closely monitor the impact on required debt service payments.

American Recovery and Reinvestment Act and Other Federal Funding. The distribution of approximately $5 billion dollars of American Recovery and Reinvestment Act (ARRA) funds to the school districts' K-12 programs began in the 2008-09 fiscal year, with the overall goals of improving schools and achievement and producing better results for students. ARRA is expected to have a significant financial impact for the 2010-11 fiscal year, for the second consecutive year, on school districts with funding amounts for State stabilization, Federal Special Education, and Federal Title I programs estimated to be $2.7 billion, $647 million, and $491 million, respectively, as of June 2011. Further, numerous ARRA competitive grants will be made available to school districts, such as the Race-to-the-Top Incentive grants, the Innovation Fund grants, and other grants awarded to school districts through Federal, State, and local agencies. During the calendar year 2010, Florida was awarded: approximately $10 million under the Statewide Longitudinal Data Systems Grant Program; a Race-to-the-Top Incentive grant totaling $700 million; and $555 million from the Education Jobs Fund. With the exception of the Race-to-the-Top grant, ARRA funding is expected to terminate in the 2010-11 fiscal year. Additionally, though the Education Jobs Fund grant is not ARRA funding, it is nonrecurring and is also expected to terminate in the 2010-11 fiscal year.

To support the most effective use of the funds and measure results, recipients are required to report quarterly expenditures tied to the assurance, principles, and strategies associated with ARRA Federal programs. Beginning in October 2009, school districts have had to meet this reporting requirement by the fifth day of each month following the end of the quarter. The necessary information to be reported includes, for example, project descriptions, activity descriptions, job creation and retention data, infrastructure information, subrecipient information, recipient area of benefit information, and population data. For the 2009-10 fiscal year, school districts incurred ARRA expenditures totaling approximately $1.4 billion.

School District Trends

Funding Trends. School district governmental funds include the general fund, special revenue funds, debt service funds, and capital projects funds. School districts frequently have fiduciary funds (agency and trust funds) and proprietary funds (primarily internal service funds that account for such activities as self-insurance programs). However, substantially all of a school district's resources are accounted for in the governmental funds. Exhibit 6 shows that school districts reported revenues of approximately $26.2 billion in the governmental funds during the 2009-10 fiscal year, a decrease of almost $350 million from the previous fiscal year.

Exhibit 6
Statewide Revenues – All Governmental Funds
Fiscal Years 2009-10 and 2008-09

Governmental Fund Type	2009-10 Amount	2009-10 Percent of Total	2008-09 Amount	2008-09 Percent of Total	Increase/ (Decrease)	Percent Increase/ (Decrease)
General Fund	$ 18,301,064,570	70.00%	$ 19,157,289,329	72.23%	$ (856,224,759)	(4.47)%
Other Funds	7,871,863,089	30.00%	7,365,188,903	27.77%	506,674,186	6.88%
Total	**$ 26,172,927,659**	**100.00%**	**$ 26,522,478,232**	**100.00%**	**$ (349,550,573)**	**(1.32)%**

Exhibit 7 shows total governmental fund type revenues reported by school districts for the 2009-10 and 2008-09 fiscal years by revenue source.

Exhibit 7
All Governmental Funds – Revenues by Source
Fiscal Years 2009-10 and 2008-09

Sources	2009-10 Amount	2009-10 Percent of Total	2008-09 Amount	2008-09 Percent of Total	Increase/ (Decrease)	Percent Increase/ (Decrease)
Federal	$ 4,200,287,764	16.05%	$ 2,698,740,558	10.18%	$ 1,501,547,206	55.64%
State	8,596,009,195	32.84%	9,472,472,840	35.71%	(876,463,645)	(9.25)%
Local	13,376,630,700	51.11%	14,351,264,834	54.11%	(974,634,134)	(6.79)%
Total	**$ 26,172,927,659**	**100.00%**	**$ 26,522,478,232**	**100.00%**	**$ (349,550,573)**	**(1.32)%**

The $350 million decrease in total revenues during the 2009-10 fiscal year consisted of a net increase in Federal revenues of more than $1.5 billion, a decrease in State revenues of approximately $876 million, and a decrease in local revenues of approximately $975 million. Total Federal revenues increased by 55.64 percent, while State and local revenues decreased by 9.25 and 6.79 percent, respectively. The significant increase in Federal revenues is due primarily to the receipt by the school districts of ARRA funding. The decline in State revenues consists of a net increase of $1.19 billion in State FEFP revenues and a decrease of $2.06 billion in restricted State revenues. The FEFP increase is due primarily to a change in how certain previously restricted State revenues are allocated and, in turn, reported by the school districts in their annual financial statements. For the 2009-10 fiscal year, restricted State revenues for Instructional Materials, the Teachers Lead Program, and Student Transportation were eliminated from the General Appropriations Act as specific line items. As such, they are now distributed to the school districts through FEFP as an earmark. Because these revenues were previously reported as restricted State revenues, this change in allocation and reporting contributed to the $2.06 billion decrease in those revenues, as well as the increase in the State FEFP amount. Contributing factors to the overall decrease of $876 million also included a decrease in the base per FTE FEFP allocation, as discussed under the subheading **Future Financial Trends Considerations.**

