

AGENDA

SCHOOL BOARD WORKSHOP

GADSDEN COUNTY SCHOOL BOARD
MAX D. WALKER ADMINISTRATION BUILDING
35 MARTIN LUTHER KING, JR. BLVD.
QUINCY, FLORIDA

January 15, 2019

4:30 P.M.

THIS WORKSHOP IS OPEN TO THE PUBLIC

1. Call to Order
2. Financial Information
 - a. Board Resolution Addressing Employee Compensation during Natural Disasters
SEE PAGE #2
 - b. Internal Funds Audit for Period Ending 6/30/18 – **SEE PAGE #4**
 - c. Management Discussion and Analysis Plus Notes – **SEE PAGE #51**
3. Educational Items by the Superintendent
4. School Board Requests and Concerns
5. Adjournment

SUMMARY SHEET

RECOMMENDATION TO SUPERINTENDENT FOR SCHOOL BOARD AGENDA

AGENDA ITEM NO. 2a

DATE OF SCHOOL BOARD WORKSHOP: January 15, 2019

TITLE OF AGENDA ITEMS: Board Resolution addressing Employee Compensation during Natural Disasters

DIVISION: Finance Department

PURPOSE AND SUMMARY OF ITEMS: A Board Resolution pertaining to employee compensation during natural disasters will be on the January 22, 2019 agenda.

PREPARED BY: Bonnie Wood

POSITION: Finance Director

Resolution Number 19-XX

A RESOLUTION OF THE GADSDEN COUNTY SCHOOL BOARD DOCUMENTING THE SUPERINTENDENT'S AUTHORIZATION OF ADMINISTRATIVE LEAVE AND OVERTIME PAY FOLLOWING HURRICANE MICHAEL

WHEREAS, the campuses and facilities of the School Board of Gadsden County, Florida, were significantly and substantially impacted by Hurricane "Michael" beginning October 10, 2018; and

WHEREAS, the section "6700 Fair Labor Standards Act (FLSA)" of the School Board of Gadsden County's Bylaws and Policies provides for Overtime or "Premium" Pay when authorized by the Superintendent; and

WHEREAS, the Superintendent did, on October XX, 2018 did place employees and staff on Administrative Leave due to the impacts of Hurricane Michael; and

WHEREAS, the Superintendent later directed certain essential employees and staff to return for extraordinary duty over and above their administrative leave; and

WHEREAS, these certain essential employees' hours worked qualifies as Overtime Pay under the School Board's FLSA Policy; and

WHEREAS, Overtime Pay was disbursed to employees and staff that were authorized and directed to perform the extraordinary work, regardless and not contingent on the availability of any third-party or federal reimbursement,

NOW THEREFORE, BE IT RESOLVED:

That the School Board of Gadsden County now memorializes and recognizes the decision by the Superintendent, and the payment of Overtime, as consistent and authorized by the applicable School Board Policy.

Chairman

SUMMARY SHEET

RECOMMENDATION TO SUPERINTENDENT FOR SCHOOL BOARD AGENDA

AGENDA ITEM NO. 2b

DATE OF SCHOOL BOARD WORKSHOP: January 15, 2019

TITLE OF AGENDA ITEMS: Internal Funds Audit for Period Ending 6/30/18

DIVISION: Finance Department

PURPOSE AND SUMMARY OF ITEMS: The 2017-2018 Internal Funds Audit for the period ending June 30, 2018, will be on the 1/22/19 Board agenda for approval.

FUND SOURCE: Internal Funds

AMOUNT: \$170,785.16 ending balances 6/30/18

PREPARED BY: Bonnie Wood

POSITION: Finance Director

**GADSDEN COUNTY SCHOOL BOARD
GENERAL OPERATING FUND – INTERNAL ACCOUNTS
REPORT ON EXAMINATION OF
FINANCIAL STATEMENT
JUNE 30, 2018**

Ashmore & Ashmore, P.A.
Certified Public Accountants

**GADSDEN COUNTY SCHOOL BOARD
GENERAL OPERATING FUND - INTERNAL ACCOUNTS
QUINCY, FLORIDA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Roger P. Milton, Superintendent
Gadsden County School Board
Quincy, Florida

We have audited the accompanying financial statement of cash receipts, disbursements and balance of the Gadsden County School Board's General Operating Fund – Internal Accounts for the year ended June 30, 2018, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting as described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the presentation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of

the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statement referred to above presents fairly, in all material respects, the cash receipts, disbursements and balance of Gadsden County School Board's General Operating Fund – Internal Accounts for the year ended June 30, 2018, on the basis of accounting described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.



Ashmore & Ashmore, P.A.,
Certified Public Accountants
November 15, 2018

**GADSDEN COUNTY SCHOOL BOARD
GENERAL OPERATING FUND - INTERNAL ACCOUNTS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND BALANCE
JUNE 30, 2018**

School	FUND BALANCE 2017	REVENUE	EXPENSES	TRANSFERS DEBITS	TRANSFERS CREDITS	FUND BALANCE 2018
Carter-Parramore Academy	\$ 1,511.46	\$ 11,465.69	\$ 8,276.78	\$ -	\$ -	\$ 4,700.37
Chattahoochee Elementary School	13,619.46	20,016.44	19,822.70	1,060.94	1,060.94	13,813.20
Gadsden County High School	16,219.17	180,612.36	172,302.41	18,398.44	18,398.44	24,529.12
Gadsden Elementary Magnet School	477.76	20,527.30	17,696.92	-	-	3,308.14
Gadsden Technical Institute	39,131.80	181,340.78	192,497.18	45,691.22	45,691.22	27,975.40
George W. Munroe Elementary School	13,158.77	29,576.71	34,732.94	903.51	903.51	8,002.54
Greensboro Elementary School	22,775.76	16,944.19	29,035.26	17,343.88	-	28,028.57
Gretna Elementary School	25,274.85	-	-	-	25,274.85	-
Havana Magnet School	46,149.03	84,706.56	95,256.14	3,622.02	3,622.02	35,599.45
James A. Shanks Middle School	19,128.02	60,345.91	64,351.88	744.67	744.67	15,122.05
St. John Elementary School	1,324.22	-	-	-	1,324.22	-
Stewart Street Elementary School	3,201.13	64,345.98	67,259.43	-	-	287.68
West Gadsden Middle School	6,892.91	39,000.25	44,121.96	9,290.25	1,642.81	9,418.64
	<u>\$ 208,864.34</u>	<u>\$ 708,882.17</u>	<u>\$ 745,353.60</u>	<u>\$ 97,054.93</u>	<u>\$ 98,662.68</u>	<u>\$ 170,785.16</u>

See Auditor's Report and Notes to the Financial Statement.

**GADSDEN COUNTY SCHOOL BOARD
GENERAL OPERATING FUND - INTERNAL ACCOUNTS
NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2018**

NOTE A. Summary of Significant Accounting Policies.

Nature of Activities

The purpose of the Gadsden County School Board's General Operating Fund – Internal Accounts is to account for the financial transactions of Schools' organizations, programs and activities that are not accounted for at the district level.

Basis of Presentation

The District's financial statement is presented on the basis of cash receipts and disbursements. Therefore, receivables and payables, and accrued income and expenses, which may be material in amount, are not reflected, and this statement is not intended to present the financial position in conformity with generally accepted accounting principles.

Income Taxes

The various Schools are a component of the Gadsden County School Board and are exempt from income taxes under the Internal Revenue Code.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. Fair market value approximates carrying amounts.

NOTE B. Subsequent Review.

Transactions and events occurring subsequent to June 30, 2018, to the issuance date of the report, November 15, 2018, have been reviewed by management to determine if any disclosure is required. No disclosure was required.

NOTE C. Schools Closed.

Two schools were closed at the end of June 30, 2017, and the remaining cash balances were transferred to other schools as follows:

1. Gretna Elementary School closed and the remaining cash was distributed to Greensboro Elementary school (\$17,343.88) and West Gadsden Middle School (\$7,677.44).
2. St. John Elementary School closed and the remaining cash was distributed to the District to pay outstanding School bills (\$1,324.22).

**GADSDEN COUNTY SCHOOL BOARD
GENERAL OPERATING FUND – INTERNAL ACCOUNTS
NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2018**

NOTE D. Schools Renamed.

The following schools were renamed:

1. East Gadsden High School was renamed Gadsden County High School.
2. West Gadsden High School was renamed West Gadsden Middle School.

NOTE E. Individual School Audits.

Each of the schools were audited as a separate entity and were issued an audit opinion. All of the schools received unqualified opinions with a letter of comment, except for Gadsden Technical Institute which was issued a qualified opinion because the School's Student Account Summaries and accounts receivable records were not traceable to the Manatee records. Accordingly, we were unable to obtain sufficient appropriate evidence to determine that all collections were properly recorded in the accounting records. However, we do not believe the difference of reported income, if any, would be material to the combined financial statement report for the Gadsden County School Board - Internal Accounts.

**GADSDEN COUNTY SCHOOL BOARD
GENERAL OPERATING FUND - INTERNAL ACCOUNTS
SUMMARY OF AUDIT EXCEPTIONS
JUNE 30, 2018**

School	% OF TRANSACTIONS TESTED		AUDIT EXCEPTIONS NOTED - CLASSIFIED BY SECTION OF CHAPTER EIGHT OF FINANCIAL AND PROGRAM COST ACCOUNTING		
	REVENUE	EXPENSES	SECTION I	SECTION II	SECTION III
Carter-Parramore Academy	52%	88%	-	16	1
Chattahoochee Elementary School	16%	20%	-	22	1
Gadsden County High School	7%	7%	-	37	1
Gadsden Elementary Magnet School	100%	35%	-	14	12
Gadsden Technical Institute	14%	19%	1	8	3
George W. Munroe Elementary School	61%	15%	-	12	0
Greensboro Elementary School	32%	34%	-	26	1
Havana Magnet School	16%	8%	-	17	0
James A. Shanks Middle School	39%	32%	-	32	2
Stewart Street Elementary School	6%	25%	-	16	21
West Gadsden High School	23%	19%	-	17	5

SECTION I-PRINCIPLES
SECTION II-GENERAL PRACTICES
SECTION III-STANDARDS, PRACTICES
AND PROCEDURES

**GADSDEN COUNTY SCHOOL BOARD
GENERAL OPERATING FUND – INTERNAL
ACCOUNTS
SUMMARY OF MANAGEMENT LETTERS
JUNE 30, 2018**

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MANAGEMENT LETTER

Gadsden County School Board
Quincy, Florida

In planning and performing our audit of the financial statements of Gadsden County Schools' General Operating Fund – Internal Accounts, as of and for the year ended June 30, 2018, we considered the Schools' internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the Schools' internal control.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal control and operating efficiency.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss these comments in further detail at your convenience, to perform additional study of these matters, or to assist you in implementing the recommendations. Redbook requirements and proper bookkeeping procedures were discussed with the Principals/Director and Bookkeepers. Also, audit findings we considered immaterial were discussed with the Bookkeepers and Principals and are not included in this report. Our audit noted the following:

(All authoritative references are from Financial and Program Cost Accounting and Reporting for Florida Schools)

SUMMARY OF SCHOOL FINDINGS AND RESPONSES

FOR ALL SCHOOLS

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the Schools' staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation

and dictates that the Principals/Director remain involved in the financial affairs of the Schools to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness. The Auditor also recommends the Principals/Director to review, sign and date the bank reconciliation and bank statement every month for the reasons stated above. The responses to audit findings were not subject to auditing procedures.

CARTER-PARRAMORE ACADEMY

Finding 2. All transactions for the year ended June 30, 2018 were recorded through the general account. Chapter 8, Section III, 2.5(b), states "Separate accounts shall be maintained for activities such as the school store and other activities when it is good business practice to separately monitor the financial status of the activity". The Auditor recommends that money for the use of facility, class dues, field trips, etc. be coded to accounts as described in Chapter 8.

Principal's response.

We will implement procedures to ensure money for the use of facilities, class dues, field trip, etc. be coded in accounts as described in Chapter 8.

Finding 3. For the year ended June 30, 2018, audit testing indicated:

1. Report of Monies Collected (RMC) indicated that reimbursement for custodial fees was paid from the cash received and only the net amount deposited. Internal control would be improved if all proceeds are deposited and reimbursements are paid by check.
2. Pre-numbered receipts (receipt book) were not used for all receipts collected as required by Chapter 8, Section III, 1.4a.
3. Four (4) instances where the Report of Monies Collected had only one signature.

Principal's response.

We will implement procedures to correct this finding.

Finding 4. For the year ended June 30, 2018, audit testing indicated:

1. Twelve (12) instances where the invoice date preceded the check requisition date. One of the purposes of the check requisition is to obtain prior approval for a purchase. Chapter 8, Section II, 2. states "Purchases from internal funds must be authorized in writing by the Principal or designee." Accordingly, we recommend that all purchases be authorized by a check requisition prior to the purchase being made.
2. One (1) check amount did not equal the total invoice and no explanation of the difference was provided.
3. Two (2) instances where sales tax was paid when the school is sales tax exempt.
4. One (1) instance where no list of event attendees was provided with back up documentation.

Principal's Response.
We will implement procedures to correct this finding.

Prior Year Status

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the School's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation dictates that the Principal remain involved in the financial affairs of the Organization to provide oversight and independent review functions. To help mitigate the small staff size weakness, the Auditor recommends that the Principal review, sign and date the bank reconciliation and bank statement every month. In addition, the staff should be cross-trained to the extent possible in key positions.

Principal's response. No response required.

Finding 2. All transactions for the year ended June 30, 2017 were recorded through the general account. Chapter 8, Section III, 2.5(b), states "Separate accounts shall be maintained for activities such as the school store and other activities when it is good business practice to separately monitor the financial status of the activity". The Auditor recommends that expenses for the awards, meals or incentives for staff and teachers be taken from accounts designated for staff and teachers.

Principal's response. Will comply as recommended.

Current status. See Finding 2 for the year ended June 30, 2018.

Finding 3. For the year ended June 30, 2017, 65 receipts were recorded through the internal funds. Audit testing of 25 of these receipts indicated:

1. Report of Monies Collected (RMC) indicated that reimbursement for custodial fees was paid from the cash received and only the net amount deposited. Internal control would be improved if all proceeds are deposited and reimbursements are paid by check.
2. Pre-numbered receipts (receipt book) were not used for all receipts collected as required by Chapter 8, Section III, 1.4a.

Principal's response. Will comply as noted.

Current year status. See Finding 3 for the year ended June 30, 2018.

Finding 4. For the year ended June 30, 2017, 77 checks were written. Audit testing of 25 of these checks indicated:

1. Eight (8) instances where the invoice date preceded the check requisition date. One

of the purposes of the check requisition is to obtain prior approval for a purchase. Chapter 8, Section II, 2. states "Purchases from internal funds must be authorized in writing by the Principal or designee." Accordingly, we recommend that all purchases be authorized by a check requisition prior to the purchase being made.

2. Two (2) check amounts did not equal the total invoice and no explanation of the differences was provided.
3. Four (4) instances where sales tax was paid when the school is sales tax exempt.
4. Two (2) instances were noted where no invoice was found with back up documentation.
5. Ten (10) instances where no list of attendees to field trip and other events was provided with back up documentation.

Principal's Response. Will comply in the future.

Current year status. See Finding 4 for the year ended June 30, 2018.

CHATTAHOOCHEE ELEMENTARY SCHOOL

Finding 2. In general, it appears that receipts were properly documented and recorded. However, audit tests indicated:

- A. Two (2) instances where the Report of Monies Collected had only one signature.

Principal's response.

This situation will not happen in the future.

Finding 3. In general, it appears that expenses were properly documented and recorded. However, audit tests indicated the following exceptions:

- A. Eighteen (18) instances of the invoice date preceding check requisition date. One of the purposes of the check requisition is to obtain prior approval for a purchase. Chapter 8, Section II, 2. states "Purchases from internal funds must be authorized in writing by the principal or designee."
- B. Two (2) instances were noted where proper supporting documentation was not found for an expense.
- C. One (1) instance where no list of individuals receiving teacher appreciation gifts was available.
- D. One (1) instance where sales tax was paid when the school is exempt.

Principal's response.

The staff has been notified about getting approval prior to purchasing items.

Status of prior year.

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the School's staff precludes certain internal

controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation dictates that the Principal remain involved in the financial affairs of the organization to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness.

Principal's response. No response required.

Finding 2. In general, it appears that receipts were properly documented and recorded. However, audit tests indicated:

- A. A pre-numbered receipts book was used for monies collected as required by Chapter 8, Section III, 1.4a, however, it was not used for all deposits. Also, the receipt numbers were not cross referenced to Manatee in the space provided on the RMC, as a result, the receipts per the receipts book could not be readily traceable to the Manatee records.
- B. Eight (8) deposits were made after five working days. Chapter 8, Section III, 1.4c, requires that funds collected be deposited within five days after receipt.
- C. Five (5) times where Report of Monies Collected had only one signature when two are required.
- D. Six (6) times where the Report of Monies Collected did not foot properly.

Principal's response.

This was during the transition of the bookkeeper working at the school and district. I feel she was overwhelmed with the two jobs. The situation has been addressed for future reference.

