

**SUMMARY OF  
SIGNIFICANT FINDINGS AND  
FINANCIAL TRENDS IDENTIFIED IN  
DISTRICT SCHOOL BOARD  
AUDIT REPORTS FOR THE  
FISCAL YEAR ENDED JUNE 30, 2023**

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



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# SUMMARY OF SIGNIFICANT FINDINGS AND FINANCIAL TRENDS IDENTIFIED IN DISTRICT SCHOOL BOARD AUDIT REPORTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

## SUMMARY

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This report provides a summary of significant findings and financial trends identified in the audits of the 67 district school boards (school districts) for the fiscal year ended June 30, 2023. Pursuant to State law:

- 47 school district financial audits and 22 school district operational audits were completed by the Auditor General.
- 20 school district financial audits were completed by other independent certified public accountants (CPAs) and the audit reports were filed with the Auditor General.

### Significant Findings

The audit reports for 34 of the 67 school districts included findings addressing weaknesses in internal control; instances of noncompliance with applicable laws, rules, or regulations; or additional matters. Audit reports for 3 school districts included findings considered to be financial statement material weaknesses. In addition, 1 of those 3 reports, plus another school district audit report, included noncompliance and material weakness findings for major Federal programs. In comparison, for the 2021-22 fiscal year, audit reports for 5 school districts included findings considered to be financial statement material weaknesses; and 1 of those 5 reports, plus 4 other school district audit reports included noncompliance and material weakness findings for major Federal programs.

### Financial Trends

At June 30, 2023, the average financial condition ratio<sup>1</sup> for school districts Statewide was 11.73 percent, which was a slight increase from the average financial condition ratio of 11.58 percent at June 30, 2022. Of the 67 school districts, only 1 had a financial condition ratio that was below 3 percent at June 30, 2023, and, consequently, this school district had fewer resources available for emergencies and unforeseen situations than other school districts.

## BACKGROUND

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State law<sup>2</sup> provides for financial audits of district school boards to be conducted annually by the Auditor General or by other independent CPAs who must file their reports with the Auditor General by March 31 (i.e., no later than 9 months after the end of the school district fiscal year). 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 for each major Federal program in accordance with

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<sup>1</sup> The financial condition measure used in this report is the ratio of the general fund total assigned and unassigned fund balance to the general fund total revenues.

<sup>2</sup> Sections 11.45 and 218.39, Florida Statutes.

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

In addition, State law<sup>3</sup> requires the Auditor General to conduct operational audits of district school boards at least every 3 years. The operational audits are to be conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and must include:

- An evaluation of management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- An examination of internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identification of weaknesses in those controls.

State law<sup>4</sup> also requires that we annually compile a summary of significant findings and financial trends identified in school district audit reports.

## ***SIGNIFICANT FINDINGS***

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### **Classification of Audit Findings**

Auditing standards require auditors to report material weaknesses in internal control and significant control deficiencies 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 a 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 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. Auditors must also report noncompliance or abuse that has a material effect on the financial statements. 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 2022-23 fiscal year financial audit reports for 41 school districts contained no findings, while the financial audit reports for the remaining 26 school districts included a total of 50 findings. In addition, the 22 Auditor General operational audit reports for 20 school districts included 92 findings. In total, the audit reports for 34 school districts included 142 findings addressing weaknesses in internal control; instances of noncompliance with applicable laws, rules, or regulations; or additional matters. For the 2021-22 fiscal year, the audit reports for 43 school districts included a total of 171 findings. The decrease in the number of findings can be attributed, in part, to the decreased number of control deficiency findings related to

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<sup>3</sup> Section 11.45(2)(f), Florida Statutes.

<sup>4</sup> Section 11.45(7)(f), Florida Statutes.

school safety policies and procedures. For purposes of this report, audit findings are generally classified in one of three categories:

- Material weaknesses and instances of material noncompliance. Noncompliance with applicable laws or rules is considered material when it is determined that the noncompliance could have a material effect on the determination of financial statement amounts.
- Significant deficiencies and instances of noncompliance with applicable laws or rules, or additional matters, such as operational audit report findings, that should be addressed by management.
- Instances of major Federal program noncompliance, internal control deficiencies, and questioned costs.

### **Financial Statement Material Weakness and Material Noncompliance Findings**

Pursuant to State law,<sup>5</sup> a school district cited with a material weakness or an 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 of Florida statutes and State Board of Education (SBE) rules.

While no school district audit reports for the 2022-23 fiscal year contained a material noncompliance finding, audit reports for three school districts included findings considered to be material weaknesses.<sup>6</sup> Specifically, audit reports for Alachua, Gadsden, and Polk County School Districts<sup>7</sup> cited the need for improved financial reporting procedures to ensure the accuracy and completeness of financial statements or related information, such as the Schedule of Expenditures of Federal Awards. Additionally, Gadsden County School District charter school and school internal funds audit reports were not timely issued and considered in completing the District financial statements and related audit, resulting in a qualified opinion on the aggregate remaining fund information reported for that District.

### **Financial Statement Significant Deficiency and Additional Matter Findings**

Findings included in 34 school district audit reports for the 2022-23 fiscal year addressed control deficiencies; instances of noncompliance with applicable laws, rules, and regulations; or additional matters. The findings are summarized below.

**Information Technology.** For 10 school districts, various information technology (IT) control deficiencies were noted in the areas of access controls or security management, as well as other areas related to IT.

- **Access Controls.** Audit reports for 8 school districts addressed various IT access control deficiencies. Specifically:

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<sup>5</sup> Section 1003.621(1)(a)3., Florida Statutes.

<sup>6</sup> In comparison, for the 2021-22 fiscal year, five school district audit reports included material weakness findings and none of those reports included material noncompliance findings.

<sup>7</sup> The Polk County School District audit report for the 2021-22 fiscal year also cited a material weakness in financial reporting.

- At 5 school districts, certain employees had full control access privileges over district network accounts or full update access privileges to IT financial or human resources applications or components that allowed them to perform functions incompatible or inconsistent with their assigned job duties.
- At 2 school districts (including one cited for inappropriate access privileges to IT applications), inappropriate or unnecessary IT access privileges to sensitive personal information of students existed.
- 2 school districts (including one cited for inappropriate access privileges to IT applications) did not timely deactivate former employee IT access privileges.
- Another school district needed to enhance physical access controls over the district IT data center.

Effective access controls help protect data and IT resources from unauthorized disclosure, modification, or destruction.