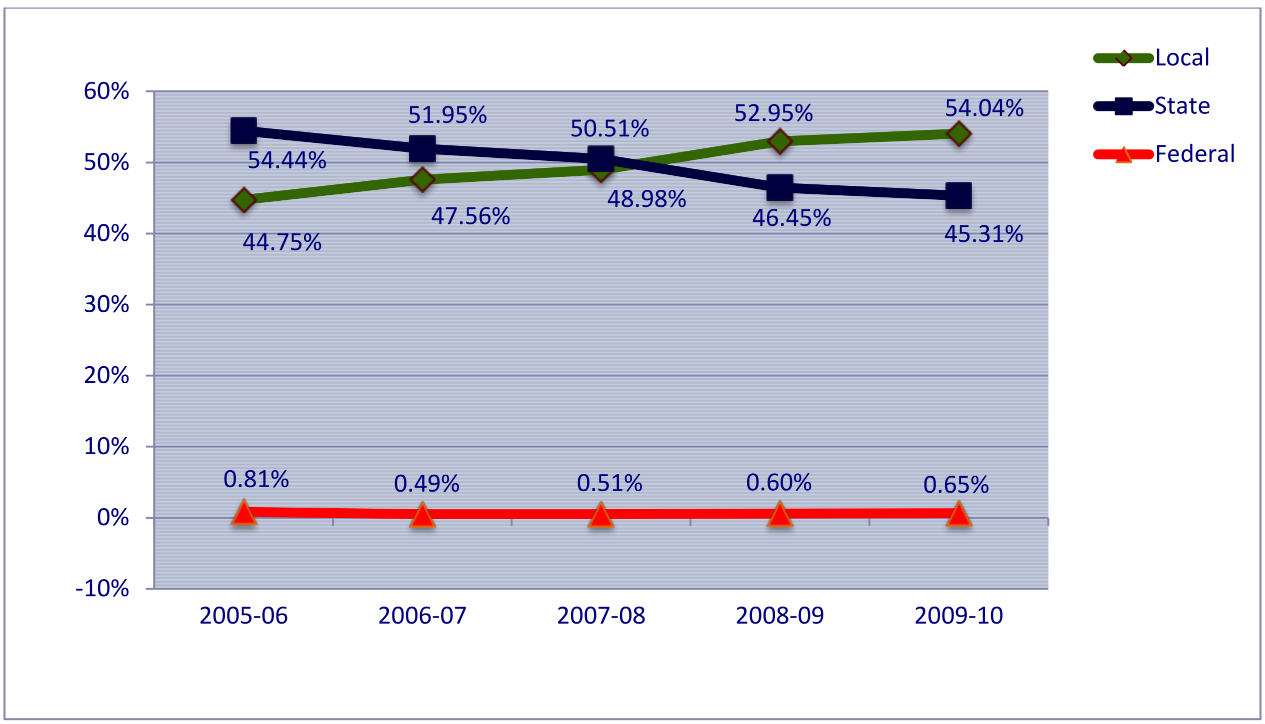
Exhibit 8 shows Federal, State, and local sources reported in the general fund (operating fund) of school districts for the 2009-10 and 2008-09 fiscal years.

Exhibit 8
General Fund Revenues by Source
Fiscal Years 2009-10 and 2008-09

General Fund	2009-10 Amount	2009-10 Percent of Total	2008-09 Amount	2008-09 Percent of Total	Increase/ (Decrease)	Percent Increase/ (Decrease)
Federal	$ 118,365,531	0.65%	$ 115,595,311	0.60%	$ 2,770,220	2.40%
State	8,292,958,981	45.31%	8,897,787,240	46.45%	(604,828,259)	(6.80)%
Local	9,889,740,058	54.04%	10,143,906,778	52.95%	(254,166,720)	(2.51)%
Total	**$ 18,301,064,570**	**100.00%**	**$ 19,157,289,329**	**100.00%**	**$ (856,224,759)**	**(4.47)%**

As shown on Exhibit 8, the State provided 45.31 percent of general fund resources during the 2009-10 fiscal year, while the required local revenue sources provided 54.04 percent of total general fund resources. As discussed later in this section of the report, Federal funds are restricted and most of those funds are reported in the school districts' special revenue funds. The changes in the percentage of revenues from Federal, State, and local sources in the general fund over the last five years can be seen in Exhibit 9:

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



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

State and local FEFP revenue for school district operations totaled approximately $13.77 billion for the 2009-10 fiscal year, comprised of approximately $5.97 billion in State revenues and approximately $7.8 billion in local revenues. In addition to the $5.97 billion in State revenues for operations as part of the FEFP, the school districts also received approximately $2.63 billion in restricted State revenues. These restricted State revenues were for categorical education, Workforce Development, Public Education Capital Outlay, and other specific programs.