Current year status. Improvement was noted, see current year finding 2.

Finding 3. In general it appears that expenses were properly documented and recorded. However, audit tests indicated:

- A. Thirteen (13) instances of the invoice date preceding check requisition date. One of the purposes of the check requisition is to obtain prior approval for a purchase. Chapter 8, Section II, 2. states "Purchases from internal funds must be authorized in writing by the principal or designee."
- B. Three (3) instances were noted where proper supporting documentation was not found for an expense.
- C. One (1) time when a canceled check had only one signature when 2 are required.

Principal's response.

The invoices were preapproved by me. However, we did not complete prior documentation. This situation will be handled appropriately in the future.

Current year status. See current year Finding 3.

EAST GADSDEN COUNTY HIGH SCHOOL

Finding 2. In general, it appears that monies received were properly recorded. However, audit testing indicated the following:

- A. One (1) instance where money was deposited after five (5) days, as required by Chapter 8, Section III, 1.4c.
- B. For football game documentation on September 15, 2017, the ticket reconciliation shows a difference of \$127 collected in excess of tickets sold, with no description of why the extra cash was received. At the game, car passes were sold at the gate for \$5 each and car pass income was not shown on the ticket reconciliation form. Car passes were not pre-numbered. All collections should be documented with pre-numbered tickets and reported on the ticket reconciliation report.

Principal's response.

I was not the principal at this time.

Finding 3. Audit testing of expenses indicated the following:

- A. Nineteen (19) instances of the invoice date preceding the check requisition date. One of the purposes of the check requisition is to obtain prior approval for a purchase. Chapter 8, Section II, 2 states "Purchases from internal funds must be authorized in writing by the Principal or designee."
- B. Three (3) checks written were for past due invoices.
- C. Four (4) instances of invoices not equaling the check written and no reconciliation provided.
- D. Concession/fundraising related income and expense were not always coded to a concession/fundraising account.
- E. Ten (10) instances where back up documentation, such as invoice or check requisition, was not found.

Principal's response.

I was not the principal at this time.

Finding 4. Chapter 8, Section II, 7, requires that the year-end payables be disclosed to the School Board. Due to the fact that the Internal Fund Accounts are reported on the cash basis of accounting, the accounts payable information is important in allowing the School Board to ascertain the true financial status of the School. At June 30, 2018 an accounts payable list was not provided from the School. Audit tests indicated that the School's accounts payable at June 30, 2018 appeared to include, but might not be limited to a yearbook balance due at June 30, 2018 in the amount of \$1,494.54 that was paid on August 15, 2018.

Principal's response.

I was not the principal at this time.

Prior year status.

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the School's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation dictates that the Principal remain involved in the financial affairs of the School to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness.

Principal's response. No response required.

Current year status. See Finding 1 for the year ended June 30, 2018.

Finding 2. In general, it appears that monies received were properly recorded. However, audit testing indicated the following:

- A. As noted in our prior audit, the School began using pre-numbered receipts for monies collected. However, audit testing indicated that a receipt (from the receipt book) was not written for all monies collected and the receipts per Report of Monies Collected (RMCs) were not always readily traceable to the receipt book.
- B. For football game documentation on September 15, 2017, the ticket reconciliation shows a difference of \$127 collected in excess of tickets sold, with no description of why the extra cash was received. At the game, car passes were sold at the gate for \$5 each and car pass income was not shown on the ticket reconciliation form. Car passes were not pre-numbered. All collections should be documented with pre-numbered tickets and reported on the ticket reconciliation report.

Principal's response.

I, Principal Fisher-Jackson, was not Principal at that time.

Current year status. See Finding 2 for the year ended June 30, 2018.

Finding 3. Audit testing of expenses indicated the following:

- A. Fifteen (15) instances of the invoice date preceding the check requisition date. One of the purposes of the check requisition is to obtain prior approval for a purchase. Chapter 8, Section II, 2 states "Purchases from internal funds must be authorized in writing by the Principal or designee."
- B. Two (2) checks written were for past due invoices.

Principal's response.

I, Principal Fisher-Jackson, was not principal at that time.

Current year status. See Finding 3 for the year ended June 30, 2018.

Finding 4. At June 30, 2017, the School's cash balance was \$15,222.20, an increase of \$5,126.29 from June 30, 2016. However, as described in Finding 5 below, accounts payable at June 30, 2017 totaled \$15,698.13 which encumbered all available cash at June 30, 2017. At June 30, 2016 the total athletic accounts had a negative cash balance of \$1,016.73, and at June 30, 2017, the total Athletic accounts increased to a positive \$1,191.00.

Principal's response. No response required.

Current year status. There were no negative account balances at June 30, 2018.

Finding 5. Chapter 8, Section II, 7, requires that the year-end payables be disclosed to the School Board. Due to the fact that the Internal Fund Accounts are reported on the cash basis of accounting, the accounts payable information is important in allowing the School Board to ascertain the true financial status of the School. At June 30, 2017 an accounts payable list was not provided from the School. Audit tests indicated that the School's accounts payable at June 30, 2017 appeared to include, but might not be limited to, the following:

Sam's Club	\$ 2,801.85
GTM Sportswear	931.40
Lifetouch Publishing from 2015	5,744.38
Lifetouch Yearbooks from 2017	<u>6,220.50</u>
Total Accounts Payable June 30, 2017	<u>\$15,698.13</u>

Principal's response.

I, Principal Fisher-Jackson, was not principal at that time. When Mrs. Ashmore met with me and Ms. Elias, documents were given to her at that time.

Current year status. See Finding 4 for the year ended June 30, 2018.

Finding 6. At June 30, 2016, the School had not written off bad checks (checks written to the School that did not clear the bank) in the amount of \$1,653.85. In September 2016 the school wrote down NSF checks to \$996.97. The entire uncollectible NSF check balance in the amount of \$996.97 was written off on October 6, 2017, with School Board approval.

Principal's response. No response required.

Current year status. The balance in NSF checks at June 30, 2018 was zero.

GADSDEN ELEMENTARY MAGNET SCHOOL

Finding 2. Audit testing indicated the following:

- A. Pre-numbered receipts (receipts book) were used for the year ended June 30, 2018. However, not all receipts were recorded in the receipts book. Chapter 8, Section III, 1.4a requires pre-number receipts be utilized for cash collections.
- B. Six (6) instances where deposits were not made in a timely manner.
- C. Some fundraising income was coded to a school recognition trust account.
- D. Two (2) Report of Monies collected were missing (see finding 4 below).
- E. Three (3) Report of Monies collected had only one signature.
- F. One (1) instance where the Report of Monies collected did not equal the deposit.

Principal's response.

We will exhaust all efforts to ensure the procedures outlined in the RedBook are followed.

Finding 3. Audit testing indicated the following:

- A. Six (6) instances where invoices were dated prior to the check requisition date. One of the purposes of the check requisition is to obtain prior approval for a purchase. Chapter 8, Section II, 2, states "Purchases from internal funds must be authorized in writing by the Principal or designee."
- B. Four (4) instances where invoices were not paid in a timely manner.
- C. Two (2) instance where an expense had no vendor invoice with back up documentation. In one instance a check was written to an individual for trip meal gift certificate/s with no back up documentation of who issued the certificate/s or the signature and date of who received the certificate/s.
- D. One (1) instance where the school was charged an overdraft fee for insufficient funds to cover a check written by the school.

Principal's response.

We will review our procedures and make the necessary adjustments to ensure we are in compliance with RedBook procedures.

Finding 4. Audit testing also indicated:

- A. The school had a decrease in internal funds income in the amount of approximately 19% for the year ended June 30, 2018.
- B. In February 2018, according to School staff, the Office Manager took school files home to work on and a bank deposit to drop off. The bank was closed and the deposit and prior month documents were stolen from the home of the Office Manager, who was required to replace the stolen funds.

Principal's response.

- A. We had fewer expenses this year.
- B. The Office Manager left to make the deposit on a Friday. After a delayed parent pick-up at her kid's school she missed the closing time at the bank.

Prior year status.

Finding 1. The primary weakness in internal control is one for which no immediate practicable solution is available. The size of the School's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that irregularities will not go undetected for long periods of time. This situation dictates that the Principal remains involved in the financial affairs of the School to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help ensure that daily functions are performed in the event of personnel change or illness. The Auditor recommends at least 3 authorized signers on the bank account for the reasons listed above.

Principal's response. No response required.

Current year status. See Finding 1 for the year ended June 30, 2018.

Finding 2. Audit testing indicated the following:

- A. No pre-numbered receipts (receipts book) were used for the year ended June 30, 2017. Chapter 8, Section III, 1.4a requires pre-number receipts be utilized for cash collections.
- B. Two (2) instances where deposits were not made in a timely manner.

Principal's response.

We will make every effort to make deposits in a timely manner. Pre-numbered receipts will be used to maintain accurate reporting practices.

Current year status. See Finding 2 for the year ended June 30, 2018.

Finding 3. Audit testing indicated the following:

- A. Fifteen (15) instances where invoices were dated prior to the check requisition date. One of the purposes of the check requisition is to obtain prior approval for a purchase. Chapter 8, Section II, 2, states "Purchases from internal funds must be authorized in writing by the Principal or designee."
- B. Two (2) instances where invoices were not paid in a timely manner.
- C. One (1) instance where an expense had no vendor invoice with back up documentation.

Principal's response.

If possible, all checks will be written after the requisition has been submitted. The principal will monitor the monthly report closer as well as check requisitions to make sure the proper documentation is attached.

Current year status. See Finding 3 for the year ended June 30, 2018.

GADSDEN TECHNICAL INSTITUTE

Finding 2. Our audit indicated the following for the year ended June 30, 2018:

A. Trust tuition received for different classes, were recorded in a Manatee account titled Student Fees.

B. The school’s Report of Monies Collected (RMC) form was not the same form used at other schools and did not have a space for signature dates or the Manatee cross reference numbers. This meant it was not possible to tell if the deposits were made in a timely manner from the Report of Monies Collected forms. Also, our audit indicated that Reports of Monies Collected were not prepared for credit card receipts. GTI began using a revised RMC form which included dates after June 30, 2018

C. Improvement was noted in that after September 30, 2017, it appears that the student fees collected were submitted to the District in a timely manner. However, as indicated below, our audit of the Trust Fund accounts indicated the School spent trust funds for the period July 1, 2017 through September 30, 2017, from the tuition and fees due to the District. These expenditures appear not to be allowable. Chapter 8, Section III, 2.4(b) states, in part that “Trust funds shall be expended only for the purpose for which collected...”. The purpose of these Trust Fund accounts was to account for the tuition and fees collected for the District. The School would have needed the District’s approval to expend any of the Trust Funds collected for Tuition and Fees and due to the District.

All student fees owed to the GCSB were forgiven through June 30, 2016. Trust student fees due to the District per Manatee general ledger at June 30, 2018 were zero (0). However, student fees used for unauthorized expenses, transfers out or income coded to the wrong account after June 30, 2016 were not forgiven as of the audit date. They consist of the following:

Year ended June 30, 2017	tuition miss-coded	\$ 1,433.00
	unauthorized expenses	16,343.84
Year ended June 30, 2018	tuition miscoded	\$ 2,880.71
	unauthorized expenses	2,914.13
	transfers out	<u>3,532.27</u>
	Due to GCSB at June 30, 2018 before coding correction	<u><u>\$27,103.95</u></u>

This amount does not include the amount due from coding errors, if any, described in D. below.

D. There were several deposits which were for large amounts when compared to the other fees recorded to non-trust accounts. Because student account summaries were not traceable to Manatee with information provided at this date, the auditor could not trace these amounts to student account summaries to determine if coding was proper. These revenues involved student fees, and totaled \$8,660.63.

Director’s response. These were fees that were given to PN as was done in the past. We were not receiving Pell at this time.

Finding 3. Audit tests of expenditures indicated:

A. Eight (8) instances where the invoice date preceded the check requisition approval date. The School uses two different forms of check requisitions. Audit testing included looking at both the internal and standard check requisitions and using the most advantageous approval signature date for the School and comparing it to the invoice date. One of the purposes of the check requisition is to obtain prior approval for a purchase. Chapter 8, Section II, 2. states "Purchases from internal funds must be authorized in writing by the principal (director) or designee." Section III 3.2a Responsibility, states "A signed commitment from the principal (director) or designee must be on file before any purchase is made.

Director's response.

Check requisitions are written before expenses are made. The majority of check requisitions are given in July of the current year for all shops.

Finding 4. Audit tests indicated that the School's cash balance has been steadily declining for the past four years as indicated below:

At June 30, 2015	\$ 61,000.11
At June 30, 2016	\$ 44,537.30
At June 30, 2017	\$ 39,131.80
At June 30, 2018	\$ 27,975.40
At Sept. 30, 2018	\$ 19,535.45

Director's response.

Adult student enrollment decreased.

Finding 5. It appears that for the year ended June 30, 2018 perpetual accounts receivable records were not kept and/or were not available for audit.

A. The school kept Student Account Summaries by student, but amounts due for tuition and/or tuition reimbursements were not cross referenced to the Manatee general ledger records and could not be traced into them. Manatee is kept on the cash basis and no perpetual record of student account summary information that reflects accounts receivable (amounts owed to GTI by students) was available. We requested but were not provided with documentation cross referencing the Student Account Summaries (monies collected) with the Manatee Ledgers (monies recorded).

B. QuickBooks and Excel accounts receivable and student fee tuition records for the year ended June 30, 2017 were not brought forward to the year ended June 30, 2018.

C. According to information provided by the School, there were no accounts receivables at June 30, 2018. However, our subsequent review indicated there were at least \$6,123.40 in accounts receivable. The auditor requested but was not provided confirmation of grants passed through to GTI from the District.

Director's response.

- A. The student account ledgers will be cross referenced with a Manatee number in the future.
- B. The student account ledgers will be cross referenced with a Manatee number in the future.
- C. All accounts were paid out June 30, 2018.

Finding 6. Although improvement was noted during the year, audit tests indicated that account classification coding issues were again noted for the year ended June 30, 2018. The account classification coding issues noted in our prior audit that affected the current year, were not corrected in the financial statement for the year ended June 30, 2018.

These errors are described below:

On July 6, 2017, the GCSB returned \$17,571.71 to GTI to cover current bill payments. This money was deposited into GTI's Office Account as Tuition Income. GTI wrote checks out of the Office Account for the expense instead of coding the expenses to the proper expense categories such as advertising or contract labor. Funds returned to the School from the District should be credited to a separate account to avoid overstating tuition revenue or other income. Also, the expenses should be recorded in the proper expense account, such as advertising or contract labor. Of the \$17,571.71, GTI expended \$8,450.00 of the funds to pay bills. GTI returned \$9,121.71 to the District representing the funds not expended. However, GTI charged \$6,241.00 to non-trust account No. A0011.00, Office Account and \$2,880.71 to trust account No.C0104.00, Student Fees. Recording the \$2,880.71 to Student Fees effectively and improperly reduces the amount of funds due to the District.

Some student fees collected by GTI are remitted to the District and then returned back to GTI to pay bills. These fees are not broken out in the General Ledger and may cause revenue to be overstated. The total of revenue recorded twice is unknown at this date.

Director's response.

GTI will do better next year. Coded incorrectly. Working on a chart of accounts to correct the process for the 2018-2019 year and subsequent years.

Finding 7. Chapter 8, Section III, 1.3b indicates the principal (director) is responsible for all financial transactions and proper check signatures. Chapter 8, Section III 1.3a, indicates, "All checks must be signed with two signatures....." For the year ended June 30, 2018, seven (7) checks cleared the bank without 2 authorizing signatures. Only the office manager signed the checks.

Director's response.

The 8 checks identified were oversights. GTI will ensure all checks have 2 signatures.

Finding 8. A bank account was opened after June 30, 2017. The School also began receiving the Pell Grant. This account and the Pell Grant are accounted for at the District level and are not included in the internal funds audit performed by Ashmore and Ashmore, P.A., C.P.A.s and are not included in subsequent review.

Director response.
We agree. This is correct.

Prior year status.

Finding 1. The primary weakness in the internal control is one for which no immediate practicable solution is available. The size of the School’s staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance irregularities will not go undetected for long periods of time. This situation dictates that the Director remains involved in the financial affairs of the School to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help ensure that daily functions are performed in the event of personnel change or illness.

Director’s response: No response required.

Current year status. Status remains the same.

Finding 2. Our audit indicated the following for the year ended June 30, 2017:
A. Tuition received for different classes, such as LPN, Carpentry and other classes were recorded in a Manatee account titled Student Fees. The totals for each class were not available for reporting to the District when remitting the Trust Fund fees collected. Also, Report of Monies Collected were not prepared for credit card receipts.

B. According to documentation received from the District, the Gadsden County School Board forgave tuition Trust fees due to the District as of June 30, 2016.