- **User Authentication**. Audit reports for 3 school districts (also cited for access control deficiencies) addressed the need for improvements in security controls over user authentication for IT applications or network accounts. Adequate security controls over user authentication help ensure that unauthorized individuals do not gain access to and compromise the confidentiality, integrity, and availability of school district data and related IT resources.
- **Disaster Recovery Plans**. Audit reports for 3 school districts (including 1 cited for access control deficiencies) addressed the need to establish a comprehensive IT disaster recovery plan or needed improvements in existing plans. A comprehensive IT disaster recovery plan and annual testing of the plan help minimize data and asset loss in the event of a major hardware or software failure.
- **Other**. Other IT findings addressed, for example, the lack of a comprehensive IT risk assessment, security awareness training program, or comprehensive IT security incident response plan, and inadequate security control procedures over monitoring of data and IT resources.

**Financial Record Keeping and Records Management**. In addition to the previously discussed material weaknesses reported for 3 school districts (Alachua, Gadsden, and Polk), the audit reports for 16 school districts (including Alachua and Gadsden) included findings citing certain record keeping and financial records management deficiencies. Specifically, findings were noted in the areas of financial reporting and financial condition, budgetary controls, journal entries, and capital assets.

- **Financial Reporting and Financial Condition**. At 8 school districts, procedures needed improvements to ensure the accuracy and completeness of the financial statements and related information. The financial reporting findings for these school districts identified procedural deficiencies that caused financial misstatements requiring audit adjustments to properly present the financial statements or other required supplementary information. In addition, for 1 (Gilchrist) of the 8 school districts, the deficient controls over the financial reporting process contributed to the declining general fund assigned and unassigned fund balances, resulting in a financial condition ratio of only 1.85 percent. Consequently, the district had fewer resources for emergencies and unforeseen situations.

Moreover, contrary to Government Finance Officers Association guidelines, Board policies for 1 school district did not address a reasonable and appropriate range to maintain for the unrestricted fund balance of the general fund or provide a plan for using amounts over that range.

- **Budgetary Controls**. Five school districts (including 1 cited for financial reporting deficiencies) were cited for deficient budgetary controls. These school districts did not always limit expenditures to budgeted amounts, contrary to State law<sup>8</sup> and SBE rules.<sup>9</sup>
- **Journal Entries**. Four school districts (including 2 cited for financial reporting deficiencies and 1 cited for budgetary control deficiencies) needed to enhance controls over journal entries by, for example, independently reviewing and approving the entries.
- **Capital Assets**. Four school districts (including 1 cited for budgetary control deficiencies) needed enhancements in controls over tangible personal property or other depreciable capital assets. The noted deficiencies were related to physical inventory and reconciliation procedures; recording attractive items; and capital assets subsidiary record keeping.

**Cash and Investment Controls**. The audit reports for 7 school districts included findings addressing the need for enhancements in controls over cash or investments. Five of these school districts needed to improve bank reconciliation procedures and one other school district needed to strengthen controls over prekindergarten program fee collections. In addition, 2 school districts (including 1 cited for deficiencies over bank reconciliation procedures) did not credit interest earnings on investments to the specific funds that produced the earnings, although required by State law.<sup>10</sup>

**Payroll and Personnel**. Audit report findings for 8 school districts addressed the need to improve controls over payroll and personnel. Specifically, findings were noted in the areas of employment practices and ethical conduct, background screenings and searches, and payroll processing.

- **Employment Practices and Ethical Conduct**. Two school districts did not comply with SBE rules<sup>11</sup> by completing the required affidavit, issuing the final order, or reporting information to the Florida Department of Education (FDOE) for former employees who were dismissed or resigned and were convicted of an offense that disqualified the person from district employment. Two other school districts needed to enhance procedures to ensure that legally sufficient complaints against district teachers and administrators were timely filed with the FDOE and that district personnel complete training on the standards of ethical conduct and responsibility to report alleged misconduct affecting the health, safety, or welfare of a student.
- **Background Screenings**. At 2 school districts, procedures for performing background screenings of contracted vendor workers with direct student contact were not adequate; and 1 of the 2 and another district did not always properly conduct background searches for school volunteers as required by State law.<sup>12</sup>
- **Payroll Processing**. One school district needed to enhance payroll processing by properly documenting supervisory approvals of time records.

**Expenditures and Purchasing**. For 3 school districts, procurement procedures or contract monitoring and related payment procedures needed enhancements to ensure that competitive selection procedures are employed, as required; board-established contracts are used; service deliverables are established; and, prior to payment, satisfactory receipt of services is documented and reconciled to contract terms. In addition, for another school district, procedures needed improvement for the timely cancellation of purchasing card privileges.

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<sup>8</sup> Section 1011.05, Florida Statutes.

<sup>9</sup> SBE Rule 6A-1.007(2), Florida Administrative Code.

<sup>10</sup> Section 1011.09(1), Florida Statutes.

<sup>11</sup> SBE Rule 6A-10.084, Florida Administrative Code.

<sup>12</sup> Section 943.04351, Florida Statutes.

**Capital Outlay Expenditures and Related Activities.** Audit report findings for 9 school districts addressed the need to improve controls over capital outlay expenditures and related activities. Specifically, for 4 school districts, improvements were needed in controls over construction management entity (CME) guaranteed maximum price and subcontractor contract monitoring. For example, the findings addressed needed enhancements in controls over general conditions costs and other CME payment components and the selection of subcontractors. Additionally, 3 school district audit reports (including 2 cited for deficient controls over construction management) noted district records did not evidence that ad valorem tax levy proceeds or capital outlay and debt service funds were used for authorized purposes. In addition, 2 school districts were cited for deficient procedures related to the required student station cost reports for the districts' construction projects. Other findings addressed improvements needed in procedures related to educational facility safety inspection and capital planning and budgeting.

**School Safety.** For 17 school districts, audit report findings addressed control deficiencies related to school safety policies and procedures, including those related to safe-school officers and mental health care assistance and services.