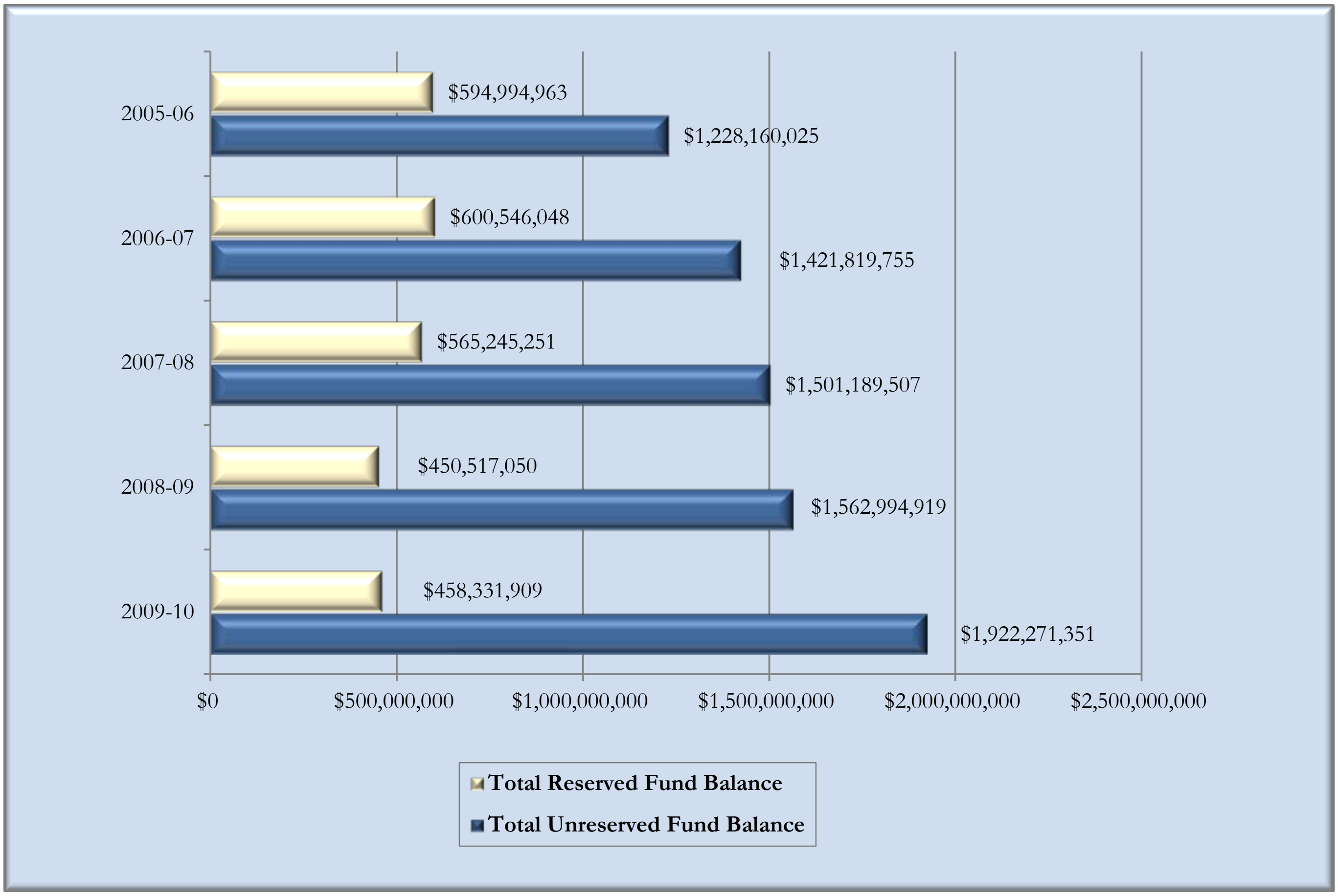
In addition to the $7.8 billion in local revenues for funding operations as part of the FEFP, the school districts reported approximately $5.58 billion in other local revenues. These local revenues included, but were not limited to, approximately $2.44 billion from capital outlay millage levies for advertised construction, facility maintenance, and equipment; approximately $1.39 billion from discretionary local effort millage levies for operations; and approximately $81 million from debt service millage levies for servicing bonded debt. Additional sources of local revenue included sales taxes, impact fees, charges for services, investment income, and other local sources. Twenty-three school districts reported local sales tax revenue totaling approximately $503 million for the 2009-10 fiscal year as compared to 24 school districts that reported approximately $530 million for the previous fiscal year. Thirty-one school districts reported impact fee revenue totaling approximately $106 million for the 2009-10 fiscal year as compared to 34 school districts that reported approximately $102 million for the previous fiscal year.