Trust fund tuition fees due to the district and forgiven:

Total Due to District as of June 30, 2016	\$50,945.32
Forgiveness of debt to District at June 30, 2016	<u>50,945.32</u>
Due to the District at June 30, 2016	<u>\$ 0</u>

C. Total balance due to District (Per General Ledger) at June 30, 2017:

	<u>Student fees</u>	<u>Adult Ed.</u>	<u>Total</u>
Student fees beginning balance due to GCSB	\$13,885.26	\$ 1,089.81	\$14,975.07
Student tuition income/adj./transfers	54,775.37	1,230.00	56,005.37
Checks written/adj./transfers	<u>-58,519.05</u>	<u>-2,260.52</u>	<u>-60,779.57</u>
Student fees Balance due to GCSB at June 30, 2017	<u>\$10,141.58</u>	<u>\$ 59.29</u>	<u>\$10,200.87</u>

Corrections to student fees trust balance due to GCSB:

Student Fee trust due to GCSB at June 30, 2017, per General Ledger	\$10,141.58
Adult Education trust due to GCSB at June 30, 2017, per General Ledger	<u>59.29</u>
Total due to GCSB per General Ledger at June 30, 2017	10,200.87
Student Fees trust tuition coded to non-trust account (Finding 7B)	1,433.00
Unauthorized expenses from student fee accounts	<u>16,343.84</u>
Total due to GCSB for the year ended June 30, 2017 – Per Audit	\$27,977.71
Student fees paid to District July 1, 2017 – September 30, 2017	-14,438.00
Expenditures made from Trust Funds July 1, 2017 to September 30, 2017	8,464.11
Student fees collected July 1, 2017 to September 30, 2017	<u>25,151.56</u>
Trust Student fees due to the District at September 30, 2017, per audit	<u>\$47,155.38</u>

D. As indicated in Finding 2C above, our audit of the Trust Fund accounts indicated the School spent trust funds during the year ended June 30, 2017, and for the period July 1, 2017 through September 30, 2017, from the tuition and fees due to the District. These expenditures appear not to be allowable. Chapter 8, Section III, 2.4(b) states, in part that “Trust funds shall be expended only for the purpose for which collected...”. The purpose of these Trust Fund accounts was to account for the tuition and fees collected for the District. The School would have needed the District’s approval to expend any of the Trust Funds collected for Tuition and Fees and due to the District.

E. Documents found with the GCSB minutes of the meeting on May 23, 2017 indicated that fees would be submitted to the district at the end of each semester and the school will submit requisitions, not to exceed the amount of fees submitted, to cover necessary school and program expenses. However, it appears the school continued to use money out of the student fees trust account through September 30, 2017, instead of submitting requisitions to the District.

F. Through September 30, 2017 it appears that the fees collected were not submitted to the District in a timely manner.

Director’s response. A check for fees submitted for the 2016/17 Spring Semester was returned to the school to cover end-of-the-year pending expenses in a timely manner. To my knowledge, as of the 2016/17 school year, any fee expenditures made at the site level, were made with the consent from the district budget office to ensure that site operations and instructional needs were met in a timely manner. GTI will continue to work with the finance office to provide fees in a timely manner and to meet the financial obligations of the school.

District’s response. The District concurs with the auditor’s findings that trust funds were used for expenditures that are not allowable pursuant to the Florida Department of Education’s *Financial and Program Cost Accounting and Reporting for Florida Schools*. Documentation is available that indicates that fees were not submitted in accordance with

the directive at the May 23, 2017, Board meeting. Attached is a copy of a check dated June 15, 2017, for fees – 24 days after the Board action requiring this information. In addition, at December 11, 2017, the fees collected are still not submitted to the district in a timely manner.

Current year status. Some improvement was noted for the year ended June 30, 2018. See current year Finding 2.

Finding 3. Audit tests of expenditures indicated:

- A. Seven (7) instances where the invoice date preceded the check requisition approval date. The School uses two different forms of check requisitions. Audit testing included looking at both the internal and standard check requisitions and using the most advantageous approval signature date for the School and comparing it to the invoice date. One of the purposes of the check requisition is to obtain prior approval for a purchase. Chapter 8, Section II, 2. states “Purchases from internal funds must be authorized in writing by the principal (director) or designee.” Section III 3.2a Responsibility, states “A signed commitment from the principal (director) or designee must be on file before any purchase is made.
- B. Four (4) instances where invoices were paid past due.
- C. Two (2) instances where sales tax was paid on an invoice when the School is exempt.

Director’s response. Late payments were the result of delayed processing by the finance office. GTI will continue to work to avoid the following:

- Initiating invoices before requisition approvals.
- Late payment of invoices.
- Paying exempt sales taxes.

District’s response. The District acknowledges the accuracy of the auditor’s findings.

Current year status. See current year Finding 3.

Finding 4. Chapter 8, Section II, 7, requires that the year-end payables be disclosed to the School Board. Audit tests indicated that the School did not maintain a list of accounts payable at the end of year. As stated in Finding 2.B. above, audit tests indicated the School appeared to have owed the District at June 30, 2017, a total of \$27,977.71 in Trust Fund fees. Due to the fact that the Internal Fund Accounts are reported on the cash basis of accounting, the accounts payable information is important in allowing the School Board to ascertain the true financial status of the School.

Director’s response. GTI does not have a trained accounting professional on site to do the kind of accounting procedures that Ashmore and Ashmore are requiring. To help mediate the accounting needs of a post-secondary institution that collects enrollment fees, the Budget Director is providing additional support to the GTI campus.

District's response. The District concurs with the auditor's findings that the year-end payables for GTI are understated due to the lack of a list of accounts payable.

Current year status. See Finding 2C for the year ended June 30, 2018.

Finding 5. Audit tests indicated that the School's cash balance has been steadily declining for the past five years as indicated below:

At June 30, 2013	\$153,216.69
At June 30, 2014	\$ 81,456.66
At June 30, 2015	\$ 61,000.11
At June 30, 2016	\$ 44,537.30
At June 30, 2017	\$ 39,131.80
At Sept. 30, 2017	\$ 45,770.64

Although the reconciled cash balance increased after June 30, 2017, it was largely due to the GCSB returning \$17,571.71 in tuition (student fees) back to the School in July 2017 in order to assist the School in paying bills. After taking into account the Trust Fund fees totaling \$47,155.38 due to the District at September 30, 2017, the School had an encumbered cash balance of \$-1,384.74.

Director's response. The decline in cash balance from 2013 to date is due to a decline in resources available to potential students to pay for enrollment at GTI. This is a result of changes in Florida Statutes that affected how Career Source Florida approves workforce education grants to students. Fewer students are being approved for career education funding via Career Source Capital Region. To mediate the impact of decreased Career Source funding, GTI obtained post-secondary accreditation and applied for and received approval to process PELL grants for qualified students.

District's response. The District is concerned about the decline in the cash balance by year at GTI. The School Board is planning to have a workshop in January, 2018, to review the financial status of GTI.

Current year status. See current year Finding 5.

Finding 6. For the year ended June 30, 2017 accounts receivable records were not auditable.

A. At a meeting at the School on October 4, 2017, after the QuickBooks accounts receivable records for the school were shown and discussed with the Director and Office Manager, the Director wrote "This report was reviewed with me. It was clear documentation entered in QuickBooks was done incorrectly because the staff responsible for accounts receivable has not had training in QuickBooks but can provide info in another format." The auditor, at that time, was informed that the school kept excel records on tuition billed, received, refunded and balance due. After the October 4, 2017 meeting at the School, Excel records were provided to the auditor. By contract, financial records related to the audit for the year ended June 30, 2017 were due on August 1, 2017.

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B. Excel records received were also not auditable and school staff responsible for accounts receivable wrote: "I agree that my records should not be a part of the audit process. I am not a trained accountant or bookkeeper. My roll with regards to collecting fees is simply to collect monies turned into me and remit them to the Office Manager who maintains the official financial records for this institution."

The School has indicated that the Excel and QuickBooks records they prepared should not be included in the audit and indicated that the auditors agree to that. The auditors do not agree. All records must be included in the audit. At the meeting at the School on October 4, 2017, the auditors told the school Director, with District staff present, that the accounts receivable records could not be excluded from the audit. Exclusion of any records or other information from the audit can result in a scope limitation and disclaimer of opinion for the audit.

C. Excel accounts receivable records deficiencies included but were not limited to the following examples:

1. There are no headings on the lists. (Subsequent lists provided had headings added).
2. There are no dates of entry or class dates on any of the lists (no dates of receipts and refunds).
3. There are no totals per class.
4. There are no cross reference numbers to Manatee or QuickBooks.
5. There are no cross reference numbers to the receipts books.
6. There are no cross references to deposit dates.
7. There are no cross reference numbers to refund/reimbursement checks.
8. No indication of the disposition of balances due.
9. Balances carried forward a semester did not always agree with prior balance, balances not being carried forward from prior year or period and no explanations of why balances were not carried forward.

The Excel lists are not auditable or traceable to Manatee or QuickBooks for the reasons stated above. Questionable balances and possible errors included but are not limited to the items listed below:

1. Balances for students that stopped attending.
2. Balance not traceable to subsequent quarter.
3. Balance does not cross foot to proper balance.
4. Three (3) student accounts receivable records had tuition balances due for students that the school indicated withdrew, which totaled \$10,282.08 and no explanation of withdrawal was indicated. The memo line was blank.
5. VA payment receivable was not in the balance due column.

QuickBooks accounts receivable (A/R) records deficiencies include but are not limited to the following examples:

1. GTI indicated that students were reimbursed for owed amounts but A/R were not adjusted and how, when and with what check number the students were reimbursed was not indicated.

Total unadjusted negative balances at June 30, 2017 involving 8 students was \$-3,528.00. Negative A/R balances at June 30, 2017 over 1 year old involving 6 students were \$-1,908.00.

Amounts GTI owes to others (students) should be classified as Accounts Payable (A/P) not negative Accounts Receivable.

2. Old positive balances where students allegedly withdrew, some over one year old. Positive balances at June 30, 2017 involving 29 students was \$14,261.11, of them 11 students were over 1 year old, totaling \$3,774.77.

3. It appears that no corrections or adjustments were made to A/R for the year ended June 30, 2017.

4. An uncorrected \$-900.00 error for one student.

D. School staff responsible for accounts receivable wrote: "GTI does not have resources to collected balances due from students; however, students owing money may be prevented from enrolling in the subsequent semester."

As far as the auditor could determine, there were no accounts receivables records brought forward from year to year in a way that would allow the school to determine if a prior student owes the School money.

E. Subsequent review indicated the following amounts were received after June 30, 2017 for classes provided before June 30, 2017:

Career Source received October 2, 2017	\$ 5,692.08
FSAGCE	unknown
Rural & Sparsely received August 15, 2017	<u>15,183.00</u>
Estimated accounts receivable (grants only)	<u>\$20,875.08</u>

Accounts receivable per QuickBooks at June 30, 2017	\$10,733.11
Accounts receivable per Excel at June 30, 2017 (determined by adding excel spreadsheet balances provided by the School).	\$29,478.82

F. It appears accounts receivable records were not reviewed and corrected on a monthly basis. The auditor recommends accounts receivable records get the same review as Manatee records with printouts, signatures and dates on a monthly basis. The auditor recommends that the person in charge of accounts receivable not be in charge of collecting cash and other revenue.

Director's response. GTI does not have a trained accounting professional on site to do the kind of accounting procedures that Ashmore and Ashmore are requiring. To help mediate the accounting needs of a post-secondary institution that collects enrollment fees, the Budget Director is providing additional support to the GTI campus.

District's response. The District acknowledges the fact that for the year ended June 30,

2017, the accounting records are insufficient. For the 2017-2018 fiscal year, staff from the Finance Department are involved in establishing processes and procedures to record student data information in profiles that will indicate the program(s) in which the student is enrolled, the various funding sources, and the amount due by the student. The recommended processes and procedures include a reorganization of bookkeeping duties.

Current year status. The Excel spreadsheets and QuickBooks were discontinued for the year ended June 30, 2018. No auditable replacement to these accounting records was provided. See Finding 6 for the year ended June 30, 2018.

Finding 7. Accounts classifications issues were noted for the year ended June 30, 2017 and in subsequent review after June 30, 2017 as follows:

A. Expenses paid from trust tuition student fees without proper authorization and contract labor not paid from a contract labor account include but may not be limited to: Three (3) CDL instructors were paid \$4,000.00 out of student fees trust account on December 15, 2016.

B. As noted in Finding 2C, Trust tuition student fees that may have been classified to a non-trust account in the General Ledger include, but are not limited to \$1,433.00.

C. On July 6, 2017, the GCSB returned \$17,571.71 to GTI to cover current bill payments. This money was deposited into GTI's Office Account as Tuition Income. GTI wrote checks out of the Office Account for the expense instead of coding the expenses to the proper expense categories such as advertising or contract labor. Funds returned to the School should be credited to a separate account to avoid overstating tuition revenue or other income. Also, the expenses should be recorded in the proper expense account, such as advertising or contract labor.

GTI expended \$8,450.00 of the funds to pay bills. GTI returned \$9,121.71 to the District for the funds not expended. However, GTI charged \$6,241.00 to non-trust account No. A0011.00, Office Account and \$2,880.71 to trust account No.C0104.00, Student Fees. Recording the \$2,880.71 to Student Fees effectively and improperly reduces the amount of funds due to the District.

Account classification issues were not corrected in the financial statement for the year ended June 30, 2017.

Director's response. GTI does not have a trained accounting professional on site to do the kind of accounting procedures that Ashmore & Ashmore are requiring. To help mediate the accounting needs of a post-secondary institution that collects enrollment fees, the Budget Director is providing additional support to the GTI campus.

District's response. The District acknowledges the account classification issues noted in the audit and is seeking solutions to these issues.

Current year status. See Finding 7 for the year ended June 30, 2018.

Finding 8. Per discussion with the District and School on October 4, 2017, contract labor in the form of class instructors was not approved by the District as required.

Director's response. The Director worked with the current Superintendent to change this process.

District's response. The District instructed the personnel at GTI that all class instructors at GTI must be paid through payroll and be subject to the required payroll taxes.

Current year status. Improvement was noted. No new instances were found for the year ended June 30, 2018.

Finding 9. The School takes out administration and other fees when students sign up for classes. The school began taking 10% of total trust tuition per the general ledger before remitting the tuition collected to the District. The District has indicated that this is not approved or allowed. No documentation approving or allowing the extra 10% of trust tuition to be kept at the School level has been provided to the auditor. That 10% has been added back to the student fees due to the District total.

Director's response. The 10% deduction is consistent with previous years' practice, as established by the previous director and the previous Superintendent.

District's response. The District will ensure that any unauthorized administrative fees will not be removed from the student fees owed to the District.

Current year status. Improvement was noted. The school discontinued reduction of the amount of tuition owed to the District with the 10% computation, during the year ended June 30, 2018.

Finding 10. With documents provided by the School, the Auditor could not determine the number of students that attended the School and completed classes and how much tuition should have been collected for the year ended June 30, 2017. The District nor the School could provide a head count (the number of students that completed each class) and an auditable list of those who paid tuition and who was exempt.

Director's response. Please see attached excel spreadsheets that was used by GTI staff (not trained in accounting and bookkeeping) to track student enrollment and fee payment. The spreadsheet contains the following:

- Fall 2016 Student Enrollment and Summary of Fees
- Spring 2017 Student Enrollment and Summary of Fees
- Summer 2017 Student Enrollment and Summary of Fees

- Adult General Education Fee Summary
- Automotive Fee Summary
- Carpentry Fee Summary
- CDL Fee Summary
- Drafting Fee Summary
- Facials Fee Summary
- LPN Fee Summary
- Nails Fee Summary
- Pharmacy Fee Summary
- Power Equipment Fee Summary
- Welding Fee Summary

Some students with Disabilities, high school students, and homeless students are exempt from paying fees. Students who cannot meet the fee requirement often dropout. GTI does not currently have the resources to collect defaulted fees and for accreditation purposes must balance removing a student from a program due to the lack of payment with allowing the student to continue so that the program meets its completion requirement for accreditation.

GTI does not have a trained accounting professional on site to do the kind of accounting procedures that Ashmore & Ashmore are requiring. To help mediate the accounting needs of a post-secondary institution that collects enrollment fees, the Budget Director is providing additional support to the GTI campus.

District response. The District acknowledges that the number of students that attended the School and completed the classes with the related tuition eligibility were not available.

Current year status. Improvement was noted. The school provided documentation of the number of students attending classes.

Finding 11. Chapter 8, Section III, 1.3b indicates the principal (director) is responsible for all financial transactions and proper check signatures. Chapter 8, Section III 1.3a, indicates, "All checks must be signed with two signatures...." During subsequent review for the year ended June 30, 2017, four (4) canceled checks cleared the bank without 2 authorizing signatures. Only the office manager signed the checks.

Director's response. GTI will work to ensure that all checks are also signed by the director or a designee.

District's response. The District will work with GTI to ensure that all checks are properly signed by two authorized employees.

Current year status. See Finding 7 for the year ended June 30, 2018.

Finding 12. During subsequent review it was noticed a new bank account was opened after June 30, 2017. The School also began receiving the Pell Grant. This account and the Pell Grant are accounted for at the District level and are not included in the internal funds audit performed by Ashmore and Ashmore, P.A., C.P.A.s and is not included in subsequent review.

Director response. Yes.

District response. The District's Finance Department personnel are 100% responsible for the financial accounting in the federal funds account for PELL.

Current year status. See Finding 8 for the year ended June 30, 2018.