- **Safe-School Officers.** Audit reports for 13 school districts addressed control deficiencies relating to safe-school officers. For example, those school districts did not always maintain documented verifications that safe-school officers were appropriately trained as required by State law<sup>13</sup> or that at least one safe-school officer was assigned during school hours at each school facility.
- **Mental Health Care Assistance and Services.** Audit reports for 5 school districts (including 1 cited for deficiencies related to safe-school officers) addressed control deficiencies over mental health care assistance and services. For example, those school districts did not always demonstrate that personnel had completed the youth mental health awareness training required by State law,<sup>14</sup> or that mental health awareness student instruction was provided in accordance with SBE rules.<sup>15</sup>

**Adult General Education Classes.** General Appropriations Act proviso language<sup>16</sup> required each school district to report enrollment for adult general education programs identified in State law<sup>17</sup> in accordance with SBE rules<sup>18</sup> and FDOE instructional hours reporting procedures.<sup>19</sup> The audit reports for five school districts included findings for misreporting adult general education program enrollment data. Since future funding is based, in part, on enrollment data reported to the FDOE, it is important that such data be reported correctly.

**Various Other Matters.** In addition to the audit findings described above, findings addressing various other matters were included in school district audit reports. These matters included, for example, the need for verifying health insurance participant eligibility, monitoring health insurance contributions, and improving the organizational independence of internal audit functions.

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<sup>13</sup> Section 1006.12, Florida Statutes.

<sup>14</sup> Section 1012.584, Florida Statutes.

<sup>15</sup> SBE Rule 6A-1.094124, Florida Administrative Code.

<sup>16</sup> Chapter 2022-156, Laws of Florida, Specific Appropriation 118.

<sup>17</sup> Section 1004.02(3), Florida Statutes.

<sup>18</sup> SBE Rule 6A-10.0381(5), Florida Administrative Code.

<sup>19</sup> FDOE Technical Assistance Paper: *Adult General Education Instructional Hours Reporting Procedures*, Dated September 2020.



## Federal Awards Findings

The audit reports for 14 school districts included a total of 19 Federal awards findings. These findings addressed the Federal compliance requirements of Allowable Costs and Cost Principles; Eligibility; Equipment and Real Property Management; and Special Tests and Provisions and related to the Education Stabilization Fund, Title I, Child Nutrition Cluster, and Hurricane Education Recovery programs.

Two (Gadsden and Highlands) of the 14 school district audit reports noted a total of 3 noncompliance and material weaknesses in internal control over compliance findings for major Federal programs, resulting in qualified opinions on those applicable programs.<sup>20</sup> We also noted that audit reports for 13 of these 14 school districts (including Gadsden) had a total of 16 noncompliance findings that were material to applicable compliance requirement types for major Federal programs.

For the 2022-23 fiscal year, 10 school district audit reports each had a finding or findings that identified Federal program questioned costs. The known questioned costs for these 10 school districts ranged from \$120,795 to \$905,329 and totaled \$4,681,038. In comparison, for the 2021-22 fiscal year, 7 school district audit reports each had a finding or findings that identified Federal program questioned costs ranging from \$38,055 to \$1,565,006 and totaling \$5,531,526. Questioned costs include costs of goods or services charged to one or more Federal programs that are not allowed under the applicable grant terms, not clearly supportive of the Federal program's purposes, not documented in the manner prescribed by applicable Federal cost principles or State or school district policies, or not incurred during the grant period. If the applicable grantor disallows questioned costs, a school district may have to repay the costs from non-Federal sources.

## FINANCIAL TRENDS

Critical interest in understanding and addressing the factors that affect the financial condition of school districts exists. Such interest is evidenced by the provisions of State law as well as numerous inquiries regarding the financial condition of the various school districts. The financial condition of a school district can be assessed by a review of the district general fund balances and activities, which account for most of the operating resources and expenditures for K-12 educational programs.

There are several measures that may be used to evaluate the financial condition of governments depending on the specific needs and circumstances of each government. For example, the Government Finance Officers Association (GFOA)<sup>21</sup> recommends that, at a minimum, the unrestricted fund balance in the general fund be no less than 2 months of general fund operating revenues or general fund operating expenditures and operating transfers out, if applicable. The GFOA also recommends that governments establish a formal policy on the level of general fund unrestricted fund balance that should be maintained. Board policies addressing a reasonable and appropriate range for the general fund unrestricted fund

<sup>20</sup> In comparison, for the 2021-22 fiscal year, 5 school districts were cited with a total of six noncompliance and material weaknesses in internal control over compliance for major Federal programs.

<sup>21</sup> GFOA Best Practice, *Fund Balance Guidelines for the General Fund* (September 2015).

balance and how amounts over that range would be addressed will help school districts effectively use district financial resources to guide budgetary decisions and address short-term and long-term needs.

Another widely used financial condition measure relevant to school districts is based on State law,<sup>22</sup> which compares the level of available equity in the operating fund to overall operating resources for that fund for a fiscal year. This measure is a point-in-time indicator of resources available for appropriation to meet the costs of expected and unexpected and nonrecurring events. We used this measure, shown in Table 1, to analyze the financial condition of the school districts.

**Table 1**  
**Financial Condition Measure**

$\frac{\text{General Fund Total Assigned and Unassigned Fund Balance}}{\text{General Fund Total Revenues}} = \text{Financial Condition Ratio (\%)}$
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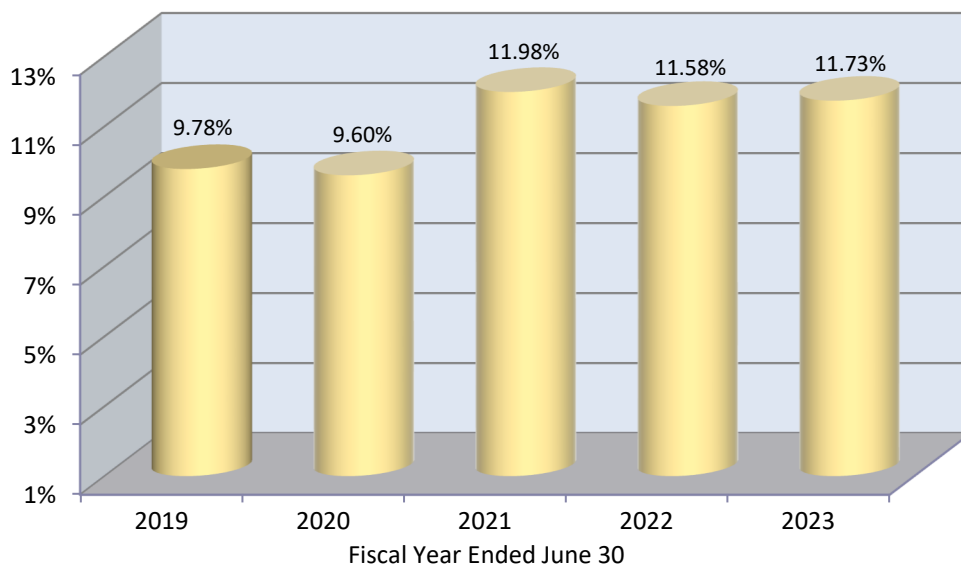
We also considered revenue stream characteristics and expenditure practices for school districts. In view of the revenue and expenditure considerations of school districts, the school districts’ established financial management practices, and FDOE oversight, a lower total assigned and unassigned fund balance threshold may be reasonable.