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

The issuance of long-term debt is a significant source of capital funding for school districts. Proceeds associated with the issuance of debt in the 2009-10 fiscal year totaled approximately $498 million. Within the governmental funds, debt service and capital projects funds are used to account for resources restricted specifically for the payment of debt and for the acquisition of real property and the construction, renovation, remodeling, and maintenance of school district facilities. These resources are not available to finance the operating activities of a school district.

Fund Balance Trends. As shown below in Exhibit 10, the combined fund balances of the general funds (operating funds) of school districts Statewide increased from approximately $1.82 billion for the 2005-06 fiscal year to approximately $2.38 billion for the 2009-10 fiscal year.

Exhibit 10
General Fund Unreserved and Reserved Fund Balances



The increase in the combined fund balances for the 2006-07 fiscal year is generally consistent with student population and inflationary growth during that time period; however, decreases of approximately 10,000 and 18,600 in student enrollment Statewide were noted for the 2007-08 and 2008-09 fiscal years, respectively, and a decline of approximately $52.9 million in total fund balances was noted for the 2008-09 fiscal year. As mentioned in the **Financial Condition Trends** section, the notable increase for the 2009-10 fiscal year is primarily due to the school districts' receipt and use of ARRA and other Federal funds although, as discussed in the **American Recovery and Reinvestment Act and Other Federal Funding** section, with the exception of the Race-to-the-Top grant, ARRA funding will terminate with the 2010-11 fiscal year. Additionally, although an increase is expected in Statewide student enrollment for the 2010-11 fiscal year as mentioned in the **Economic Downturn** section, continued weaknesses in the general economy and a further small decline in the per FTE FEFP allocation for the 2010-11 fiscal year are expected to result in a decline in total school district revenues that may negatively impact fund balances in the 2010-11 fiscal year. During the five-year period, the percentage of unreserved fund balance to total fund balance has ranged from a low of 67 percent for the 2005-06 fiscal year to a high of 81 percent for the 2009-10 fiscal year.

Financial Condition Background

Financial Condition Measure. There are several measures that may be used to evaluate the financial condition of governments. One widely used financial condition measure that is relevant to school districts is a measure that compares the level of available equity in the operating fund to overall operating resources for that fund for a fiscal year. This measure shows the net accumulated resources at a point in time that is available for appropriation to meet the costs of unexpected and nonrecurring events. We used this measure in analyzing school district financial condition (see Exhibit 11).

Exhibit 11
Financial Condition Measure

$$\frac{\text{General Fund Unreserved Fund Balance (1)}}{\text{General Fund Revenues (2)}} = \text{Financial Condition Ratio (\%)}$$

Notes: See sections titled:
(1) Characteristics of General Fund Equity
(2) School District Funding Trends

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

Section 1011.051, Florida Statutes, requires school district superintendents to notify the Commissioner of Education and respective school board if the general fund unreserved fund balance in the school district's approved operating budget is projected to fall below 3 percent of projected general fund revenues during the current fiscal year. For consistency with this statutory requirement, we used a financial condition ratio of 3 percent for purposes of this report.

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

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

- *Reserved for Encumbrances* represents the value of outstanding purchase orders and commitments that were incurred before fiscal year-end, but have not been delivered or presented for payment at fiscal year-end. By reserving fund balance, resources are set aside to pay these outstanding purchase orders and commitments in the subsequent fiscal year.
- *Reserved for State Categorical Programs* represents residual amounts of externally restricted resources that must be used to pay for the specific activities intended for these categorical programs. Some categorical programs require that unspent resources be returned to the grantor. By reserving fund balance, resources are set aside to pay for these externally restricted activities.
- *Reserved for Inventories* represents the value of inventories on hand. The amount of fund balance represented by inventories is not liquid or easily converted to cash. As a result, the portion of fund balance represented by inventories is reserved to show that it is not available for appropriation. *(School districts use one of two methods to*

account for inventories. School districts using the "purchases" method expense inventory when acquired and inventories on hand at fiscal year-end are reported as an asset and a reservation of fund balance. School districts using the "consumption" method record inventory receipts as assets and the expenditure is recorded when the inventory asset is actually issued and used and a fund balance reserve for inventories may not be recorded. For purposes of our analysis, we have adjusted all school districts to the "purchases" method of accounting for inventory because it results in a more conservative presentation of the available fund balance.)

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

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

AUDIT FINDINGS

Classification of Audit Findings

Auditing standards require that auditors report significant control deficiencies and material weaknesses in internal control that are disclosed during the course of a financial statement audit. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements would not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The classification of an audit finding is dependent upon its potential impact on the specific school district under audit. Therefore, the classification of an audit finding could vary from school district to school district.