Finding 13. Going concern. See Finding 5 on declining cash balance and Finding 2B on student fees trust funds due to the District. The decline in revenues and cash balance could present a going concern problem for the School.

Director's response. The decline in cash balance from 2013 to date is due to a decline in resources available to potential students to pay for enrollment at GTI. This is a result of changes in Florida Statutes that affected how Career Source Florida approves workforce education grants to students and increases in the amount that students must pay for post-secondary clock hours. Fewer students are being approved for career education funding via Career Source Capital Region due to changes in Career Source funding procedures to meet statute requirements. To mediate the impact of decreased Career Source funding, GTI obtained post-secondary accreditation and applied for and received approval to process PELL grants for qualified students.

District response. The District is concerned about the declining cash balance and the reduced student fees due to the District. During the 2017-2018 fiscal year, GTI and the District implemented the use of PELL grants to enhance the financial viability of enrollment at the school. The District is seeking sustainable solutions to the funding challenges at GTI. The District acknowledges the issues regarding the return on investment at GTI.

Current year status. See Finding 9 for the year ended June 30, 2018.

GEORGE W. MUNROE ELEMENTARY SCHOOL

Finding 2. Audit tests of revenue indicated:

- A. Nine (9) instances where a RMC did not foot properly and five (5) instances where the RMCs were not signed by two people. RMCs should have the signature of the individual presenting the funds collected and the individual receiving them.

- B. Pre-numbered receipt book supplied by the District was not used to document all receipts. Chapter 8, Section II.3 requires that District approved pre-numbered receipt forms be used as the means of recording cash received, and the basis for entries to the accounting records. The new office manager/bookkeeper began keeping a receipts book subsequent to June 30, 2018. Receipt numbers should be cross referenced to Manatee in the space provided on the Report of Monies Collected.
- C. Four (4) instances where a deposit was not made within 5 days as required by RedBook.

Principal's response.

We had a transition going on during the summer of 2018. The new bookkeeper will make timely deposits.

Finding 3. Audit tests of expenses indicated:

- A. Nine (9) instances of the invoice date preceding the check requisition date. One of the purposes of the check requisition is to obtain prior approval for a purchase. Chapter 8, Section II, 2. states "Purchases from internal funds must be authorized in writing by the principal or designee."
- B. Two (2) instances where expenses for staff/teachers were not taken from a staff/teacher account.

Principal's response.

No response received.

Finding 4. There was a decrease in total revenue earned from the year ended June 30, 2017 to the year ended June 30, 2018 in the amount of \$25,445.92. The Principal started at the school on July 1, 2017.

Principal's response.

Principal decreased fundraising to focus on academics and school grade. School grade went from F to A, however, the amount of money generated was a lot lower from last year.

Prior year status.

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the School's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation dictates that the Principal remain involved in the financial affairs of the organization to provide oversight and independent review functions and should sign and date the monthly bank reconciliations and bank statements to document timely review. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness.

Principal's response. No response required.

Current year status. See Finding 1 for the year ended June 30, 2018.

Finding 2. Audit tests of revenue indicated:

- A. One (1) instance where a RMC was not found and two (2) instances where the RMCs were not signed by two people. RMCs should have the signature of the individual presenting the funds collected and the individual receiving them.
- B. Pre-numbered receipt book supplied by the District was not used to document all receipts. Chapter 8, Section II.3 requires that District approved pre-numbered receipt forms be used as the means of recording cash received, and the basis for entries to the accounting records.

Principal's response.
I was not Principal at the time.

Current year status. See Finding 2 for the year ended June 30, 2018.

Finding 3. Audit tests of expenses indicated:

- A. One (1) instance was noted where an expenditure did not include adequate back up documentation such as an invoice and/or check requisition.
- B. Seven (7) instances of the invoice date preceding the check requisition date. One of the purposes of the check requisition is to obtain prior approval for a purchase. Chapter 8, Section II, 2. states "Purchases from internal funds must be authorized in writing by the principal or designee."
- C. One (1) instance where a canceled check cleared the bank with one authorizing signature instead of two as required.
- D. Back up documentation for incentive related gift cards did not have a list including signatures and dates of the people receiving them.

Principal's response.
I was not Principal at the time.

Current year status. See Finding 3 for the year ended June 30, 2018.

GREENSBORO ELEMENTARY SCHOOL

Finding 2. In general, audit tests indicated that monies collected appeared to be properly recorded and deposited.

Principal's response. No response required.

Finding 3. In general, audit tests indicated that expenditures appeared to be appropriate and properly recorded. However, the following was noted:

- A. The school did not have recipients sign and date for incentive related gifts.

- B. Twenty six (26) instances where the invoice date preceded the check requisition date. One of the purposes of the check requisition is to obtain prior approval for a purchase. Chapter 8, Section II, 2. states "Purchases from internal funds must be authorized in writing by the Principal or designee." Accordingly, we recommend that all purchases be authorized by a check requisition prior to the purchase being made.

Principal's Response.

- A. We will make a concentrated effort to keep receipts of incentives and gifts.
- B. We will try to make sure requisitions proceed checks with authorized signatures.

Finding 4. The Auditor recommends that the School use a teacher or staff account for staff and teacher expenses and that the School utilize separate accounts when accounting for revenue and expenses associated with snack sales and staff appreciation. Chapter 8, Section III, 2.5(b), states "Separate accounts shall be maintained for activities such as the school store and other activities when it is good business practice to separately monitor the financial status of the activity".

Principal's Response.

We will make every effort to use separate accounts for different events.

Prior year status.

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the school's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation dictates that the Principal remain involved in the financial affairs of the organization to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness.

Principal's Response: No response required.

Current year status. See Finding 1 for the year ended June 30, 2018.

Finding 2. In general, audit tests indicated that monies collected appeared to be properly recorded and deposited. However, one (1) Report of Monies Collected had only one signature. The Teacher or Sponsor remitting the funds and the person receiving the funds should both sign the Form.

Principal's response.

In the future we will make sure all signatures are present.

Current year status. This Finding did not apply to the year ended June 30, 2018.

Finding 3. In general, audit tests indicated that expenditures appeared to be appropriate and properly recorded. However, the following was noted:

- A. The school did not have recipients sign and date for incentive related gift cards.
- B. The School paid \$108.00 in sales tax, the invoice was made out to an individual instead of Greensboro Elementary School and the School's tax exempt status was not used.

Principal's Response.

- A. We'll make a greater effort to get all gift cards signed for by recipient.
- B. We will work hard to ensure all future items are purchased with tax ID number.

Current year status. See current year Finding 3A. No payments of exempt tax were noted for the year ended June 30, 2018.

Finding 4. The Auditor recommends that the School use a teacher or staff account for staff and teacher expenses and that the School utilize separate accounts when accounting for revenue and expenses associated with snack sales and staff appreciation. Chapter 8, Section III, 2.5(b), states "Separate accounts shall be maintained for activities such as the school store and other activities when it is good business practice to separately monitor the financial status of the activity".

Principal's Response.

- A. Different accounts will be used to separate income by what it will be used for.

Current year status. See Finding 4 for the year ended June 30, 2018.

HAVANA MAGNET SCHOOL

Finding 2. Audit testing of receipts indicated six (6) instances of the deposit date preceding the Report of Monies collected date.

Principal's response.

The principal will ensure proper procedures are adhered to regarding this matter.

Finding 3. In general, audit tests indicated expenditures appeared to be reasonable and adequately documented. However, audit testing noted:

- A. Eight (8) instances of the invoice date preceding the check requisition date. One of the purposes of the check requisition is to obtain prior approval for a purchase. Chapter 8, Section II, 2. states "Purchases from internal funds must be authorized in writing by the Principal or designee."
- B. Three (3) instances where an invoice was not found with back up documentation.
- C. Expenses for fundraisers and staff appreciation were taken out of the general accounts instead of fundraiser accounts or staff accounts.

Principal's response.

The principal will ensure proper procedures are adhered to regarding this matter.

Findings 4. Although the cash balance was \$35,599.45 at June 30, 2018, the cash balance decreased by \$10,549.58 and revenue decreased by \$32,426.29 from the prior fiscal year.

Principal's response. HMS decreased the amount of fundraising during the 2017-2018 school year.

Prior year status.

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the school's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation dictates that the Principal remain involved in the financial affairs of the organization to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness.

Principal's response. No response required.

Current year status. See Finding 1 for the year ended June 30, 2018.

Finding 2. Audit testing of receipts/revenue indicated the following:

- A. Four (4) times the Report of Monies Collected were not completed with two signatures and RMC forms did not have signature date lines.
- B. Game ticket reconciliation did not reconcile/foot properly and had only one (1) signature.
- C. Two (2) times RMCs did not foot properly and one (1) instance where the RMC indicated that \$1,199.94 more was collected than was deposited and there was no explanation for the difference.

Principal's response.

Memorandum from office manager.

After being informed of an imbalance on our Report of Monies Collected Forms (RMC) during the school year 2017, I've investigated the matter and the findings are as follows: To my recollection, the deadline for the contestants was 12pm. I was informed of the deadline in an untimely manner and continued to collect funds from parents beyond the deadline of 12pm. As a result, the funds were given back to parents, and the RMC form was not adjusted. I apologize for any inconvenience this may have caused, but rest assured this will not happen again.

Current year status. See Finding 2 for the year ended June 30, 2018.

Finding 3. In general, audit tests indicated expenditures appeared to be reasonable and adequately documented. However, audit testing noted:

- A. Nineteen (19) instances of the invoice date preceding check requisition date. One of the purposes of the check requisition is to obtain prior approval for a purchase. Chapter 8, Section II, 2. states "Purchases from internal funds must be authorized in writing by the Principal or designee."
- B. Three (3) instances where the invoice did not equal the check written.
- C. Expenses for fundraisers and staff appreciation were taken out of the general accounts instead of staff expense and fundraiser accounts or a staff account.
- D. Three (3) times sales tax was paid, when the School is exempt.
- E. One check requisition had only one signature.

Principal's response.

Always get written and verbal approval prior to making purchases. Acknowledge all findings.

Current year status. See Finding 3 for the year ended June 30, 2018.

Finding 4. Manatee software, including general ledger for the year ended June 30, 2017, was not available for examination, apparently due to archiving the year instead of backing it up while closing out the year end. The Auditor used monthly print outs of general ledgers, cash receipts, disbursements and adjustments to obtain reasonable assurance that the financial statements were materially correct.

Principal's response.

Acknowledge all findings – will correct accordingly.

Current year status. This finding does not apply to the year ended June 30, 2018.

JAMES A SHANKS MIDDLE SCHOOL

Finding 2. Audit testing of revenue indicated:

- A. The School did not use pre-numbered receipt forms provided by the District as required by Chapter 8, Section II-3.
- B. The Report of Monies Collected (RMC) form was not the standard form used by the other Schools and did not provide space for a Receipt and Manatee cross reference number. This resulted in RMCs not being cross reference in Manatee.
- C. The RMC form used did not include a space for the signature dates, which would help indicate that the RMC was prepared in a timely manner. This meant it could not be determined whether deposits were timely and made within five days as required by Chapter 8, Section III, 1.4c.
- D. Eight (8) RMCs had only one or no signatures where 2 are required.
- E. Two (2) instances where no ticket reconciliation was found with ticket sales receipts/deposit.
- F. Two (2) deposits did not equal the RMC and the difference was not reconciled.
- G. Four (4) instances where no RMC was found.

Principal's response.

I did not serve as JASMS principal for the 2017-2018 school year. Moving forward, our Office Manager will work to resolve the conflicts with our Report of Monies Collected (RMC).

Finding 3. Audit tests indicated:

A. Eighteen (18) instances of the invoice date preceding the check requisition date. One of the purposes of the check requisition is to obtain prior written approval for a purchase. Chapter 8, Section II, 2. states "Purchases from internal funds must be authorized in writing by the principal or designee."

B. Two (2) instances where checks written lacked proper back up documentation.

C. Four (4) instances where the invoices did not equal the check written.

D. Staff incentives, including \$600 to an individual for staff gift cards were taken out of a general account instead of a staff account and documentation of individuals receiving gift cards was not always available.

E. Four (4) instances where sales tax was paid when the school is exempt.

F. Two (2) instances where invoices were paid past due.

Principal's response.

I did not serve as JASMS principal for the 2017-2018 school year. Moving forward, our Office Manager will work to resolve the conflicts.

Finding 4. Chapter 8, Section II, 7, requires that the year-end payables be disclosed to the School Board. Audit tests indicated that the School did not maintain a list. Due to the fact that the Internal Fund Accounts are reported on the cash basis of accounting, the accounts payable information is important in allowing the School Board to ascertain the true financial status of the School.

Principal's response.

I did not serve as JASMS principal for the 2017-2018 school year. Moving forward, our Office Manager will work to resolve the conflicts.

Finding 5. During the year ended June 30, 2017 the school raised money in trust for a charitable purpose. A check written for \$500 on April 26, 2017 to that charity was still outstanding at June 30, 2018. The check was voided after June 30, 2018 and coded back to the charity account. The auditor recommends the school pay the entire balance in the account to the charity as soon as possible and follow up any outstanding checks in a timely manner.

Principal's response.

I did not serve as JASMS principal for the 2017-2018 school year. Moving forward, our Office Manager will work to resolve the conflicts.

Finding 6. Manatee records and bank reconciliations were not being prepared on a timely basis during the year ended June 30, 2018. Examples are September 2017 prepared on December 19, 2017, January 2018 prepared on June 14, 2018 and February 2018 prepared on June 18, 2018. Chapter 8, Section II-8 states bank statements shall be reconciled as soon as received.

Principal's response.

I did not serve as JASMS principal for the 2017-2018 school year. Moving forward, our Office Manager will work to resolve the conflicts.

Finding 7. There was a decrease in revenue for the year ended June 30, 2018 in the amount of \$33,021.52 when compared to the year ended June 30, 2017.

Principal's response.

I did not serve as JASMS principal for the 2017-2018 school year. Moving forward, our Office Manager will work to resolve the conflicts.

Finding 8. Chapter 8, Section I-7 states funds collected shall be expended to benefit those students in school.....Those internal account funds designated for general purposes shall be used to benefit the student body. Coding issues for the year ended June 30, 2018 included but were not limited to School wide fundraisers in excess of \$9,000.00 being coded to a staff incentives account instead of student accounts. Also, fund raising was coded to general which was used to pay staff incentives.

Principal's response.

I did not serve as JASMS principal for the 2017-2018 school year. Moving forward, our Office Manager will work to resolve the conflicts.

Prior year status.

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the School's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation dictates that the Principal remain involved in the financial affairs of the Organization to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness. The Auditor also recommends that the Principal review, sign and date the bank reconciliation and bank statement every month.

Principal's response. No response required.

Current year status. See Finding 1 for the year ended June 30, 2018.

Finding 2. Audit testing of revenue indicated:

- A. The School did not use pre-numbered receipt forms provided by the District as required by Chapter 8, Section II-3.
- B. The Report of Monies Collected form provides space for a Receipt/Manatee cross reference number and this space was not always completed and in one instance, the RMC was not found. The RMC form used does not include a space for the signature date, which would help indicate that the RMC was prepared in a timely manner.
- C. Three (3) deposits were not made within five days as required by Chapter 8, Section III, 1.4c.
- D. Two (2) instances where no ticket reconciliation was found with ticket sales receipts/deposit.

Principal's response.

We will implement a procedure to avoid the problem in the future.

Current year status. See Finding 2 for the year ended June 30, 2018.

Finding 3. Audit tests indicated:

- A. Eleven (11) instances of the invoice date preceding the check requisition date. One of the purposes of the check requisition is to obtain prior written approval for a purchase. Chapter 8, Section II, 2. states "Purchases from internal funds must be authorized in writing by the principal or designee."
- B. Two (2) instances where checks written lacked proper back up documentation.
- C. Two (2) instances where the invoices did not equal the check written.
- D. Staff incentives, including \$1,500.00 to an individual for staff gift cards were taken out of a general account instead of a staff account.

Principal's response.

We will implement a procedure to avoid the problem in the future.

Current year status. See Finding 3 for the year ended June 30, 2018.

Finding 4. Chapter 8, Section II, 7, requires that the year-end payables be disclosed to the School Board. Audit tests indicated that the School did not maintain a list of accounts payable at the end of year. Due to the fact that the Internal Fund Accounts are reported on the cash basis of accounting, the accounts payable information is important in allowing the School Board to ascertain the true financial status of the School.

Principal's response.

We will implement a procedure to avoid the problem in the future.

Current year status. See Finding 4 for the year ended June 30, 2018.

STEWART STREET ELEMENTARY

Finding 2. In general, monies collected appeared to be properly recorded and documented. However our audit noted the following exceptions:

- A. Twenty one (21) instances were noted where the money collected was not deposited within five (5) working days as required by Chapter 8, Section III, 1.4c.
- B. Pre-numbered receipt forms (receipt book) were not used by the School to record receipts as required by Chapter 8, Section II.3.

Principal's response.

A weekly scheduled date has been assigned as depositing date for all funds collected within that particular week.