**Financial Condition Trends**

Chart 1 shows the average financial condition ratios of the 67 school districts for the fiscal years ended June 30, 2019, through June 30, 2023. As shown in Chart 1, the average financial condition ratio was 11.73 percent at June 30, 2023, which was a slight increase from the average financial condition ratio at June 30, 2022. The financial condition ratios for the 3 years (at June 30, 2021, 2022, and 2023) were relatively high primarily because school districts received and used Federal funds for COVID-19 pandemic relief instead of using other operating resources and also collected additional property taxes due to increased property values.

<sup>22</sup> Section 1011.051, Florida Statutes.

**Chart 1**  
**Average Financial Condition Ratios of School Districts**  
**For the Fiscal Years Ended June 30, 2019, Through June 30, 2023**



State law<sup>23</sup> requires a school district to maintain a general fund ending fund balance that is sufficient to address normal contingencies. If at any time the financial condition ratio determined from the school district's approved operating budget is projected to fall below 3 percent during the current fiscal year, the school district superintendent must provide written notification to the Commissioner of Education and respective school board. If the Commissioner of Education determines that a school district with an approved operating budget that is projected to fall below 2 percent does not have a plan that is reasonably anticipated to avoid a financial emergency, the Commissioner is to appoint a financial emergency board to implement measures to assist the school board in resolving the financial emergency.<sup>24</sup> Pursuant to State law,<sup>25</sup> a school district is considered to be in a state of financial emergency if the Commissioner of Education determines that the school board needs State assistance to resolve or prevent a financial emergency condition.

For the fiscal year ended June 30, 2023, the Gilchrist County School District had a financial condition ratio below 2 percent and no other school districts' financial condition ratios were below 3 percent. As discussed in the section **Financial Record Keeping and Records Management** under **Financial Statement Significant Deficiency and Additional Matter Findings**, deficient controls over the District financial reporting processes contributed to the 1.85 percent financial condition ratio at June 30, 2023; however, the Superintendent did not submit a financial condition notification to the FDOE and no financial recovery plan was established. As a result, the District had significantly fewer resources available for emergencies and unforeseen situations than other school districts. Historically, a school district that experiences a weak financial condition implements measures that generally restore the financial condition to a favorable position within 1 to 2 fiscal years.

<sup>23</sup> Section 1011.051(1), Florida Statutes.

<sup>24</sup> Section 1011.051(2), Florida Statutes.

<sup>25</sup> Section 218.503(3), Florida Statutes.

For comparison purposes, no school districts' financial condition ratios were below 3 percent at the end of fiscal years June 30, 2019, and June 30, 2020; however, at the end of fiscal years June 30, 2021, and June 30, 2022, one school district for each fiscal year had a financial condition ratio below 3 percent. These two school districts were able to develop appropriate plans to avoid financial emergencies and the district financial condition ratio improved within a fiscal year.

Table 2 shows the school districts with the largest financial condition ratio increases and decreases between the fiscal years ended June 30, 2019, and June 30, 2023. While the largest ratio increases may indicate that a school district is experiencing better financial health and solvency, large decreases may prompt school district management to consider whether resources are being used most efficiently for district needs. As further discussed in the section **Factors Impacting Financial Condition**, property taxable values and changes in student enrollment typically impact financial condition changes.

**Table 2**  
**Changes in Financial Condition Ratios and Fund Balances <sup>a</sup>**  
**Between June 30, 2019, and June 30, 2023**

School District	Financial Condition Ratios at June 30			Fund Balances at June 30 (In Thousands)		
	2019	2023	Change	2019	2023	Change
<b>Largest Ratio Increases</b>						
1 Calhoun	37.57%	86.26%	48.69	\$ 6,872	\$17,068	\$10,196
2 Jefferson	5.15%	26.81%	21.66	389	2,646	2,257
3 Okeechobee	12.47%	27.55%	15.08	6,319	14,769	8,450
4 Hamilton	7.72%	21.48%	13.76	1,107	3,196	2,089
5 Walton	38.57%	51.26%	12.69	36,292	71,962	35,670
<b>Largest Ratio Decreases</b>						
1 Franklin	22.90%	4.81%	-18.09	2,828	643	-2,185
2 Gulf	34.82%	20.99%	-13.83	7,005	4,409	-2,596
3 Glades	19.78%	9.14%	-10.64	3,232	1,649	-1,583
4 St. Johns	14.40%	5.60%	-8.80	47,741	24,159	-23,582
5 Liberty	13.95%	5.19%	-8.76	1,829	689	-1,140

<sup>a</sup> Fund balances represent the total assigned and unassigned fund balances at fiscal year end.

## Factors Impacting Financial Condition

Further analyses of school district financial trend data identified other factors that impact the financial condition of school districts and may increase the risks associated with a weak or healthy financial condition. While no single factor is identified as a guaranteed predictor of financial condition, factors such as property taxable values, increasing or declining enrollment, and the size of schools necessitate effective financial management to limit the factors' impact on the school district financial condition.

**Property Taxable Values.** Property taxes, which are assessed on property taxable values, are the primary source of local revenue for school districts. According to the Florida Department of Revenue, Statewide property taxable values increased by 55 percent, from \$2.17 trillion in the 2019 calendar year to \$3.37 trillion in the 2023 calendar year. Due to this increase, which was partially offset by decreases

in levied millage rates, Statewide property tax levies for school district operations increased by 42 percent, from \$14.16 billion for the 2018-19 fiscal year to \$20.12 billion for the 2022-23 fiscal year.

**Increasing Enrollment.** Over the past 5 years, Statewide student enrollment increased 5 percent from 2,788,913 for the 2018-19 fiscal year to 2,921,797 for the 2022-23 fiscal year. A total of 49 school districts had enrollment increases ranging from 1 to 13,479 unweighted full-time equivalent students (FTE) during this period. As shown in Table 3, of these 49 school districts, 22 school districts' student enrollments increased by more than 5 percent and 1,000 FTE.