The audit reports for 2 school districts included no findings, while 65 audit reports included a total of 518 findings addressing weaknesses in internal control, instances of noncompliance with applicable laws or rules, or additional matters. For purposes of this report, audit findings are generally classified in one of three categories. The first category consists of material weaknesses, as defined above, and instances of material noncompliance. Noncompliance with applicable laws or rules is considered material when it is determined that the noncompliance could have a direct and material effect on the determination of financial statement amounts. The second category consists of significant deficiencies as defined above, instances of noncompliance with applicable laws or rules, or additional matters that should be addressed by management. The third category of includes instances of internal control deficiencies related to Federal awards or noncompliance with Federal awards requirements.

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

Material Weaknesses and Material Noncompliance

While the audit reports for nine school districts (Flagler, Franklin, Jefferson, Monroe, Okeechobee, Pinellas, Putnam, Taylor, Union) included findings that were considered to be material weaknesses, no audit reports cited instances of material noncompliance. This represents a significant decrease from the 15 audit reports in the previous fiscal year that included material weaknesses, 2 of which had instances of material noncompliance. Pursuant to Section 1003.621(1)(a)3., Florida Statutes, a school district cited with a material weakness or instance of material noncompliance in a financial audit is ineligible for recognition as an academically high-performing school district. Academically high-performing school districts are granted more flexibility than other school districts in meeting the specific requirements in statute and rules of the State Board of Education.

The school district audit reports containing material weaknesses and the nature of the weaknesses are described below:

- Eight school districts (Flagler, Franklin, Jefferson, Monroe, Pinellas, Putnam, Taylor, Union) needed procedural enhancements to ensure the accuracy and completeness of the financial statements.
- One school district (Taylor) needed improvements in controls over journal entries as school district personnel made several erroneous and unsupported entries.
- One school district (Okeechobee) needed enhancements in accountability for school internal fund collections.
- One school district (Taylor) needed improvements in bank reconciliations.
- One school district (Union) needed to establish procedures to ensure adequate accountability for State capital outlay appropriations subject to reversion pursuant to Section 216.301(2), Florida Statutes.

Significant Deficiencies and Additional Matters

The audit reports for two school districts contained no audit findings, and reports for the remaining 65 school districts included findings that addressed control deficiencies or instances of noncompliance with applicable laws or rules. The following is a summary of those findings.

Financial Condition. Three school districts had findings addressing the school districts' financial condition. For two of these school districts, the general fund unreserved fund balance actually increased for the 2009-10 fiscal year, to 3.4 and 7.4 percent of general fund revenues, respectively. However, the general fund unreserved fund balance could be reduced if the school districts are required to repay questioned costs, totaling approximately $531,000 and $560,000, respectively. One of these school districts may also be unable to collect a receivable amount totaling more than $500,000, which would further reduce the fund balance of its general fund. A third school district reported a decline of $2.7 million in its general fund unreserved fund balance for the fiscal year, and the ending general fund unreserved fund balance represented 1.13 percent of general fund revenues. In accordance with Section 1011.051, Florida Statutes, the school district notified the school board and the Florida Department of Education (FDOE), that the fund balance was projected to fall below 2 percent of projected general fund revenues. Also, in accordance with the statute, the school district prepared a budget action plan, which FDOE indicated may reasonably help the school district avoid a financial emergency in the 2010-11 fiscal year. Under these circumstances, these school districts could have less resources available for emergencies and unforeseen situations than other school districts and were at a higher risk of experiencing financial difficulty.

Food Service Operations. For two school districts, improvements were needed to monitor food service operations and meal costs among schools. Additionally, at one of the school districts, the audit report cited the need for procedural enhancements in monitoring purchased food inventories and to ensure the effectiveness of production and menu records in monitoring food usage.

Fraud Policies. The audit reports for four school districts included findings regarding the insufficiency or lack of formal fraud policies. An effective fraud policy educates employees about proper conduct; creates an environment that deters dishonesty; maintains controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts; and provides guidance to employees for reporting known or suspected fraud to the appropriate authority.

Information Technology. For 42 school districts, various control deficiencies in information technology (IT) were noted, as discussed below:

- **Written Policies**. Twenty school districts lacked written IT policies and procedures for certain IT functions.
- **Access Controls**. Thirty-two school districts had various deficiencies in IT access controls. For example, at certain school districts, inappropriate or unnecessary access privileges existed, data was not classified according to sensitivity or level of significance, or documentation of user access authorization was not maintained. School district management was notified of the specific details of the access control deficiencies, although the details were not always included in the audit reports to avoid the possibility of compromising school district data and IT resources.
- **Lack of Timely Termination of Access**. Nine school districts lacked timely termination of former employee IT access privileges.
- **Security Awareness**. Nine school districts needed security awareness training programs or improvements in already existing security awareness training programs.
- **Program Change Methodology**. Six school districts needed enhancements in information systems program change methodology.
- **Disaster Plans**. Fourteen school districts needed improvements in disaster preparedness and recovery plans or the plans needed to be tested.
- **Logging/Monitoring**. Three school districts had inadequate logging or monitoring of data and IT resources.
- **Data Backup**. Two school districts needed improvements in data backup policies and procedures.