Finding 3. In general, expenses appeared to be properly recorded and documented. However, audit expense tests indicated the following exceptions:

- A. Sixteen (16) instances of the invoice date preceding the check requisition date. One of the purposes of the check requisition is to obtain prior approval for a purchase. Chapter 8, Section II, 2. states "Purchases from internal funds must be authorized in writing by the principal or designee."
- B. Disbursements for incentives, T-shirts or meals did not always have a list of the recipients attached.

Principal's response.

Will monitor more closely to ensure invoices do not precede the check requisition dates. Also, will require all recipients to sign for incentives as means of documentation.

Finding 4. Audit testing also indicated:

- A. Cash balance per the general ledger was negative from May 23, 2018 to June 5, 2018 and ranged between negative 151.44 and negative 1448.31. Cash was a positive \$262.68 at June 30, 2018, per the ledger. A \$35 insufficient fund fee was charged by the bank.
- B. The third grade account had a negative balance of \$1,324.61 at June 30, 2018.
- C. Account coding issues included over use of the general account and cheerleader T-shirts charged to the general account, fundraiser expenses charged to non-fundraiser accounts and non-class expenses taken from class accounts.
- D. A check written on September 22, 2017 to a non-profit organization was still outstanding at June 30, 2018. The auditor recommends the School review all outstanding checks periodically to determine if they need to be voided and re-written.

Principal's response.

To prevent this finding, no checks will be written to cover expenses before all funds are

deposited by the individuals. As mentioned, a weekly scheduled depositing date has been established, thus allowing the office manager and principal to monitor individual accounts more closely. By doing so, no accounts should be over drafted.

Prior year status.

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the School's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation dictates that the Principal remain involved in the financial affairs of the organization to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness.

Principal's response. No response required.

Current year status. See Finding 1 for the year ended June 30, 2018.

Finding 2. In general, monies collected appeared to be properly recorded and documented. However our audit noted the following:

- A. Six (6) instances were noted where the money collected was not deposited within five (5) working days as required by Chapter 8, Section III, 1.4c.
- B. Pre-numbered receipt forms (receipt book) were not used by the School to record receipts as required by Chapter 8, Section II.3.

Principal's response.

Principal is aware and will work to ensure that all money is deposited within a timely manner. We will purchase more receipt books to record a receipt.

Current year status. See Finding 2 for the year ended June 30, 2018.

Finding 3. In general, expenses appeared to be properly recorded and documented.

Audit expense tests indicated:

- A. Nine (9) instances of the invoice date preceding the check requisition date. One of the purposes of the check requisition is to obtain prior approval for a purchase. Chapter 8, Section II, 2. states "Purchases from internal funds must be authorized in writing by the principal or designee."
- B. Disbursements used to provide incentives did not always have a list of the recipients attached.

Principal's response.

- A. The Principal is aware of every check written; will work with the office manager to ensure that all check requisitions are signed and dated prior to writing checks.

- B. In the future, we will ensure that every faculty and staff receiving incentives will sign a list indicating he/she received and/or participated in an event.

Current year status. See Finding 3 for the year ended June 30, 2018.

WEST GADSDEN MIDDLE SCHOOL

Finding 2. Audit testing of receipts indicated:

- A. Three (3) instances where monies received were not deposited within 5 working days as required by Chapter 8, Section III, 1.4c.
- B. Three (3) instances where only one signature was on the RMC, three (3) instances where the RMC did not have a date in the blank provided and one (1) instance where the RMC did not foot properly.
- C. Two (2) instance in which there was no ticket sale reconciliation, one (1) ticket reconciliation with only one signature and seven (7) with no price per ticket provided.

Principal's response.

As the principal of WGHS it is my job to work with staff to ensure the findings in #2 A, B and C are corrected and minimized. I will work with staff to deposit money in a timely manner. My plan of action for the report of money collected forms is to ensure that they are dated, have two signatures and the amounts are correct. Item C has been addressed by obtaining the necessary form that captures ticket reconciliations and price per ticket.

Finding 3. Audit tests of disbursements indicated:

- A. Seventeen (17) instances of the invoice date preceding check requisition date. One of the purposes of the check requisition is to obtain prior approval for a purchase. Chapter 8, Section II, 2. states "Purchases from internal funds must be authorized in writing by the principal or designee."
- B. One (1) instance of late payment on an invoice.
- C. Three (3) instances where a list of people receiving items was not found or for which no signature and date was received from individuals receiving incentive gifts and T-shirts.
- D. Two (2) instances where sales tax was paid.
- E. Two (2) instances where checks for travel expenses were written to an individual and only an individual's signature was received instead of invoices for the actual expenses made.

Principal's response.

As the principal of WGMS I will work with staff to ensure the findings in #3 are corrected and minimized. I will work with the Bookkeeper and staff to make sure that Chapter 8, Section II is properly followed. As a measure to eliminate the findings in #3 I will conduct a monthly school base audit to lessen mistakes.

Finding 4. West Gadsden High School was renamed West Gadsden Middle School, as of June 30, 2017 and received \$7,647.44 from the closing of Gretna Elementary School in September 2017.

Reorganization money received in the amount of \$7,647.44 was coded to the general account on September 28, 2017.

Principal's response.

West Gadsden Middle School did receive reorganization money in the amount of \$7,647.44 and was coded into the general account at WGMS on September 8, 2017. Due to the reorganization of schools WGMS received these funds from Gretna Elementary School and Greensboro Elementary School.

Prior year status.

Finding 1. The primary weakness in internal control is one for which no immediate practical solution is available. The size of the school's staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Separation of incompatible duties provides increased assurance that errors or irregularities will not go undetected for long periods of time. This situation dictates that the Principal remain involved in the financial affairs of the organization to provide oversight and independent review functions. In addition, the staff should be cross-trained to the extent possible in key positions. This would help to ensure that daily functions are performed in the event of personnel change or illness.

Principal's response: No response required.

Current year status. See Finding 1 for the year ended June 30, 2018.

Finding 2. Audit testing of receipts indicated:

- A. No pre-numbered receipt book was used as required by Chapter 8, Section III, 1.4a.
- B. Six (6) deposits were not deposited within 5 working days as required by Chapter 8, Section III, 1.4c.
- C. Two (2) instances where only one signature was on the RMC. Also, RMCs did not provide a blank for signature dates or did not have a date in the blank provided.
- D. One (1) instance in which the ticket sale reconciliation did not foot properly, three (3) ticket reconciliations with only one signature and no price per ticket provided.

Principal's response.

I was not the principal of West Gadsden Middle School for the 2016-2017 school year. However, I've met with the bookkeeper to put measures in place to make sure this does not occur again.

Current year status. See Finding 2 for the year ended June 30, 2018.

Finding 3. Audit tests of disbursements indicated:

- A. Eleven (11) instances of the invoice date preceding the check requisition date. One of the purposes of the check requisition is to obtain prior approval for a purchase. Chapter 8, Section II, 2. states "Purchases from internal funds must be authorized in writing by the principal or designee."

- B. Four (4) instances of late payments on invoices.
- C. One (1) instance where the invoice was for less than the check written, and no explanation of the difference provided.
- D. One (1) instance where a list of people receiving items was not found.
- E. One (1) instance where sales tax was paid.
- F. One (1) instance where a check for \$1,150.00 for party supplies was written to an individual and only an individual's signature was received instead of invoices for the actual supplies bought.

Principal's response.

I was not the principal of West Gadsden Middle School for the 2016-2017 school year. However, I've met with the bookkeeper to put measures in place to address Finding 3.

Current year status. See Finding 3 for the year ended June 30, 2018.

Finding 4. The School reorganization resulted in grades 9-12 being transferred to Gadsden High School (GHS). Subsequent to June 30, 2017, the School transferred \$364.64 to GHS which was the balances of Boys Basketball (\$330.62) and JROTC (34.02) accounts. However, it appears that not all of the funds associated with the transferred grades were transferred to GHS. For example, the Class of 2017 account had a balance at June 30, 2017 in the amount of \$1,640.00. We recommend that the School review all the accounts at June 30, 2017 to determine if the funds should be transferred to GHS. West Gadsden High School was renamed West Gadsden Middle School, as of June 30, 2017 and received \$7,647.44 from the closing of Gretna Elementary School in September 2017.

Principal's response.

West Gadsden Middle School had several unpaid bills for the 2016-2017 school year. The senior account was behind in paying for the yearbook and the athletic department also had bills that needed to be paid. The funding was used to bring these accounts to zero balance.

Current year status. See current year Finding 4.



Ashmore & Ashmore, P.A.
Certified Public Accountants
November 15, 2018

SUMMARY SHEET

RECOMMENDATION TO SUPERINTENDENT FOR SCHOOL BOARD AGENDA

AGENDA ITEM NO. 2c

DATE OF SCHOOL BOARD WORKSHOP: January 15, 2019

TITLE OF AGENDA ITEMS: Management Discussion and Analysis plus Notes

DIVISION: Finance Department

PURPOSE AND SUMMARY OF ITEMS: The 2017-2018 Management's Discussion and Analysis plus related Notes will be on the 1/22/19 Board agenda for approval.

PREPARED BY: Bonnie Wood

POSITION: Finance Director

GADSDEN COUNTY DISTRICT SCHOOL BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Gadsden County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2018. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2017-18 fiscal year are as follows:

- The District's total net assets decreased by \$2.3 million, or 5.8 percent.
- General revenues total \$53.7 million, or 90.7 percent of all revenues in the 2017-18 fiscal year, as compared to \$53.2 million, or 88 percent for the 2016-17 fiscal year.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$1.9 million at June 30, 2018, or 4.5 percent of General Fund expenditures as compared to an unreserved fund balance of \$1.9 million, or 4.2 percent of expenditures at June 30, 2017.
- During the current fiscal year, General Fund expenditures exceeded revenues by \$2.3 million. This may be compared to the 2016-17 fiscal year's result in which General Fund expenditures exceeded revenues by \$2.2 million and the 2015-16 fiscal year's results in which General Fund expenditures exceeded revenues by \$0.5 million.
- The total long-term debt decreased by \$0.9 million, primarily because of principal payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets, liabilities, and deferred inflows/outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

The government-wide statements present the District's activities in the following categories:

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.

- Component units – The District’s component units consist of two charter schools. The Galloway Academy Foreign Language Immersion and the Crossroad Academy Charter Schools are legally separate organizations and component units of the Gadsden County District School Board that should be included in this report because they meet the criteria for inclusion provided by generally accepted account principles. Financial information for the Crossroad Academy Charter School is reported separately from the criteria for inclusion provided by primary government. No financial information was available to be reported for the other charter school as of June 30, 2018.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District’s financial activities, focusing on its most significant or “major” funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements. All of the District’s funds may be classified within one of the broad categories discussed below.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District’s most significant funds. The District’s major funds are the General Fund, Special Revenue – Food Service Fund, Special Revenue – Other Fund, capital Outlay and Debt Service Fund, and the Non-voted Capital Improvement Fund. Data from the other governmental funds are combined into a single, aggregated presentation. The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General and major Special Revenue Funds to demonstrate compliance with the budget.

Fiduciary Funds: Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District’s own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The District uses agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required

supplementary information concerning the District's net pension liability and its progress in funding its obligation to provide other postemployment benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2018, compared to net position as of June 30, 2017:

Net Assets, End of Year

	Governmental Activities	
	6-30-18	6-30-17
Current and Other Assets	\$ 5,041,209	\$ 8,323,018
Capital Assets	62,297,478	64,726,191
Total Assets	67,338,687	73,049,209
Deferred Outflows of Resources	13,154,126	10,800,220
Long-Term Liabilities	39,310,967	36,527,204
Other Liabilities	123,812	3,517,402
Total Liabilities	39,434,779.00	40,044,606.00
Deferred Inflows of Resources	3,710,033	3,252,255
Net Position:		
Net Investment in		
Capital Assets	60,270,625	61,779,909
Restricted	1,819,010	2,142,943
Unrestricted (Deficit)	(24,741,634)	(23,370,284)
Total Net Assets	\$ 37,348,001	\$ 40,552,568

The largest portion of the District's net assets is investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted position was the result, in part, of accruing \$2.3 million in compensated absences payable, \$4.3 million in other postemployment benefit obligations, and \$30.6 million in net pension liability.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2018, and June 30, 2017, are as follows:

Operating Results for the Year

	Governmental Activities	
	6-30-18	6-30-17
Program Revenues:		
Charges for Services	\$ 408,473	\$ 227,825
Operating Grants and Contributions	4,638,656	6,569,689
Capital Grants and Contributions	473,092	451,387
General Revenues:		
Property Taxes, Levied for Operational Purposes	7,091,464	7,693,589
Property Taxes, Levied for Capital Projects	2,589,653	2,179,186
Grants and Contributions Not Restricted to Specific Programs	41,820,331	41,486,264
Unrestricted Investment Earnings	66,738	47,233
Miscellaneous	2,135,068	1,761,862
Total Revenues	\$ 59,223,475	\$ 60,417,035
Functions/Program Expenses:		
Instruction	\$ 28,097,292	\$ 29,129,609
Pupil Personnel Services	3,246,995	2,914,629
Instructional Media Services	637,148	640,426
Instruction and Curriculum Development Services	2,191,225	2,262,545
Instructional Staff Training	1,192,242	1,682,735
Instruction Related Technology	222,569	200,052
Board of Education	406,852	434,975
General Administration	739,766	1,015,009
School Administration	3,460,081	3,669,153
Facilities Acquisition and Construction	928,392	377,972
Fiscal Services	635,065	452,375
Food Services	4,688,048	5,051,463
Central Services	437,775	485,070
Pupil Transportation Services	4,111,246	3,555,615
Operation of Plant	5,558,801	6,037,125
Maintenance of Plant	1,233,406	973,813
Administrative Technology Services	872,328	1,296,601
Community Services	45,585	303,475
Interest on Long-Term Debt	91,062	120,590
Unallocated Depreciation Expenses	2,771,074	3,407,738
Total Functions/Program Expenses	\$ 61,566,952	\$ 64,027,421
Increase (Decrease) in Net Assets	\$ (2,343,477)	\$ (3,610,386)

The largest revenue source is the State of Florida (55.9 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. Other State revenues are primarily for meeting the requirements of the class size amendment.

Instruction expenses represent 45.6 percent of total governmental expenses in the 2017-18 fiscal year.

Overall expenses decreased by \$2.5 million, or 3.8 percent since the prior fiscal year. Some areas of decreased spending noted were for Instruction, Food Services, Operations of Plant due mainly to budgetary reductions for the 2017-18 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

The total fund balances of governmental funds decreased by \$0.17 during the fiscal year to \$4.28 million at June 30, 2018. Approximately 46.7 percent of this amount is unassigned fund balance (\$2.0 million), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable or restricted to indicate that it is 1) not in spendable form (\$0.5 million), or 2) restricted for particular purposes (\$1.8 million).

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, assigned and unassigned fund balance is \$2.0 million, while the total fund balance is \$2.1 million. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is 4.9 percent of the total General Fund revenues, while total fund balance represents approximately 5.0 percent of total General Fund revenues.

Total fund balance increased by \$0.1 million during the fiscal year primarily due to budgetary reductions.

The District accounts for the operations of the food service program in the Special Revenue – Food Service Fund, with a total fund balance of \$1.2 million. The total fund balance decreased \$0.2 million mainly because of indirect cost paid to the General Fund.

The Special Revenue – Other Fund is used by the District to account for resources of certain Federal grant programs and, for the 2017-18 fiscal year, had revenues and expenditures totaling \$9.4 million each, a decrease of \$0.3 million from the 2016-2017 fiscal year. Because grant revenues attributed to the Federal grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Capital Projects – Capital Outlay and Debt Service Fund has a total fund balance of \$0.5 million, all of which is restricted for the acquisition, construction, and debt service of capital assets. The fund balance increased in the current year due to the reductions in Debt Service of Bonds.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$2.5 million, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased in the current year due to the reductions in of renovations of various facilities and the purchases of buses.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revises its budget and brings amendments to the Board when needed. These amendments are needed to adjust to actual revenues received and direct resources where needed. The Board approves the final amendment to the budget after year-end.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$62.3 million (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under capital lease; construction in progress; and computer software.

Additional information on the District's capital assets can be found in the Notes to Financial Statements section.

Long-Term Debt

At June 30, 2018, the District has total long-term debt outstanding of \$2.0 million comprised of \$0.2 million for a note payable; and \$1.8 of bonds payable.

Additional information on the District's long-term debt can be found in Notes to the financial statements.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Director of Finance, Gadsden County District School Board, 35 Martin Luther King, Jr., Boulevard, Quincy, Florida 32351.