**Table 3**  
**School Districts with Enrollment Growth of**  
**More than 5 Percent and 1,000 Unweighted FTE Students**  
**2018-19 Fiscal Year Through the 2022-23 Fiscal Year**

School District	Unweighted FTE			Percent Increase
	2018-19	2022-23	Increase	
1 Hendry	7,101	13,133	6,032	84.95%
2 St. Johns	41,119	50,375	9,256	22.51%
3 Walton	9,630	11,499	1,869	19.41%
4 St. Lucie	40,384	47,131	6,747	16.71%
5 Pasco	74,324	85,005	10,681	14.37%
6 Polk	104,305	117,785	13,480	12.92%
7 Osceola	67,632	76,095	8,463	12.51%
8 Lake	43,409	48,695	5,286	12.18%
9 Hernando	22,725	25,229	2,504	11.02%
10 Santa Rosa	27,957	30,808	2,851	10.20%
11 Charlotte	15,479	16,884	1,405	9.08%
12 Marion	42,490	46,294	3,804	8.95%
13 Nassau	12,122	13,165	1,043	8.60%
14 Flagler	12,849	13,855	1,006	7.83%
15 Lee	92,895	100,050	7,155	7.70%
16 Sarasota	42,958	46,060	3,102	7.22%
17 Manatee	48,853	52,130	3,277	6.71%
18 Hillsborough	215,429	227,532	12,103	5.62%
19 Bay	25,747	27,144	1,397	5.43%
20 Brevard	72,646	76,545	3,899	5.37%
21 Duval	129,123	135,956	6,833	5.29%
22 Okaloosa	31,449	33,058	1,609	5.12%

Although 49 school districts experienced an increase in FTE-based revenue due to increased enrollment, revenue increases can lag behind school district expenditures when staffing new schools and paying initial start-up costs. Additionally, there is a risk that rapidly growing school districts may overestimate FTE when making FTE projections. FTE overestimates are not only costly when FTE-based revenues are adjusted (reduced), school districts may also make costly hiring and other expenditure decisions based on imprecise FTE projections.

**Declining Enrollment.** While student enrollment increased in total for school districts from the 2018-19 fiscal year to the 2022-23 fiscal year, 18 school districts experienced enrollment declines ranging from 7 to 3,754 unweighted FTE during this period. Of these 18 school districts, only 2 (Broward and Pinellas) declined by more than 1,000 unweighted FTE and only 3 (Franklin, Madison, and Dixie) declined by more than 5 percent.<sup>26</sup>

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. In particular, smaller school districts may experience financial difficulties with gradual enrollment declines as the number of instructional staff will remain constant if no one grade or class within an individual school is affected enough to justify staff reduction.

**School Size.** School sizes vary significantly among and within school districts. Most school districts have varying combinations of large, medium, and small schools. Logically, larger schools have a lower cost per FTE than smaller schools because noninstructional and administrative salary, benefits, and fixed costs are spread over a larger number of FTE. Accordingly, school size is a relevant factor that impacts a school district financial condition.

## **Future Financial Trends Considerations**

**State Funding.** For the 2022-23 fiscal year, the base Florida Education Finance Program (FEFP) allocation was \$4,587.40 per weighted FTE, which represents an increase of \$214.49 over the base FEFP allocation of \$4,372.91 per weighted FTE for the 2021-22 fiscal year. Also, based on the 2023-24 fiscal year FEFP fourth calculation, the base FEFP allocation for the 2023-24 fiscal year increased by \$552.33 per weighted FTE to \$5,139.73. The weighted FTE enrollment in school districts increased by 67,899, or 2.2 percent, from the 2021-22 to the 2022-23 school year. Similarly, the weighted FTE enrollment in the 2023-24 school year increased by 104,786, or 3.3 percent, based on the 2023-24 FEFP fourth calculation. Effective financial monitoring and timely and appropriate adjustments to school district operations are critical to ensure that operating costs remain within available financial resources.

**Debt and Other Long-Term Financing.** 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 (COPs). The long-term debt and other financing obligations reported as outstanding as of June 30, 2023, consisted primarily of:

- COPs totaling \$9.7 billion (38 school districts).
- General obligation bonds totaling \$1.9 billion (3 school districts).
- Qualified School Construction Bonds (QSCBs) totaling \$928.7 million (20 school districts).
- School district revenue bonds totaling \$688.5 million (28 school districts).

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<sup>26</sup> In contrast for the 2017-18 fiscal year to the 2021-22 fiscal year, 27 school districts experienced enrollment declines ranging from 8 to 8,542 unweighted FTE during this period. Of these 27 school districts, only 4 (Bay, Broward, Miami-Dade, and Pinellas) declined by more than 1,000 unweighted FTE and none declined by more than 5 percent.

- Qualified Zone Academy Bonds (QZABs) totaling \$153.8 million (3 school districts).
- Long-term debt notes totaling \$42.2 million (6 school districts).
- SBE bonds totaling \$36.6 million (23 school districts).
- Build America Bonds (BABs) totaling \$30.4 million (2 school districts).

Generally, school districts extinguish their debt through various pledged resources such as capital outlay millage, discretionary sales surtax, and other tax proceeds. As of June 30, 2023, pledged resources were generally sufficient to cover the required debt service by school districts.

## School District Trends

**Funding Trends.** School district governmental funds include the general fund, special revenue funds, debt service funds, and capital projects funds. While substantially all school district resources are accounted for in the governmental funds, school districts frequently have fiduciary funds (custodial and trust funds) and proprietary funds (primarily internal service funds that account for such activities as self-insurance programs). As shown in Table 4, school districts reported revenues of \$41.5 billion in the governmental funds for the 2022-23 fiscal year, an increase of \$3.8 billion (10.17 percent) over the 2021-22 fiscal year.

**Table 4**  
**School District Revenues – All Governmental Funds**  
**For the 2021-22 and 2022-23 Fiscal Years**

Governmental Fund Type	2021-22		2022-23		Change	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent
General Fund	\$24,085,090,615	63.87%	\$26,312,481,509	63.33%	\$ 2,227,390,894	9.25%
Other Funds	13,626,050,109	36.13%	15,234,036,158	36.67%	1,607,986,049	11.80%
<b>Totals</b>	<b>\$37,711,140,724</b>	<b>100.00%</b>	<b>\$41,546,517,667</b>	<b>100.00%</b>	<b>\$3,835,376,943</b>	<b>10.17%</b>

Table 5 shows, by source, the total governmental fund type revenues and the related changes by revenue source reported by school districts for the 2021-22 and 2022-23 fiscal years.