Record Keeping/Records Management. In addition to the material weaknesses noted for Flagler, Franklin, Jefferson, Monroe, Okeechobee, Pinellas, Putnam, Taylor, and Union County School Districts discussed previously, the audit reports for 29 school districts included findings addressing the need for improvements in certain record keeping and financial records management procedures. At 19 school districts, procedures needed improvement to ensure the accuracy and completeness of the financial statements. While many of these findings related to required audit adjustments for the accuracy of the financial statements, other instances included needed improvements in the preparation and accuracy of the Schedule of Expenditures of Federal Awards; inadequate disclosure regarding investments in notes to financial statements; and a lack of reconciliations between detailed supporting documentation and general ledger accounts.

For four school districts, deficiencies were noted in accountability over goods, supplies, and fuel inventories. Audit reports of three school districts included the need for enhancements in budget process monitoring procedures and, for two school districts, controls over journal entries needed improvement. Other findings and recommendations addressed the lack of an actuarial valuation to support a reported liability; missing supporting documentation for school district expenditures; the consideration of the purchase of software to help track projects and review supporting documentation prior to payment; and the lack of presentation of monthly financial reports to the school district board.

Cash and Investment Controls. In addition to the material weakness noted for Okeechobee and Taylor County School Districts discussed previously, findings addressed control deficiencies over cash or investments at 12 school districts. At five school districts, improvements in controls were needed over central cashier and decentralized collections, such as school a la carte food sales and other food service collections; school child care program fees; and adult education fee collections. Improvements in bank reconciliation procedures for three school districts were needed, two school districts needed to enhance their controls to comply with statutory public depository requirements, and one school district needed to improve controls over investments. Other deficiencies included lack of controls over school internal funds and the need for the school child care program software to be fully implemented and refined.

Capital Assets Management. For seven school districts, findings and recommendations addressed deficiencies in the accountability for long-lived assets, including land, motor vehicles, and tangible personal property. Also, for three school districts, deficiencies were noted in procedures to ensure accountability for tangible personal property, such as untimely tagging property to indicate school district ownership, the lack of adequate physical inventory procedures, and inadequately updating property records for acquisitions. In addition, the lack of adequate detailed subsidiary records for capital assets was noted for three school districts, and the need for improved accounting for capital asset transactions or depreciation records was noted for two school districts.

Expenditures/Purchasing. For 13 school districts, findings addressed the need to improve controls over purchasing practices and operating expenditures. For seven school districts, improvements were needed in controls over the use of purchasing cards and one school district needed to improve its maintenance department procedures for monitoring and completing projects, complying with applicable building and life safety codes, and tracking warranties. Another school district needed to develop comprehensive procedures for its transportation department to detail personnel responsibilities and establish controls over open purchase orders and gasoline and diesel fuel use. For three school districts, improvements were needed in controls over vendor payment processing, contractual services, or the procurement of consultant services and at two school districts, auditors noted that controls over travel expenditures needed enhancement.

Payroll and Personnel. For 55 school districts, findings addressed the need to improve controls over payroll and personnel, as summarized below:

- **Performance Assessments**. For 47 school districts, records did not sufficiently evidence that the performance assessments of certain school district employees were based primarily on student performance, contrary to Section 1012.34(3), Florida Statutes.
- **Compensation**. For 47 school districts, school boards had not adopted formal policies and procedures to ensure that the differentiated pay process of certain school district employees had been properly documented using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes. The school boards for 44 of these 47 school districts also had not adopted policies to ensure that a portion of each instructional employee's compensation was based on performance, contrary to Section 1012.22(1)(c)2., Florida Statutes.
- **Personnel Administration.** For six school districts, it was noted that procedures for performing fingerprinting and background screenings, or rescreenings, for employees and contracted vendors with direct student contact were not adequate.
- **Payroll Processing**. For ten school districts, it was noted that controls over payroll processing could be enhanced. For example, at eight of these school districts, auditors noted that procedural enhancements could be made to sufficiently and appropriately evidence employee work time supporting salary and benefits costs.

Procedural enhancements were needed at one school district to identify employee reimbursements that represent taxable income to the employee, and ensure that such taxable benefits are reported to the Internal Revenue Service. At another school district, errors within the payroll system were noted relating to salary and benefits account coding and leave without pay calculations for employees whose salaries are allocated to different programs.

- **Other**. At one school district, the auditors noted that leave forms were not always prepared and maintained to document employee absences. At another school district, there was no review of the calculation of accrued sick leave for compensated absences reporting purposes. For two school districts, improvements were needed in school district policies related to accrued leave time. At the other school district, the accrued leave policy did not limit payment in accordance with Florida statute, resulting in overpayments totaling $12,752.65 during the fiscal year.