DISTRICT SCHOOL BOARD OF GADSDEN COUNTY
STATEMENT OF NET POSITION
June 30, 2018

	Account Number	Primary Government	Component Units
		Governmental Activities	Crossroads Academy Charter School
ASSETS			
Cash and Cash Equivalents	1110	2,427,843.92	3,539,961.00
Investments	1160	2,501.13	265,189.00
Taxes Receivable, Net	1120		0.00
Accounts Receivable, Net	1131	807,549.01	121,445.00
Interest Receivable on Investments	1170		0.00
Due From Other Agencies	1220	702,066.12	0.00
Inventory	1150	459,835.10	0.00
Prepaid Items	1230		29,510.00
Notes Receivable		641,413.45	0.00
<i>Capital Assets</i>			
Land	1310	1,704,688.29	391,655.00
Construction in Progress	1360	23,212.51	0.00
Nondepreciable Capital Assets		1,727,900.80	391,655.00
Improvements Other Than Buildings	1320	5,248,449.69	0.00
Less Accumulated Depreciation	1329	(3,842,343.95)	0.00
Buildings and Fixed Equipment	1330	97,153,619.00	0.00
Less Accumulated Depreciation	1339	(40,029,198.34)	0.00
Furniture, Fixtures and Equipment	1340	5,160,774.65	0.00
Less Accumulated Depreciation	1349	(5,160,774.65)	0.00
Motor Vehicles	1350	7,238,508.97	0.00
Less Accumulated Depreciation	1359	(5,301,545.48)	0.00
Computer Software	1382	102,087.52	0.00
Less Accumulated Amortization	1389	0.00	0.00
Depreciable Capital Assets, Net		60,569,577.41	3,496,101.00
Total Capital Assets		62,297,478.21	3,887,756.00
Total Assets		67,338,686.94	7,843,861.00
DEFERRED OUTFLOWS OF RESOURCES			
Pension	1940	13,001,720.00	0.00
Other Postemployment Benefits	1950	152,406.00	0.00
Total Deferred Outflows of Resources		13,154,126.00	0.00
LIABILITIES			
Accrued Salaries and Benefits	2110	0.16	0.00
Payroll Deductions and Withholdings	2170	11,607.89	0.00
Accounts Payable	2120	110,265.60	347,546.00
Accrued Interest Payable	2210		42,730.00
Unearned Revenues	2410	1,938.16	0.00
<i>Noncurrent Liabilities</i>			
<i>Portion Due Within One Year:</i>			
Notes Payable	2310	183,331.85	72,888.00
Bonds Payable	2320	187,270.12	0.00
Liability for Compensated Absences	2330	432,401.61	0.00
Net Other Postemployment Benefits Obligation	2360		0.00
Net Pension Liability	2365	2,389,898.00	0.00
Due Within One Year		3,192,901.58	72,888.00
<i>Portion Due After One Year:</i>			
Notes Payable	2310		1,691,405.00
Bonds Payable	2320	1,656,251.08	0.00
Liability for Compensated Absences	2330	1,917,094.84	0.00
Net Other Postemployment Benefits Obligation	2360	4,314,527.00	0.00
Net Pension Liability	2365	28,230,192.00	0.00
Due in More than One Year		36,118,064.92	1,691,405.00
Total Long-Term Liabilities		39,310,966.50	1,764,293.00
Total Liabilities		39,434,778.31	2,154,569.00
DEFERRED INFLOWS OF RESOURCES			
Pension	2640	3,690,240.00	0.00
Other Postemployment Benefits	2650	19,793.00	0.00
Total Deferred Inflows of Resources		3,710,033.00	0.00
NET POSITION			
Net Investment in Capital Assets	2770	60,270,625.16	0.00
<i>Restricted For:</i>			
Food Service	2780	545,331.97	0.00
Debt Service	2780	2,501.68	0.00
Capital Projects	2780	1,271,176.69	0.00
Other Purposes	2780		6,002,166.00
Unrestricted	2790	(24,741,633.87)	0.00
Total Net Position		37,348,001.63	6,002,166.00

DISTRICT SCHOOL BOARD OF GADSDEN COUNTY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
						Governmental Activities	
<i>Governmental Activities:</i>							
Instruction	5000	28,097,292.50	214,203.95			(27,883,088.55)	
Student Support Services	6100	3,246,995.09				(3,246,995.09)	
Instructional Media Services	6200	637,148.25				(637,148.25)	
Instruction and Curriculum Development Services	6300	2,191,225.09				(2,191,225.09)	
Instructional Staff Training Services	6400	1,192,241.58				(1,192,241.58)	
Instruction-Related Technology	6500	222,568.65				(222,568.65)	
Board	7100	406,851.85				(406,851.85)	
General Administration	7200	739,765.69				(739,765.69)	
School Administration	7300	3,460,080.94				(3,460,080.94)	
Facilities Acquisition and Construction	7400	928,392.50			262,162.68	(666,229.82)	
Fiscal Services	7500	635,064.70				(635,064.70)	
Food Services	7600	4,688,048.04	132,032.45	4,638,656.06		82,640.47	
Central Services	7700	437,775.33				(437,775.33)	
Student Transportation Services	7800	4,111,246.46	62,236.25			(4,049,010.21)	
Operation of Plant	7900	5,558,800.64				(5,558,800.64)	
Maintenance of Plant	8100	1,233,405.89				(1,233,405.89)	
Administrative Technology Services	8200	872,327.51				(872,327.51)	
Community Services	9100	45,585.31				(45,585.31)	
Interest on Long-Term Debt	9200	91,062.32			210,929.59	119,867.27	
Unallocated Depreciation/Amortization Expense		2,771,073.82				(2,771,073.82)	
Total Governmental Activities		61,566,952.16	408,472.65	4,638,656.06	473,092.27	(56,046,731.18)	
<i>Business-type Activities:</i>							
Self-Insurance Consortium							
Daycare Operations							
Other Business-Type Activity							
Total Business-Type Activities		0.00	0.00	0.00	0.00		
Total Primary Government		61,566,952.16	408,472.65	4,638,656.06	473,092.27	(56,046,731.18)	
<i>Component Units:</i>							
Crossroads Academy Charter School		3,142,063.00	0.00	0.00	0.00		(3,142,063.00)
Total Component Units		3,142,063.00	0.00	0.00	0.00		(3,142,063.00)

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues, Special Items, Extraordinary Items and Transfers

Change in Net Position

Net Position, July 1, 2017

Adjustments to Net Position

Net Position, June 30, 2018

	7,091,463.67	0.00
	2,589,653.26	0.00
	41,820,331.12	3,672,133.00
	66,737.87	0.00
	2,135,068.43	0.00
	53,703,254.35	3,672,133.00
	(2,343,476.83)	530,070.00
	40,552,568.46	5,472,096.00
	(861,090.00)	0.00
	37,348,001.63	6,002,166.00

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF GADSDEN COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	Account Number	General 100	Food Services 410	Other Federal Programs 420	Capital Outlay and Debt Service 360	Nonvoted Capital Improvement Fund 370	Other Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES								
ASSETS								
Cash and Cash Equivalents	1110	345,252.58	810,737.05	0.00	552,478.53	719,375.01	0.55	2,427,843.92
Investments	1160	0.00	0.00	0.00	0.00	0.00	2,501.13	2,501.13
Accounts Receivable, Net	1131	676,601.82	129,686.28	0.00	0.00	1,260.51	0.00	807,549.01
Due From Other Agencies	1220	0.00	0.00	702,066.12	0.00	0.00	0.00	702,066.12
Due From Budgetary Funds	1141	1,070,871.12	14,303.22	0.00	0.00	0.00	0.00	1,085,174.34
Inventory	1150	58,816.78	401,018.32	0.00	0.00	0.00	0.00	459,835.10
Total Assets		2,151,542.10	1,355,744.87	702,066.12	552,478.53	720,635.92	2,501.68	5,484,969.62
DEFERRED OUTFLOWS OF RESOURCES								
Accumulated Decrease in Fair Value of Hedging Derivatives	1910	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Deferred Outflows of Resources		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Assets and Deferred Outflows of Resources		2,151,542.10	1,355,744.87	702,066.12	552,478.53	720,635.92	2,501.68	5,484,969.62
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
LIABILITIES								
Accrued Salaries and Benefits	2110	0.00	0.00	0.00	0.00	0.00	0.00	0.16
Payroll Deductions and Withholdings	2170	1,150.50	3,868.59	4,588.51	0.00	0.00	0.00	11,607.89
Accounts Payable	2120	82,555.12	0.00	27,710.48	0.00	0.00	0.00	110,265.60
Due to Budgetary Funds	2161	8,881.22	406,525.99	669,767.13	0.00	0.00	0.00	1,085,174.34
Unearned Revenue	2410	0.00	0.00	0.00	1,938.16	0.00	0.00	1,938.16
Total Liabilities		95,587.29	409,394.58	702,066.12	1,938.16	0.00	0.00	1,208,986.15
DEFERRED INFLOWS OF RESOURCES								
Deferred Revenues	2630	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Deferred Inflows of Resources		0.00	0.00	0.00	0.00	0.00	0.00	0.00
FUND BALANCES								
<i>Nonspendable:</i>								
Inventory	2711	58,816.78	401,018.32	0.00	0.00	0.00	0.00	459,835.10
Total Nonspendable Fund Balances	2710	58,816.78	401,018.32	0.00	0.00	0.00	0.00	459,835.10
<i>Restricted for:</i>								
Federal Required Carryover Programs	2722	0.00	545,331.97	0.00	0.00	0.00	0.00	545,331.97
Debt Service	2725	0.00	0.00	0.00	0.00	0.00	2,501.68	2,501.68
Capital Projects	2726	0.00	0.00	0.00	550,540.77	720,635.92	0.00	1,271,176.69
Total Restricted Fund Balances	2720	0.00	545,331.97	0.00	550,540.77	720,635.92	2,501.68	1,819,010.34
Total Unassigned Fund Balances	2750	1,997,138.03	0.00	0.00	0.00	0.00	0.00	1,997,138.03
Total Fund Balances	2700	2,055,954.81	946,350.29	0.00	550,540.77	720,635.92	2,501.68	4,275,983.47
Total Liabilities, Deferred Inflows of Resources and Fund Balances		2,151,542.10	1,355,744.87	702,066.12	552,478.93	720,635.92	2,501.68	5,484,969.62

The notes to financial statements are an integral part of this statement
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**DISTRICT SCHOOL BOARD OF GADSDEN COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
For the Fiscal Year Ended June 30, 2018**

Total Fund Balances - Governmental Funds 4,275,983.47

Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 62,297,478.21

Long-term notes receivable are not available to pay for current period expenditures and therefore, are reported as unavailable revenue on the governmental fund statements. 641,413.45

Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Note Payable	(183,331.85)
Bonds Payable	(1,843,521.20)
Compensated Absences Payable	(2,349,496.45)
Other Postemployment Benefits Payable	(4,314,527.00)
Net Pension Liability	(30,620,090.00)

The deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	13,154,126.00
Deferred Inflows Related to Pensions	(3,710,033.00)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Total Net Position - Governmental Activities 37,348,001.63

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF GADSDEN COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

	Account Number	General 100	Food Services 410	Other Federal Programs 420	Capital Outlay and Debt Service 360	Nonvoted Capital Improvement Fund 370	Other Governmental Funds	Total Governmental Funds
REVENUES								
Federal Direct	3100	32,546.74	0.00	2,221,201.06	0.00	0.00	0.00	2,253,747.80
Federal Through State and Local	3200	336,837.22	4,564,302.06	7,147,233.19	0.00	0.00	0.00	12,048,372.47
State Sources	3300	31,971,382.91	74,354.00	0.00	80,935.68	0.00	503,286.50	32,629,959.18
<i>Local Sources:</i>								
Property Taxes Levied, Tax Redemptions and Excess Fees for Operational Purposes	3411, 3421, 3423	7,091,463.67	0.00	0.00	0.00	0.00	0.00	7,091,463.67
Property Taxes Levied, Tax Redemptions and Excess Fees for Capital Projects	3413, 3421, 3423	0.00	0.00	0.00	0.00	2,589,653.26	0.00	2,589,653.26
Charges for Service - Food Service	345X	0.00	132,032.44	0.00	0.00	0.00	0.00	132,032.44
Other Local Revenue		1,680,756.26	0.00	0.00	0.00	101.13	0.00	1,680,857.39
Total Local Sources	3400	8,772,219.93	132,032.44	0.00	0.00	2,589,754.39	0.00	11,494,006.76
Total Revenues		41,112,986.80	4,770,688.50	9,368,434.25	80,935.68	2,589,754.39	503,286.50	58,426,086.21
EXPENDITURES								
<i>Current</i>								
Instruction	5000	22,326,226.94	0.00	5,265,678.43	0.00	0.00	0.00	27,591,905.37
Student Support Services	6100	1,928,081.16	0.00	1,256,154.10	0.00	0.00	0.00	3,184,235.26
Instructional Media Services	6200	612,880.81	0.00	71,667.11	0.00	0.00	0.00	624,547.95
Instructional and Curriculum Development Services	6300	1,055,922.86	0.00	1,088,387.71	0.00	0.00	0.00	2,144,310.57
Instructional Staff Training Services	6400	458,927.69	0.00	713,566.61	0.00	0.00	0.00	1,172,494.30
Instruction-Related Technology	6500	159,390.40	0.00	62,396.00	0.00	0.00	0.00	221,786.40
Board	7100	402,320.86	0.00	0.00	0.00	0.00	0.00	402,320.86
General Administration	7200	686,420.87	0.00	41,885.50	0.00	0.00	0.00	728,306.37
School Administration	7300	3,251,560.24	0.00	26,621.72	0.00	0.00	0.00	3,278,181.96
Facilities Acquisition and Construction	7410	82,862.79	0.00	0.00	0.00	0.00	0.00	82,862.79
Fiscal Services	7500	621,627.99	0.00	0.00	0.00	0.00	0.00	621,627.99
Food Services	7600	12,070.07	4,636,671.49	1,100.39	0.00	0.00	0.00	4,649,850.95
Central Services	7700	336,940.21	0.00	93,432.25	0.00	0.00	0.00	430,372.46
Student Transportation Services	7800	3,467,147.87	0.00	515,473.09	0.00	0.00	0.00	3,976,620.96
Operation of Plant	7900	5,428,331.57	0.00	89,590.60	0.00	0.00	0.00	5,517,922.17
Maintenance of Plant	8100	1,216,797.20	0.00	0.00	0.00	0.00	0.00	1,216,797.20
Administrative Technology Services	8200	858,502.78	0.00	3,284.05	0.00	0.00	0.00	861,786.83
Community Services	9100	14,713.71	0.00	20,773.74	0.00	0.00	0.00	44,487.45
<i>Debt Service (Function 9200)</i>								
Redemption of Principal	710	0.00	0.00	0.00	0.00	0.00	919,175.11	919,175.11
Interest	720	0.00	0.00	0.00	0.00	0.00	90,925.22	90,925.22
Dues and Fees	730	0.00	0.00	0.00	239.29	0.00	151.25	390.54
<i>Capital Outlay</i>								
Facilities Acquisition and Construction	7420	23,212.51	0.00	0.00	0.00	152,234.82	181,227.00	356,674.33
Charter School Local Capital Improvement	7450	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Capital Outlay	9300	404,592.48	328,972.67	169,413.95	0.00	0.00	0.00	952,979.10
Total Expenditures		43,442,531.04	5,015,644.16	9,368,434.25	239.29	152,234.82	1,191,478.88	59,170,562.44
Excess (Deficiency) of Revenues Over (Under) Expenditures		(2,329,544.24)	(244,955.66)	0.00	80,696.39	2,137,519.57	(688,192.29)	(744,476.23)
OTHER FINANCING SOURCES (USES)								
Sale of Capital Assets	3750	714,550.00	0.00	0.00	0.00	0.00	0.00	714,550.00
Loss Recoveries	3740	193,615.42	0.00	0.00	0.00	0.00	0.00	193,615.42
Transfers In	3600	1,209,348.85	0.00	0.00	0.00	0.00	795,371.18	2,504,720.03
Transfers Out	9700	(201,366.07)	0.00	0.00	0.00	(2,192,223.96)	(111,130.00)	(2,504,720.03)
Total Other Financing Sources (Uses)		2,416,148.20	0.00	0.00	0.00	(2,192,223.96)	684,241.18	908,165.42
Net Change in Fund Balances		86,603.96	(244,955.66)	0.00	80,696.39	245,295.61	(3,951.11)	163,689.19
Fund Balances, July 1, 2017	2800	1,669,350.85	1,191,305.95	169,401.21	169,844.38	475,340.31	6,352.79	4,281,695.49
Adjustments to Fund Balances	2891	0.00	0.00	(169,401.21)	0.00	0.00	0.00	(169,401.21)
Fund Balances, June 30, 2018	2700	2,055,954.81	946,350.29	0.00	550,540.77	720,635.92	2,501.68	4,275,983.47

The notes to financial statements are an integral part of this statement.
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**DISTRICT SCHOOL BOARD OF GADSDEN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018**

Net Change in Fund Balances - Governmental Funds	163,689.19
 Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as a depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current period.	(2,369,845.37)
 The statement of activities reflects only the gain/loss on the sale of assets, whereas the governmental funds include all proceeds from these sales. Thus, the change in net position differs from the change in fund balances by the cost of assets sold.	 (58,867.15)
 Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments in the current fiscal year.	
Installment-Purchases Principal Repayment	218,565.83
Note Principal Repayment	359,211.05
Bond Principal Repayment	341,651.97
 Payments received as notes receivable are reported as revenues in the fiscal year received in the fund statements. However, under full accrual, these revenues were recognized as revenue in the statement of activities in the year the note was issued.	 (51,909.16)
 Expenses in the statement of activities that do not require the use of current financial resources are not reported in the governmental funds.	
Net Pension Expense	(952,722.00)
Net OPEB Expense	46,091.00
Net ompensated Absences Expense	(39,342.19)
 Change in Net Position of Governmental Activities	 <hr/> (2,343,476.83) <hr/>

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF GADSDEN COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	Account Number	Total Private-Purpose Trust Funds 85X
ASSETS		
Cash and Cash Equivalents	1110	30,521.13
Total Assets		30,521.13
DEFERRED OUTFLOWS OF RESOURCES		
Pension	1940	
Total Deferred Outflows of Resources		0.00
LIABILITIES		
Accounts Payable	2120	0.00
Internal Accounts Payable	2290	0.00
Total Liabilities		0.00
DEFERRED INFLOWS OF RESOURCES		
Accumulated Increase in Fair Value of Hedging Derivatives	2610	0.00
Pension	2640	
Other Postemployment Benefits	2650	0.00
Total Deferred Inflows of Resources		0.00
NET POSITION		
Held in Trust for Pension Benefits	2785	0.00
Held in Trust for Other Purposes	2785	30,521.13
Total Net Position		30,521.13

The notes to financial statements are an integral part of this statement.
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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. The primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Gadsden County School District's (District) governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the student transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The Gadsden County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Gadsden County.