**Table 5**  
**School District Revenues by Source – All Governmental Funds**  
**For the 2021-22 and 2022-23 Fiscal Years**

Source	2021-22		2022-23		Change	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent
Federal	\$ 6,801,045,719	18.03%	\$ 7,178,138,675	17.28%	\$ 377,092,956	5.54%
State	12,428,387,358	32.96%	13,195,085,728	31.76%	766,698,370	6.17%
Local	18,481,707,647	49.01%	21,173,293,264	50.96%	2,691,585,617	14.56%
<b>Totals</b>	<b>\$37,711,140,724</b>	<b>100.00%</b>	<b>\$41,546,517,667</b>	<b>100.00%</b>	<b>\$3,835,376,943</b>	<b>10.17%</b>

The \$3.84 billion (10.17 percent) increase in total revenues for the 2022-23 fiscal year consisted of an increase in local revenues of \$2.69 billion, an increase of State revenues of \$767 million, and an increase



of Federal revenues of \$377 million. The increase in local revenues was almost entirely due to increases in property taxable values, resulting in additional revenues of \$2.65 billion from the millage levies. The increase in State revenues consisted of an increase in restricted State revenues of \$689 million and an increase in FEFP revenues of \$78 million. The increase in Federal revenues was primarily due to the increase of the Education Stabilization Fund moneys, awarded to provide COVID-19 pandemic relief.

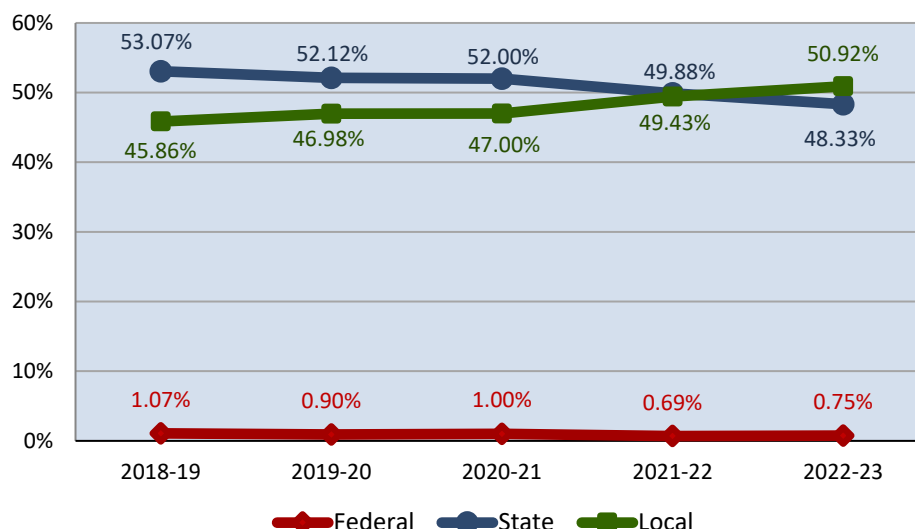
Table 6 shows the Federal, State, and local sources reported in the school districts' general funds (operating funds) for the 2021-22 and 2022-23 fiscal years, and the related changes in these revenues.

**Table 6**  
**School District General Fund Revenues by Source**  
**For the 2021-22 and 2022-23 Fiscal Years**

Source	2021-22		2022-23		Change	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent
Federal	\$ 164,984,836	0.69%	\$ 196,529,072	0.75%	\$ 31,544,236	19.12%
State	12,012,656,972	49.88%	12,717,724,643	48.33%	705,067,671	5.87%
Local	11,907,448,807	49.43%	13,398,227,794	50.92%	1,490,778,987	12.52%
<b>Totals</b>	<b><u>\$24,085,090,615</u></b>	<b><u>100.00%</u></b>	<b><u>\$26,312,481,509</u></b>	<b><u>100.00%</u></b>	<b><u>\$2,227,390,894</u></b>	<b><u>9.25%</u></b>

As shown in Table 6, local revenue sources provided over half of the school districts' general fund resources for the 2022-23 fiscal year, and the State provided slightly less than local revenue sources. As discussed later in this section, Federal funds are restricted and most are reported in special revenue funds. Chart 2 shows the percentage of Statewide general fund revenues from Federal, State, and local sources for the 2018-19 through 2022-23 fiscal years.

**Chart 2**  
**Percentage of School District General Fund Revenues**  
**From Federal, State, and Local Sources**  
**For the 2018-19 Through 2022-23 Fiscal Years**





**FEFP – State and Local Revenues.** Most of the State and local revenues for school district operations are derived from the 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 in funded educational programs by various weights and cost factors determined by the Legislature. Each school district receiving State FEFP moneys must levy the required local effort millage in its local property taxes.

State and local FEFP revenues for school district operations totaled \$17.9 billion for the 2022-23 fiscal year and consisted of \$6.9 billion in State revenues and \$11 billion in local revenues. The local FEFP revenues increased by \$987 million, or 10 percent, due to an increase in property tax values, while the State FEFP revenues increased by \$78 million, or 1 percent, from the previous fiscal year. In addition to the \$6.9 billion in State revenues for operations as part of the FEFP, the school districts reported \$6.3 billion in other restricted State revenues. These restricted State revenues were for Class Size Reduction, Workforce Development, and other specific programs, and increased by \$689 million, or 12 percent from the previous fiscal year.

**Other Local Revenues.** In addition to the \$11 billion in local revenues for funding operations as part of the FEFP, the school districts reported \$10.2 billion in other local revenues (Table 5). These local revenues included, but were not limited to, \$4.1 billion from capital outlay millage levies for advertised construction, facility maintenance, and equipment; \$1.3 billion from special voter levies; and \$116 million from debt service millage levies for servicing debt. Because of early payment discounts, property tax revenues were approximately 96 percent of the tax levy. Additional sources of local revenue included sales taxes, impact fees, charges for services, investment income, and other local sources. Thirty-five school districts reported local sales tax revenues totaling \$1.9 billion for the 2022-23 fiscal year, while 31 school districts reported local sales tax revenues totaling \$1.8 billion for the 2021-22 fiscal year. Twenty-seven school districts reported impact fee revenues totaling \$678 million for the 2022-23 fiscal year, while the same number of school districts reported impact fee revenues totaling \$766 million for the 2021-22 fiscal year. Impact fees were in place during the 2022-23 fiscal year for 6 other school districts, but the respective counties suspended fee collections primarily to stimulate construction development and help local economies.