Self-Insurance Programs. For six school districts, findings addressed the need to improve controls over the administration of self-insurance plans. Two school districts did not timely submit their group health self-insurance annual report to the Florida Office of Insurance Regulation. Another school district had not submitted its group health self-insurance plan for the plan years 2006 through 2009, and the school district's group health and workers' compensation, property, and general liability self-insurance plans had ending deficit net asset balances at fiscal year-end of $8.4 million and $2.5 million, respectively. Another school district had not established a formal plan to fund its property self-insurance program for wind damage, and two school districts had not developed formal policies and procedures to monitor the financial condition of the self-insurance plans and ensure that favorable net asset balances were maintained. A third school district had not obtained a *Statement on Auditing Standards 70 (*SAS 70) service organization report for one of the self-insurance plan's third-party administrators. SAS 70 reports address the suitability of policies and procedures placed in operation to achieve specified control objectives and tests of operating effectiveness for service organizations.

Capital Construction and Related Expenditures. In addition to the material weakness for Union County School District discussed previously, findings addressed the need to improve controls over capital outlay expenditures for 20 school districts, as summarized below:

- **Construction Monitoring**. For five school districts, improvements were needed in controls over construction contracts. At one of these school districts, the audit report noted that the school district records did not evidence appropriate monitoring of roofing project activities, resulting in $299,995 in questioned costs. The audit report at this same school district, and two other school districts, noted that controls could be improved over guaranteed maximum price contracts to ensure that the school districts achieved the maximum applicable cost savings. In addition, improvements were needed over design-build, construction management, and general construction activities and related documents at two different school districts.
- **Acquiring Professional Services.** It was noted that:
  - Three school districts did not have adequate procedures to establish minimum insurance requirements for design professionals or construction contractors.
  - One school district did not comply with Section 287.055, Florida Statutes, when procuring construction management services.
  - Another school district did not use a competitive selection process to obtain architectural services for classroom addition projects at five schools, contrary to applicable laws and rules.
- **Restricted Capital Outlay Resources**. It was noted that:
  - For 14 school districts, restricted capital outlay moneys in amounts ranging from approximately $11,000 to $7.9 million were used for purposes not consistent with applicable statutory requirements. Eight of these school districts used the moneys for insurance premiums for certain types of insurance not directly related to educational or ancillary plants, contrary to statute, resulting in questioned costs ranging from

$11,000 to $1.1 million. Five other school districts used restricted capital outlay moneys for a variety of purposes not consistent with statutory and school board resolution requirements including: premiums for certain types of insurance; reimbursement of a fund balance deficit in a revenue anticipation note fund that related to prior year expenditures; unallowable salary and benefit expenditures; employee leave payments; Web site maintenance; legal services; instructional computer software; and band uniforms. The remaining school district remitted to its charter school more than $3.5 million in charter school capital outlay funding, only $904,172 of which was used by the charter school for capital outlay purposes. The net effect of this transfer appears to have been the charter school's use of the remaining $2.6 million for operating purposes, contrary to Section 1013.62(2), Florida Statutes.

- One school district used capital outlay tax levy moneys totaling $239,712 for projects not listed in the notice of intent to levy capital outlay millage ad valorem taxes, contrary to Section 200.065, Florida Statutes.
- At one school district, controls could be improved to ensure Board-approved tax millages are appropriately assessed and collections from such millages are timely received.

Collection of Social Security Numbers. For 23 school districts, noncompliance with Section 119.071(5)(a), Florida Statutes, was reported. This statute requires school districts to follow certain procedures in maintaining the confidentiality of social security numbers collected by the school districts.

Adult General Education Courses. Chapter 2009-081, Laws of Florida, Specific Appropriation 111, provides that each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with Florida Department of Education (FDOE) instructional hours reporting procedures. The audit reports for 20 school districts included findings that the school districts could enhance controls over enrollment reporting. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly and be accurately presented in FDOE's records.

Educational Facility Safety. For four school districts, improvements were needed regarding educational facility safety. Two of these school districts did not timely provide floor plans for newly constructed facilities to area law enforcement agencies and fire departments, contrary to Section 1013.13, Florida Statutes. Two of these school districts performed the required facility inspections; however, deficiencies noted in the inspections were not timely resolved. At another school district, the annual relocatable inspection report summaries indicated that a substantial percentage of the school district's relocatable classrooms did not meet the standards to be rated satisfactory.

Charter School Monitoring. Eight school districts did not properly monitor their charter schools. For six of these school districts, procedural improvements were needed to monitor the adequacy of charter school insurance. At one school district, it was noted that significant overhead and indirect costs for the school district's conversion charter schools were not being reimbursed by the charter schools either directly or through the 5 percent administrative fee authorized by Section 1002.33(20), Florida Statutes. The remaining school district did not provide its three charter schools with their proportionate share of State and local funding, contrary to Section 1002.33(17)(b), Florida Statutes.