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any legally separate entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading. Based on the application of these criteria, the following component unit is included within the District's reporting entity.

Discretely Presented Component Unit. The component unit columns in the government-wide financial statements include the financial data of the District's component unit. A separate column is used to emphasize that it is legally separate from the District.

During the 2017-18 fiscal year, the District had the following two charter schools operating: Crossroad Academy Charter School, a division of Community and Economic Development Organization of Gadsden County, Inc., and Reach One Teach One, Inc., doing business as Galloway Academy Foreign Language Immersion Charter School.

These charter school are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter

schools operate under a charter approved by its sponsor, the Gadsden County District School Board. The charter schools are considered to be component units of the District because the District is financially accountable for the charter school as the District established the charter school by approval of the charter, which is tantamount to the initial appointment of the charter school, and there is the potential for the charter school to provide specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter school is a public school and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the charter school's financial statements for the fiscal year ended June 30, 2018 for Crossroads Academy. The report for Galloway has not been received at this time. The report is filed in the District's administrative offices.

C. Basis of Presentation: Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The effects of interfund activity have been eliminated from the government-wide financial statements.

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – Food Service – to account for food service grant
- Capital Projects – Capital Outlay and Debt Service – to account for the state of Florida's CO&DS Program allocation to be used to fund projects such as the construction of new schools, including capital equipment and additions to existing schools.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, new and replacement equipment, motor vehicle purchases, and debt service payments related to capital projects.

Additionally, the District reports the following proprietary and fiduciary fund types:

- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year-end are reported as due from/to other funds. While these balances are

reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, transfers between the funds included in governmental activities are eliminated in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source within 60 days of year-end. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

The charter schools are accounted for as not-for-profit organizations and utilize the accrual basis of accounting for reporting its assets and liabilities.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term liquid investments with original maturities of 3 months or less from the date of acquisition. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIMEThe

Cash deposits are held by banks qualified as public depositories under Florida law [add if applicable "or through the Federally Insured Cash Account program, which complies with the provisions of Section 218.415(23), Florida Statutes, and is therefore exempt from Florida's public deposits program pursuant to Section 280.03(3)(f), Florida Statutes"]. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

2. Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the first-in, first-out basis for maintenance department inventories; moving weighted-average for transportation inventories; and last invoice, which approximates the first-in, first-out basis for purchased foods and nonfood inventories. United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

3. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	10 - 35 years
Buildings and Fixed Equipment	15 - 50 years
Furniture, Fixtures, and Equipment	5 - 7 years
Motor Vehicles	5 - 10 years

Current year information relative to changes in capital assets is described in a subsequent note.

4. Pensions

In the government wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The District's retirement plans and related amounts are described in a subsequent note.

5. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

Changes in long-term liabilities for the current year are reported in a subsequent note.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category. The deferred outflows of resources related to pensions and OPEB are discussed in subsequent notes.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two type of items that qualify for reporting in this category. The deferred inflows of resources related to pensions and OPEB are discussed in subsequent notes. The District has one type of item, unavailable revenue, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category in the governmental funds balance sheet. The governmental funds report unavailable revenues related to notes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Net Position Flow Assumption

The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District's policy to consider restricted - net position to have been depleted before unrestricted – net position is applied.

8. Fund Balance Flow Assumptions

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District did not have any committed fund balances at June 30, 2018.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Superintendent and Assistant Superintendent for Business and Finance and not included in other categories. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the FDOE under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the FDOE. The FDOE performs certain edit checks on the reported number of FTE and related data and calculates the allocation of funds to the District. The District is permitted to amend its original reporting during specified time periods following the date of the original reporting. The FDOE may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the fiscal year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. SBE rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following fiscal year to be expended for the same educational programs. The FDOE generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE. Accordingly, the District recognizes the allocation of Public Education Capital Outlay funds as advanced revenue until such time as an encumbrance authorization is received.

A schedule of revenue from State sources for the current year is presented in a subsequent note.

3. District Property Taxes

The Board is authorized by State law to levy property taxes for district school operations, capital improvements, and debt service.

Property taxes consist of ad valorem taxes on real and personal property within the District. Property values are determined by the Gadsden County Property Appraiser, and property taxes are collected by the Gadsden County Tax Collector.

The Board adopted the 2017 tax levy on September 5, 2017. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

Taxes become a lien on the property on January 1, and are delinquent on April 1, of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when

taxes are received by the District, except that revenue is accrued for taxes collected by the Gadsden County Tax Collector at fiscal year-end but not yet remitted to the District.

Millages and taxes levied for the current year are presented in a subsequent note.

4. Federal Revenue Sources

The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

5. Compensated Absences

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

II. ACCOUNTING CHANGE

Governmental accounting standards board statement no. 75.

The district implemented GASB statement no. 75, accounting and financial reporting for postemployment benefits other than pensions, which replaces GASB statement no. 45, accounting and financial reporting by employers for postemployment benefits other than pensions, as amended. This statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statement for the OPEB that they provide; and requires more extensive note disclosures and supplementary information about a government's OPEB liability. The beginning net position of the district was increased by \$861,090 due to implementation of GASB statement no. 75. The district's total OPEB liability, and deferred outflows, reported at June 30, 2017, increased by \$1,216,665 to \$4,583,580, and \$355,575 to \$355,755, as of July 1, 2017, due to the transition in the valuation methods under GASB statement no. 45 to GASB statement no. 75, and beginning balances for deferred inflows of resources were not restated.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. The District does not have a policy for custodial credit risk. All deposits are with qualified public depositories which are fully collateralized as required by Chapter 280, Florida Statutes.

Cash balances from all funds are combined and invested to extent available. Earnings are allocated monthly to each fund based on average daily balances.

B. Notes Receivable

The District sold Chattahoochee High School, Havana North Side High School, and Greensboro Elementary School each to a separate not-for-profit corporation, and as part of the sale agreement, the District issued and held interest bearing notes receivable in the amount of the sale price. The first note was for \$500,000, bearing interest at one percent per annum, payable in monthly installments of \$2,299.47 until paid-in-full with the first installment received February 1, 2011. The second note was for \$205,000, bearing interest at one percent annum, payable in monthly installments of \$942.78 until paid-in-full with the first installment received July 1, 2012. The third note was for \$220,000, bearing interest at one percent per annum, payable in monthly installments of \$1,011.77 until paid-in-full with the first installment due January 1, 2013. At June 30, 2018, the District’s remaining balance was \$641,413.45.

The District’s investments at June 30, 2018, are reported as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	39 Day Average	\$1,604,095.24
Debt Service Accounts	6 Months	2,501.13
Total Investments		<u>\$1,606,596.37</u>

Note (1) These investments are reported as cash equivalents for financial statement reporting purposes.

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District’s investments in SBA debt service accounts are valued using Level 1 inputs.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Florida PRIME and Dreyfus Money Market Fund use a weighted average days to maturity (WAM). A portfolio’s WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity

of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days.” As of June 30, 2018, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the Local Government Surplus Funds Trust Fund [Florida PRIME], or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that limits its investment choices. The District’s investment policy limits investments to United States Treasury securities, obligations of United States Government agencies and instrumentalities, SEC registered money market funds with the highest rating from at least two of the six nationally recognized statistical rating organizations, and certificates of deposit in State qualified public depositories, as well as the Local Government Surplus Funds Trust Fund.

The District’s investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State’s Comprehensive Annual Financial Report.

The District’s investment in Florida PRIME is rated AAAM by Standard & Poor’s.

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,744,588.29	\$ -	\$ 39,900.00	\$ 1,704,688.29
Construction in Progress	-	23,212.51	-	23,212.51
Total Capital Assets Not Being Depreciated	1,744,588.29	23,212.51	39,900.00	1,727,900.80
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	5,248,449.69	-	-	5,248,449.69
Buildings and Fixed Equipment	97,308,674.42	69,218.13	224,273.55	97,153,619.00
Furniture, Fixtures, and Equipment	5,627,585.22	195,009.01	661,819.58	5,160,774.65
Motor Vehicles	7,629,915.29	76,771.68	468,178.00	7,238,508.97
Audio Visual Materials and Computer Software	-	102,087.52	-	102,087.52
Total Capital Assets Being Depreciated	115,814,624.62	443,086.34	1,354,271.13	114,903,439.83
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	3,708,550.93	133,793.02		3,842,343.95
Buildings and Fixed Equipment	38,143,544.07	2,090,960.67	205,306.40	40,029,198.34
Furniture, Fixtures, and Equipment	5,276,274.10	546,320.13	661,819.58	5,160,774.65
Motor Vehicles	5,704,653.08	65,070.40	468,178.00	5,301,545.48
Property Under Capital Lease	-	-	-	-
Audio Visual Materials and Computer Software	-	-	-	-
Total Accumulated Depreciation	52,833,022.18	2,836,144.22	1,335,303.98	54,333,862.42
Total Capital Assets Being Depreciated, Net	62,981,602.44	(2,393,057.88)	19,967.15	60,569,577.41
Governmental Activities Capital Assets, Net	\$ 64,726,190.73	\$ (2,369,845.37)	\$ 58,867.15	\$ 62,297,478.21

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	65,070.40
Unallocated	2,771,073.82
Total Depreciation Expense - Governmental Activities	<u>\$ 2,836,144.22</u>

D. Florida Retirement System

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree HIS Program, a cost sharing multiple employer defined benefit pension plan, to assist retired members of any State administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost sharing multiple employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The District's FRS and HIS pension expense totaled \$3,597,809 for the fiscal year ended June 30, 2018.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are:

- *Regular* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers* – Members who hold specified elective offices in local government.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member

retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

The DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>Percent Value</u>
Regular Members Initially Enrolled Before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Members Initially Enrolled On or After July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Elected County Officers	3.00

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on

or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017-18 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.92
FRS, Elected County Officers	3.00	45.50
DROP – Applicable to Members from All of the Classes	0.00	13.26
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The District’s contributions to the Plan totaled \$1,912,178 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a liability of \$20,543,088 for its proportionate share of the Plan’s net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District’s proportionate share of the net pension liability was based on the District’s 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the District’s proportionate share was 0.069450826 percent, which was an increase (decrease) of .00001251453 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized the Plan pension expense of \$3,018,782. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 1,885,361	\$ 113,798
Change of Assumptions	6,903,928	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	509,109
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	163,640	1,513,706
District FRS Contributions Subsequent to the Measurement Date	1,912,178	-
Total	\$ 10,865,107	\$ 2,136,613

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$1,912,178, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2019	\$ 402,799
2020	402,799
2021	317,772
2022	194,236
2023	44,582
Thereafter	(12,121)
Total	\$ 1,350,067

Actuarial Assumptions. The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	7.10 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.0%	3.0%	1.8%
Fixed Income	18%	4.5%	4.4%	4.2%
Global Equity	53%	7.8%	6.6%	17.0%
Real Estate (Property)	10%	6.6%	5.9%	12.8%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	9.7%
Total	100%			
Assumed inflation - Mean			2.6%	1.9%

(1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.1 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2017 valuation was updated from 7.6 percent to 7.1 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.1 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.1 percent) or 1 percentage point higher (8.1 percent) than the current rate: (GASB Cod. Sec. P20.180 g.) (Apply the District's 2017 proportionate percent as reported in report No. 2018-085 – FRS *Schedules of Employer Allocations and Pension Amounts by Employer*, to the amounts in report No. 2018-065 – FRS Note 4A, page 71.)

	1% Decrease (6.1%)	Current Discount Rate (7.1%)	1% Increase (8.1%)
District's Proportionate Share of the Net Pension Liability	\$ 37,181,749	\$ 20,543,088	\$ 6,729,188

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Federal Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2018, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$477,720 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a net pension liability of \$10,077,000 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, and update procedures were used to determine liabilities as of July 1, 2017. The District's proportionate share of the net pension liability was based on the District's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was 0.094243971 percent, which was an increase/decrease of 0.00002576566 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized the HIS Plan pension expense of \$579,027. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$	\$ 20,982
Change of Assumptions	811,291	871,369
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	3,201	-
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	78,638	898,101
District Contributions Subsequent to the Measurement Date	72,983	-
Total	\$ 966,113	\$ 1,790,452

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$72,983, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2019	\$ 187,443
2020	187,443
2021	187,443
2022	112,405
2023	35,858
Thereafter	30,953
Total	\$ 741,545

Actuarial Assumptions. The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	3.58 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.58 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 2.85 percent to 3.58 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.58 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
District's Proportionate Share of the Net Pension Liability	\$ 11,499,192	\$ 10,077,000	\$ 8,892,393

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

FRS – Defined Contribution Pension Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State's Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2017-18 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Elected County Officers	11.34
FRS, Senior Management Service	7.67

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30,

2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled \$187,616.82 for the fiscal year ended June 30, 2018.

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District that provides OPEB for all employees who satisfy the District's retirement eligibility provisions. Pursuant to Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical and prescription drug coverage. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. The OPEB Plan contribution requirements and benefit terms of the District and the OPEB Plan members are established and may be amended through action from the Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. The OPEB Plan provides healthcare insurance benefits for retirees and their dependents. In addition to the implicit subsidy described above, the benefit terms provide for payment of \$30 per month towards single health insurance coverage for former employees who retired prior to May 2, 2001. The benefits provided under this defined plan are provided for a fixed number of years determined at the time of retirement based on the number of years worked for the District and may be amended by board action. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible.

Employees Covered by Benefit Terms. At October 1, 2016, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	174
Inactive Employees Entitled to But Not Yet Receiving Benefits	
Active Employees	<u>646</u>
Total	<u><u>820</u></u>

Total OPEB Liability. The District's total OPEB liability of \$4,314,527 was measured as of June 30, 2017, and was determined by an actuarial valuation as of October 1, 2016.

Actuarial Assumptions and Other Inputs. The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Salary Increases	3.7 percent – 7.8 percent, including inflation
Discount Rate	3.56 percent
Healthcare Cost Trend Rates	7.25 percent for 2017, decreasing to an ultimate rate of 4.24 percent for later years

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality tables used for Regular Class members in the July 1, 2016 actuarial valuation of the Florida Retirement System. They are based on the results of a statewide experience study covering the period 2008 through 2013.

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the October 1, 2016, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014, adopted by the FRS.

1. *Changes in the Total OPEB Liability.*

	<u>Amount</u>
Balance at June 30, 2017, as Restated	<u>\$ 4,583,580.00</u>
Changes for the year:	
Service Cost	126,381.00
Interest	132,339.00
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes in Assumptions or Other Inputs	(172,198.00)
Benefit Payments	<u>(355,575.00)</u>
Net Changes	<u>(269,053.00)</u>
Balance at June 30, 2018	<u><u>\$ 4,314,527.00</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.92 percent in 2016 to 3.56 percent in 2017.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower 2.56 percent or 1 percentage point higher 4.56 percent than the current rate:

	<u>1% Decrease 2.56%</u>	<u>Current Discount Rate 3.56%</u>	<u>1% Increase 5.56%</u>
Total OPEB Liability	\$ 4,585,660	\$ 4,314,527	\$ 4,057,150

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.25 percent decreasing to 3.24 percent) or 1 percentage point higher (8.25 percent decreasing 5.24 percent) than the current healthcare cost trend rates:

	1% Decrease (6.25% decreasing to 3.24%)	Healthcare Cost Trend Rates (7.25% decreasing to 4.24%)	1% Increase (8.25% decreasing to 5.24%)
Total OPEB Liability	\$ 3,951,496	\$ 4,314,527	\$ 4,734,579

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$238,927. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ -
Change of Assumptions or Other Inputs	-	152,406
Benefits Paid Subsequent to the Measurement Date	-	-
Total	\$ -	\$ 152,406

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2019	\$ 19,793
2020	19,793
2021	19,793
2022	19,793
2023	19,793
Thereafter	53,441
Total	\$ 152,406

F. Significant Commitments

Encumbrances. Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next year's appropriations are likewise encumbered.