**Federal Revenues.** Special revenue fund resources consist of moneys restricted by Federal and State grantors<sup>27</sup> for specific program purposes, such as those of the Title I and National School Lunch Act programs. As discussed in the **Financial Condition Trends** section, for the 2020-21 through 2022-23 fiscal years, there were increases in Federal revenues to school districts for COVID-19 pandemic relief including, for example, Federal revenues for the Education Stabilization Fund and the Coronavirus Relief Fund. Because these resources are restricted, school districts can use them only for specific activities that meet the purposes of the granting agency. Such resources are not available for general appropriation for operating activities or for unexpected events or emergencies.

**Debt Issuance Proceeds.** The issuance of long-term debt is a significant source of capital funding for school districts. Debt issuance proceeds (net of refundings) for the 2022-23 fiscal year totaled \$2 billion, compared to \$0.9 billion for the 2021-22 fiscal year. The significant increase in debt issuance proceeds over the 2021-22 fiscal year primarily related to increased COP issuances. Within the governmental

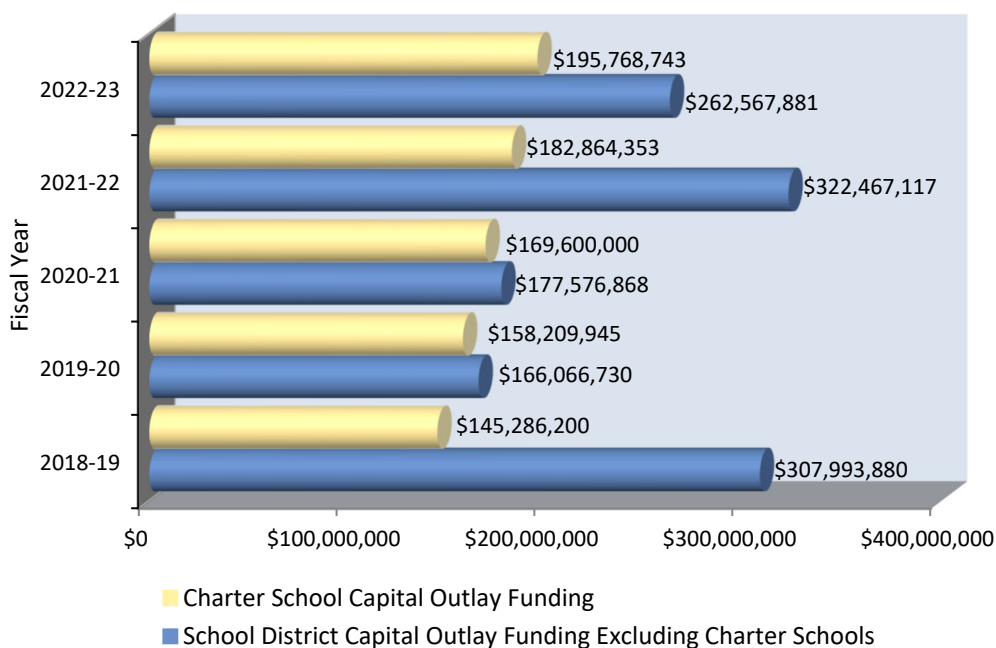
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<sup>27</sup> Most Federal revenues are provided to school districts through State agencies.

funds, debt service funds account for resources restricted for items such as the payment of debt and capital projects funds typically account for the acquisition of real property and the construction, renovation, remodeling, and maintenance of school district facilities. These resources are generally not available to finance the operating activities of a school district.

**State Capital Outlay Appropriations.** Certain statutory appropriations, such as Public Education Capital Outlay (PECO) appropriations authorized by State law,<sup>28</sup> are provided for school district new construction and facilities maintenance projects. These State capital outlay appropriations have included PECO, educational facilities security grants, Classrooms First, and Capital Outlay and Debt Service (CO&DS), funded predominantly using proceeds from the gross receipts and motor vehicle licensing taxes established by the State Constitution.<sup>29</sup> As shown in Chart 3, during the 5-year period 2018-19 through 2022-23, State capital outlay funding to school districts, excluding funding to charter schools, ranged from a low of \$166 million for the 2019-20 fiscal year to a high of \$322 million for the 2021-22 fiscal year. During that same 5-year period, State capital outlay appropriations for charter schools increased each year from \$145 million for the 2018-19 fiscal year to \$196 million for the 2022-23 fiscal year.

**Chart 3**  
**State Capital Outlay Appropriations**  
**For the 2018-19 Through 2022-23 Fiscal Years**



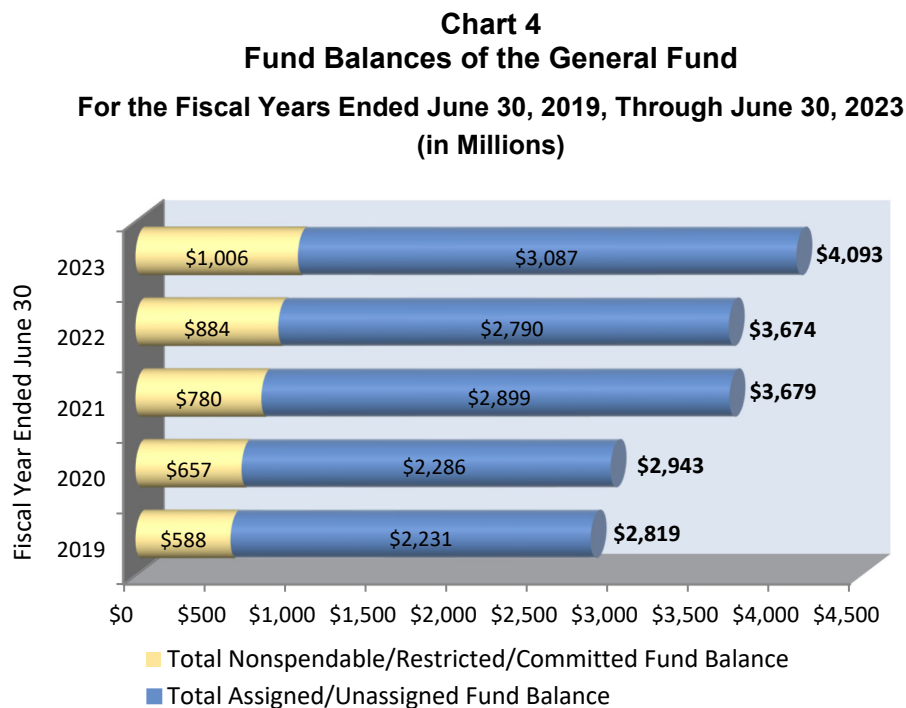
The \$59.9 million, or 19 percent, decrease in State capital outlay appropriations to school districts for the 2022-23 fiscal year was composed of a decrease in PECO of \$64.2 million and an increase in CO&DS funding of \$4.3 million. The decrease in PECO was primarily due to the decreased special facilities construction funding for certain school districts for that fiscal year.