Miscellaneous Findings. In addition to those findings described above, audit findings addressing various other matters, although not predominant, were included in the individual school district audit reports. These matters included, for example, the failure by the school districts to obtain audits of direct-support organizations that complied with *Government Auditing Standards*; the lack of evidence that the school districts made the required notifications to parents of the opportunities provided under the John M. McKay Scholarships for Students with Disabilities Program; the failure of certain school district employees to file statements of financial interests with the supervisor of elections, contrary to Section 112.3145(2), Florida Statutes; the use of workforce development funds for purposes contrary to Chapter 2009-081, Laws of Florida; the lack of policies and procedures for documenting the business use of cellular telephones; deficiencies in internal controls over high school student diplomas; deficiencies in the documentation of, and procedures over the calculation of, arbitrage liability; and the lack of formal districtwide policies governing school district booster clubs.

Federal Awards Findings

For 33 school districts, findings addressed control deficiencies over Federal awards and Federal noncompliance. Material noncompliance and material internal control weaknesses related to Federal programs were noted at ten school districts (Bay, Gadsden, Jefferson, Liberty, Manatee, Miami-Dade, Monroe, Suwannee, Taylor, Washington). These material Federal findings addressed noncompliance with the Federal compliance requirements of Allowable Costs/Cost Principles; Eligibility; Matching, Level of Effort, and Earmarking; and Special Tests and Provisions; and related to major programs including Title I; Special Education; Improving Teacher Quality; Twenty-First Century Community Learning Centers; the Federal Pell Grant Program; and the WIA Youth Activities Program. Other Federal findings that were not considered material noncompliance addressed various Federal compliance requirements for programs such as the National School Lunch and Breakfast Programs, Title I, Exceptional Student Education, Improving Teacher Quality, Twenty-First Century Community Learning Centers, WIA Youth Activities, and Head Start. As previously discussed in the **Future Financial Trends Considerations** section of this report, the American Recovery and Reinvestment Act mandates special accountability and transparency requirements regarding Federal stimulus funds, which requires additional record keeping for school districts and expanded audit procedures for auditors.

Repeated Prior Fiscal Year Findings

A significant number of findings included in audit reports for the 2009-10 fiscal year were also included in audit reports for the prior fiscal year. Of the 518 findings included in the audit reports reviewed, 199 (38 percent) were repeated from the prior fiscal year audit reports. The percentage of repeated findings indicates that some school districts did not take action to timely correct prior year deficiencies or noncompliance. During the 2011 legislative session, the Florida Legislature enacted Chapter 2011-144, Laws of Florida, which revised Section 218.39, Florida Statutes, to encourage school districts to take timely actions to address audit findings.

OTHER MATTERS OF INTEREST

Transparency Florida Act

The Transparency Florida Act (Chapter 2009-74, Laws of Florida) was enacted to provide access to governmental financial information and transparency in government spending. It requires the Legislative Auditing Committee (Committee) to provide oversight and management of a State Web site providing information on government appropriations and expenditures. Entities, including public school districts, receiving State appropriations will be required to provide financial information for inclusion in the State Web site. The law provides that information to disclose may include expenditures, revenues, and bonding information.

During the 2010 legislative session, the Florida Legislature adopted proviso language in Chapter 2010-152, Laws of Florida, to implement the Committee's recommendations related to school districts. The Florida Department of Education (FDOE) was required to provide access to existing school district financial-related reports on FDOE's

Web site and to create a working group to develop recommendations to provide school-level data in greater detail and frequency. FDOE's working group released a report on December 1, 2010, in response to these requirements. The Transparency Florida Working Group Report may be accessed at www.fldoe.org/fefp/pdf/TransparencyFloridaWorkingGroup.pdf. The required access to existing financial-related reports on FDOE's Web site is now available at Office of Funding and Financial Reporting. School district program cost reports are also now available on the Transparency Florida Web site at www.transparencyflorida.gov/LinkInfo.aspx.

Governmental Accounting Standards Board Statements

The Governmental Accounting Standards Board (GASB) issued Statement 54 to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. Additional classifications are restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. School districts are required to implement GASB Statement 54 by the fiscal year ending June 30, 2011. Because this Statement redefined fund balance categories, it will have a significant impact on the reporting of future financial trends beginning with the fiscal year ending June 30, 2011.

GASB has also issued Statement 61, which modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting blended component units in certain circumstances. School districts are required to implement GASB Statement 61 by the fiscal year ending June 30, 2013, though earlier application is encouraged.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this project was to identify significant financial trends and findings based on our review of school district audit reports.

The scope of this project included a review of the audit reports for the 51 school districts audited by our office and the 16 school districts audited by other independent CPAs for the fiscal year ended June 30, 2010.

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

AUTHORITY

Pursuant to the provisions of Section 11.45(7)(f), Florida Statutes, I have directed that this report be prepared to present the summary of financial trends and significant findings identified in district school board audit reports for the fiscal year ended June 30, 2010.

David W. Martin, CPA
Auditor General