<sup>28</sup> Section 1013.65, Florida Statutes.

<sup>29</sup> Article XII, Sections 9(a)(2) and 9(d) of the State Constitution.

For the 2021-22 fiscal year, the \$144.9 million, or 82 percent, increase in State capital outlay appropriations to school districts was composed of increases in PECO and CO&DS funding of \$140.3 million and \$4.6 million, respectively. The increase was primarily due to the \$130 million increase in the special facilities construction funding for certain school districts from the prior fiscal year. In contrast, the school district State capital outlay appropriations for the 2018-19 fiscal year were relatively high, primarily due to the increased educational facilities security funding for that specific fiscal year.

**Fund Balance Trends.** As shown in Chart 4, the total fund balances of the school district general funds (operating funds) increased from \$2.8 billion at June 30, 2019, to \$4.1 billion at June 30, 2023. The relatively higher fund balances for the fiscal years ended June 30, 2021, through 2023, can be attributed, in part, to additional Federal funds received for COVID-19 pandemic relief and used instead of other operating resources. The increase of \$419 million in total fund balance from June 30, 2022, to June 30, 2023, was primarily due to an increase in property tax revenues.



The total assigned and unassigned portions of the general fund balance represent the amount that may be used with the most flexibility for emergencies and unforeseen situations. As shown in Chart 4, the total assigned and unassigned portions of the general fund balance were \$2.2 billion at June 30, 2019, and increased to \$3.1 billion at June 30, 2023.

## OTHER MATTERS OF INTEREST

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### Findings Repeated from Previous Audit Reports

State law<sup>30</sup> requires the Auditor General to notify the Legislative Auditing Committee (LAC) of any audit report prepared for a district school board that indicates the district school board failed to take full corrective action in response to a recommendation that was included in the two preceding financial or operational audit reports. Of the 142 findings included in the 2022-23 fiscal year audit reports issued during the period July 1, 2023, through June 30, 2024, 6 findings (4 percent) were also included in the two preceding financial or operational audit reports. In comparison, 13 (8 percent) of the 171 findings included in the audit reports issued during the period July 1, 2022, through June 30, 2023, had also been included in the two preceding financial or operational audit reports.

Pursuant to State law, on June 28, 2024, we notified the LAC of the six district school boards that failed to take full corrective action in response to recommendations included in the two preceding audit reports. Our notification for audit reports issued during the period July 1, 2022, through June 30, 2023, included nine district school boards.

### School District Fiscal Transparency

State law<sup>31</sup> requires the Auditor General to annually transmit to legislative leadership (President of the Senate and Speaker of the House) and the Florida Department of Financial Services (FDFS) a list of all school districts that have failed to comply with statutory transparency requirements. State law<sup>32</sup> requires each district school board to post on its Web site a plain language version of each proposed, tentative, and official budget describing each budget item in easily understandable terms. In addition, the information posted on the school district Web site must include graphical representations, for the district and each public school within the district, of summary financial efficiency data and fiscal trend information for the previous 3 years, and a link to the Web-based fiscal transparency tool developed by the FDOE. The law also includes a list of items recommended for inclusion on the Web sites, such as budget hearing information, contracts with teachers' unions and noninstructional staff, and contracts with vendors exceeding \$35,000. Readily available information and fiscal transparency leads to more responsible spending, more citizen involvement, and improved accountability.

Pursuant to State law, on July 10, 2024, we notified legislative leadership and the FDFS of six school districts (Bradford, Martin, Monroe, Okeechobee, Union, and Walton) that failed to comply with the transparency requirements for the 2022-23 fiscal year. Nine school districts were included in our notification for the 2021-22 fiscal year.<sup>33</sup>

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<sup>30</sup> Sections 11.45(7)(j) and 218.39(8), Florida Statutes.

<sup>31</sup> Section 11.45(7)(i), Florida Statutes.

<sup>32</sup> Section 1011.035(2), Florida Statutes.

<sup>33</sup> None of the nine school districts cited for noncompliance with the transparency requirements for the 2021-22 fiscal year were cited for transparency requirement noncompliance for the 2022-23 fiscal year.

## Corrective Action Notification

State law<sup>34</sup> requires the Auditor General to contact each district school board (school district) and request evidence of corrective action to address the Auditor General's previous operational audit report findings and recommendations. The school district must provide the Auditor General with evidence of the initiation of corrective action within 45 days after the request and completion of corrective action within 180 days after the request. If the school district fails to comply with the Auditor General's request or is unable to take corrective action within the required time frame, the Auditor General must notify the LAC.

Pursuant to State law, on June 28, 2024, we notified the LAC of the eight school districts (Baker, Bradford, Highlands, Hillsborough, Lake, Lee, Seminole, and Walton) that were unable to provide us, within 180 days after request, evidence that corrective action was made for findings in audit reports issued during the period January 1, 2023, through December 31, 2023.

## OBJECTIVES, SCOPE, AND METHODOLOGY

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

The scope of this project included a review of the audit reports for the fiscal year ended June 30, 2023, for the 47 school district financial audits and 22 school district operational audits completed by the Auditor General and the 20 school district financial audits completed by other independent CPAs and filed with the Auditor General.

Our methodology included a review of applicable audit reports and a compilation of significant findings and financial trends. We believe that the procedures performed provide a reasonable basis for the summaries of significant findings and financial trends included in this report.

## AUTHORITY

Pursuant to the provisions of Section 11.45(7)(f), Florida Statutes, I have directed that this report be prepared to present the summary of significant findings and financial trends identified in district school board audit reports for the fiscal year ended June 30, 2023.



Sherrill F. Norman, CPA  
Auditor General

<sup>34</sup> Section 11.45(2)(k), Florida Statutes.