The following is a schedule of encumbrances at June 30, 2018:

Major Funds		Total Governmental Funds
General	Special Revenue- Food Service	
<u>\$ 47,221</u>	<u>\$ 95,427</u>	<u>\$ 142,648</u>

G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Workers' compensation, automobile liability, general liability, building and contents, boiler and machinery, errors and omissions, and employee health and hospitalization, life and dental coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

Settled claims resulting from the risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

H. Long-Term Liabilities

1. Notes Payable

Notes payable at June 30, 2018, are as follows:

Note Description	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
Section 1011.14, Florida Statutes, Note(s): Havana Middle School Addition	<u>\$ 183,331.85</u>	2.76	2019
Total Notes Payable	<u><u>\$ 183,331.85</u></u>		

The District entered into a note totaling \$1,725,000 in October 2013 as allowed under the provisions of Section 1011.14, Florida Statutes, which authorizes district school boards to create obligations for a period of one year. This obligation is allowed in anticipation of budgeted revenues accruing on a current basis, without pledging the credit of the District or requiring future levy of taxes for certain purposes. These obligations may be extended from year to year, with the consent of the lender, for a period not to exceed four years, for a total of five years, including the initial year of the loan. This obligation was undertaken to finance the construction of a classroom wing at Havana Middle School.

Amounts payable for the planned extended repayment of the Section 1011.14, Florida Statutes, bank loans are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2019	<u>\$ 185,861.83</u>	<u>\$ 183,331.85</u>	<u>\$ 2,529.98</u>
Total	<u><u>\$ 185,861.83</u></u>	<u><u>\$ 183,331.85</u></u>	<u><u>\$ 2,529.98</u></u>

2. **Bonds Payable**

Bonds payable at June 30, 2018, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2009A, Refunding	\$ 20,000.00	5	2019
Series 2014B, Refunding	47,000.00	2 - 5	2020
District Revenue Bonds:			
Sales Tax Revenue Bonds, 2013	<u>1,776,521.20</u>	2.76	2019
Total Bonds Payable	<u><u>\$ 1,843,521.20</u></u>		

The various bonds were issued to finance capital outlay projects of the District. The following is a description of the bonded debt issues:

➤ State School Bonds

These bonds are issued by the State Board of Education on behalf of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of debt service fund resources, and compliance with reserve requirements are administered by the State Board of Education and the State Board of Administration.

➤ Sales Tax Revenue Bonds, Series 2013 (Pari-Mutuel Revenues Replacement Program)

These bonds are authorized by Chapter 57-665 and 70-693, Section 212.20, Florida Statutes, and a resolution adopted by the Gadsden County District School Board on October 22, 2013. These bonds are secured by pari-mutuel replacement revenues distributed annually to Gadsden County from the State pursuant to Section 212.20(6)(d)6.a., Florida Statutes as a replacement for moneys distributed under Section 550.135, Florida Statutes, prior to July 1, 2000.

The District has pledged a total of \$2,919,816.01 of sales tax revenues in connection with the District Sales Tax Bonds, Series 2013, described above. During the 2016-17 fiscal year, the District recognized sales tax revenues totaling \$223,250 and expended \$201,366.07 (90 percent) of these revenues for debt service directly collateralized by these revenues. The pledged sales tax revenues are committed until final maturity of the debt on July 1, 2028. Approximately 87 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2018, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2019	\$ 45,630.00	\$ 43,000.00	\$ 2,630.00
2020	24,480.00	24,000.00	480.00
Total State School Bonds	70,110.00	67,000.00	3,110.00
District Revenue Bonds:			
2019	201,366.62	144,270.12	57,096.50
2020	201,366.62	149,040.98	52,325.64
2021	201,366.63	153,969.62	47,397.01
2022	201,366.62	159,061.23	42,305.39
2023	201,366.62	164,321.22	37,045.40
2024-2028	1,006,833.10	906,799.28	100,033.82
2029-2033	100,683.31	99,058.75	1,624.56
2034	-	-	-
Total District Revenue Bonds	2,114,349.52	1,776,521.20	337,828.32
Total	\$ 2,184,459.52	\$ 1,843,521.20	\$ 340,938.32

3. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
GOVERNMENTAL ACTIVITIES					
Installment-Purchases Payable	218,565.83	-	218,565.83	-	-
Notes Payable	542,542.90	-	359,211.05	183,331.85	183,331.85
Bonds Payable	2,185,173.17	-	341,651.97	1,843,521.20	187,270.12
Compensated Absences Payable	2,310,154.26	39,342.19	-	2,349,496.45	432,401.61
Net Pension Liability	27,903,853.00	7,957,460.00	5,241,223.00	30,620,090.00	2,389,898.00
Other Postemployment Benefits Payable	4,583,580.00	258,720.00	527,773.00	4,314,527.00	-
Total Governmental Activities	\$ 37,743,869.16	\$ 8,255,522.19	\$ 6,688,424.85	\$ 39,310,966.50	\$ 3,192,901.58

For the governmental activities, compensated absences and other postemployment benefits are generally liquidated with resources of the General Fund.

I. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in the **Fund Balance Policies** note disclosure, fund balances may be classified as follows:

- **Nonspendable Fund Balance.** Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.

- **Restricted Fund Balance.** Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.
- **Unassigned Fund Balance.** The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

J. Interfund Receivables and Payables

The following is a summary of interfund receivables and payables reported in the fund financial statements:

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 1,070,871.12	\$ 8,881.22
Special Revenue:		
Food Services	14,303.22	406,525.99
Other	-	669,767.13
Total	\$ 1,085,174.34	\$ 1,085,174.34

The interfund balance between the General Fund and Special Revenue – Food Service and Other represents temporary borrowing of cash to cover projects that are awaiting reimbursement from other agencies.

K. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

The following is a schedule of the District’s State revenue sources for the 2017-18 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 24,451,832.00
Categorical Educational Program - Class Size Reduction	5,311,184.00
Charter School Capital Outlay	111,130.00
Voluntary Prekindergarten Program	626,033.35
Gross Receipts Tax (Public Education Capital Outlay)	181,227.00
Workforce Development Program	346,242.00
Discretionary Lottery Funds	8,285.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	214,044.32
Miscellaneous	1,379,981.51
Total	\$ 32,629,959.18

Accounting policies relating to certain State revenue sources are described in I.G.2.

2. Property Taxes

The following is a summary of millages and taxes levied on the 2017 tax roll for the 2017-18 fiscal year:

General Fund	Millages	Taxes Levied
Nonvoted School Tax:		
Required Local Effort	4.289	\$ 6,522,706.00
Basic Discretionary Local Effort	0.748	1,137,557.49
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,281,198.18
Total	6.537	\$9,941,461.67

L. Interfund Transfers

The following is a summary of interfund transfers reported in the fund financial statements:

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 1,709,348.85	\$ 201,366.07
Capital Projects:		
Nonvoted Capital Improvement Fund	-	2,192,223.96
Nonmajor Governmental	795,371.18	111,130.00
Total	\$ 2,504,720.03	\$ 2,504,720.03

The transfers to the General Fund were for maintenance and property casualty insurance premiums paid from the General Fund and reimbursed with the nonmajor governmental fund Capital Projects – Local Capital Improvement Fund moneys and charter school capital outlay moneys from the nonmajor governmental fund Capital Projects – Other Fund. The balance of the nonmajor governmental funds transfer was to pay the current year debt service payment on the notes and bonds payable that were issued for the Havana Magnet School (formerly known as the Havana Middle School Addition project).

IV. LITIGATION

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District’s legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

DISTRICT SCHOOL BOARD OF GADSDEN COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2018

	Account Number	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
		Original	Final		
REVENUES					
Federal Direct	3100	75,107.09	75,107.09	32,546.74	(42,560.35)
Federal Through State and Local	3200	301,388.02	301,388.02	336,837.22	35,449.20
State Sources	3300	31,748,179.59	31,748,179.59	31,971,382.91	223,203.32
<i>Local Sources:</i>					
Property Taxes Levied, Tax Redemptions and Excess Fees for Operational Purposes	3411, 3421, 3423	7,353,853.00	7,353,853.00	7,091,463.67	(262,389.33)
Property Taxes Levied, Tax Redemptions and Excess Fees for Debt Service	3412, 3421, 3423			0.00	0.00
Property Taxes Levied, Tax Redemptions and Excess Fees for Capital Projects	3413, 3421, 3423			0.00	0.00
Local Sales Taxes	3418, 3419			0.00	0.00
Charges for Service - Food Service	345X			0.00	0.00
Impact Fees	3496			0.00	0.00
Other Local Revenue		1,517,000.00	1,517,000.00	1,680,756.26	163,756.26
Total Local Sources	3400	8,870,853.00	8,870,853.00	8,772,219.93	(98,633.07)
Total Revenues		40,995,527.70	40,995,527.70	41,112,986.80	117,459.10
EXPENDITURES					
<i>Current:</i>					
Instruction	5000	21,519,249.00	21,519,249.00	22,326,226.94	(806,977.94)
Student Support Services	6100	1,943,230.93	1,943,230.93	1,928,081.16	15,149.77
Instructional Media Services	6200	643,816.99	643,816.99	612,880.84	30,936.15
Instruction and Curriculum Development Services	6300	1,089,042.01	1,089,042.01	1,055,922.86	33,119.15
Instructional Staff Training Services	6400	476,154.93	476,154.93	458,927.69	17,227.24
Instruction-Related Technology	6500	183,336.67	183,336.67	159,390.40	23,946.27
Board	7100	312,826.44	312,826.44	402,320.86	(89,494.42)
General Administration	7200	531,041.67	531,041.67	686,420.87	(155,379.20)
School Administration	7300	3,306,188.29	3,306,188.29	3,351,560.24	(45,371.95)
Facilities Acquisition and Construction	7410	132,634.40	132,634.40	82,862.79	49,771.61
Fiscal Services	7500	600,085.46	600,085.46	621,627.99	(21,542.53)
Food Services	7600	572.98	572.98	12,070.07	(11,497.09)
Central Services	7700	269,510.58	269,510.58	336,940.21	(67,429.63)
Student Transportation Services	7800	2,714,595.39	2,714,595.39	3,461,147.87	(746,552.48)
Operation of Plant	7900	5,977,831.21	5,977,831.21	5,428,331.57	549,499.64
Maintenance of Plant	8100	1,121,391.49	1,121,391.49	1,216,797.20	(95,405.71)
Administrative Technology Services	8200	1,499,330.24	1,499,330.24	858,502.78	640,827.46
Community Services	9100	14,213.71	14,213.71	14,713.71	(500.00)
<i>Debt Service: (Function 9200)</i>					
Redemption of Principal	710			0.00	0.00
Interest	720			0.00	0.00
Due and Fees	730			0.00	0.00
Miscellaneous	790			0.00	0.00
<i>Capital Outlay:</i>					
Facilities Acquisition and Construction	7420			23,212.51	(23,212.51)
Other Capital Outlay	9300			404,592.48	(404,592.48)
Total Expenditures		42,335,052.39	42,335,052.39	43,442,531.04	(1,107,478.65)
Excess (Deficiency) of Revenues Over (Under) Expenditures		(1,339,524.69)	(1,339,524.69)	(2,329,544.24)	(990,019.55)
OTHER FINANCING SOURCES (USES)					
Issuance of Bonds	3710			0.00	0.00
Premium on Sale of Bonds	3791			0.00	0.00
Discount on Sale of Bonds	891			0.00	0.00
Proceeds of Lease-Purchase Agreements	3750			0.00	0.00
Premium on Lease-Purchase Agreements	3793			0.00	0.00
Discount on Lease-Purchase Agreements	893			0.00	0.00
Loans	3720			0.00	0.00
Sale of Capital Assets	3730	9,000.00		714,550.00	714,550.00
Loss Recoveries	3740			193,615.42	193,615.42
Proceeds of Forward Supply Contract	3760			0.00	0.00
Face Value of Refunding Bonds	3715			0.00	0.00
Premium on Refunding Bonds	3792			0.00	0.00
Discount on Refunding Bonds	892			0.00	0.00
Refunding Lease-Purchase Agreements	3755			0.00	0.00
Premium on Refunding Lease-Purchase Agreements	3794			0.00	0.00
Discount on Refunding Lease-Purchase Agreements	894			0.00	0.00
Payments to Refunding Escrow Agent (Function 9299)	760			0.00	0.00
Transfers In	3600	1,406,382.00		1,709,348.85	1,709,348.85
Transfers Out	9700	(201,366.62)		(201,366.07)	(201,366.07)
Total Other Financing Sources (Uses)		1,214,015.38	0.00	2,416,148.20	2,416,148.20
SPECIAL ITEMS				0.00	0.00
EXTRAORDINARY ITEMS				0.00	0.00
Net Change in Fund Balances		(125,509.31)	(1,339,524.69)	86,603.96	1,426,128.65
Fund Balances, July 1, 2017	2800	2,159,250.30	1,969,350.85	1,969,350.85	0.00
Adjustments to Fund Balances	2891			0.00	0.00
Fund Balances, June 30, 2018	2700	2,033,740.99	629,826.16	2,055,954.81	1,426,128.65

DISTRICT SCHOOL BOARD OF GADSDEN COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR SPECIAL REVENUE FUNDS - FOOD SERVICES
For the Fiscal Year Ended June 30, 2018

	Account Number	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
		Original	Final		
REVENUES					
Federal Direct	3100			0.00	0.00
Federal Through State and Local	3200	3,955,097.00	3,955,097.00	4,564,302.06	609,205.06
State Sources	3300	76,783.00	76,783.00	74,354.00	(2,429.00)
<i>Local Sources:</i>					
Property Taxes Levied, Tax Redemptions and Excess Fees for Operational Purposes	3411, 3421, 3423			0.00	0.00
Property Taxes Levied, Tax Redemptions and Excess Fees for Debt Service	3412, 3421, 3423			0.00	0.00
Property Taxes Levied, Tax Redemptions and Excess Fees for Capital Projects	3413, 3421, 3423			0.00	0.00
Local Sales Taxes	3418, 3419			0.00	0.00
Charges for Service - Food Service	345X	127,658.00	127,658.00	132,032.44	4,374.44
Impact Fees	3496			0.00	0.00
Other Local Revenue				0.00	0.00
Total Local Sources	3400	127,658.00	127,658.00	132,032.44	4,374.44
Total Revenues		4,159,538.00	4,159,538.00	4,770,688.50	611,150.50
EXPENDITURES					
<i>Current:</i>					
Instruction	5000			0.00	0.00
Student Support Services	6100			0.00	0.00
Instructional Media Services	6200			0.00	0.00
Instruction and Curriculum Development Services	6300			0.00	0.00
Instructional Staff Training Services	6400			0.00	0.00
Instruction-Related Technology	6500			0.00	0.00
Board	7100			0.00	0.00
General Administration	7200			0.00	0.00
School Administration	7300			0.00	0.00
Facilities Acquisition and Construction	7410			0.00	0.00
Fiscal Services	7500			0.00	0.00
Food Services	7600	4,495,053.85	4,495,053.85	4,636,671.49	(141,617.64)
Central Services	7700			0.00	0.00
Student Transportation Services	7800			0.00	0.00
Operation of Plant	7900			0.00	0.00
Maintenance of Plant	8100			0.00	0.00
Administrative Technology Services	8200			0.00	0.00
Community Services	9100			0.00	0.00
<i>Debt Service: (Function 9200)</i>					
Redemption of Principal	710			0.00	0.00
Interest	720			0.00	0.00
Dues and Fees	730			0.00	0.00
Miscellaneous	790			0.00	0.00
<i>Capital Outlay:</i>					
Facilities Acquisition and Construction	7420			0.00	0.00
Other Capital Outlay	9300			378,972.67	(378,972.67)
Total Expenditures		4,495,053.85	4,495,053.85	5,015,644.16	(520,590.31)
Excess (Deficiency) of Revenues Over (Under) Expenditures		(335,515.85)	(335,515.85)	(244,955.66)	90,560.19
OTHER FINANCING SOURCES (USES)					
Issuance of Bonds	3710			0.00	0.00
Premium on Sale of Bonds	3791			0.00	0.00
Discount on Sale of Bonds	891			0.00	0.00
Proceeds of Lease-Purchase Agreements	3750			0.00	0.00
Premium on Lease-Purchase Agreements	3793			0.00	0.00
Discount on Lease-Purchase Agreements	893			0.00	0.00
Loans	3720			0.00	0.00
Sale of Capital Assets	3730			0.00	0.00
Loss Recoveries	3740			0.00	0.00
Proceeds of Forward Supply Contract	3760			0.00	0.00
Face Value of Refunding Bonds	3715			0.00	0.00
Premium on Refunding Bonds	3792			0.00	0.00
Discount on Refunding Bonds	892			0.00	0.00
Refunding Lease-Purchase Agreements	3755			0.00	0.00
Premium on Refunding Lease-Purchase Agreements	3794			0.00	0.00
Discount on Refunding Lease-Purchase Agreements	894			0.00	0.00
Payments to Refunding Escrow Agent (Function 9299)	760			0.00	0.00
Transfers In	3600			0.00	0.00
Transfers Out	9700			0.00	0.00
Total Other Financing Sources (Uses)		0.00	0.00	0.00	0.00
SPECIAL ITEMS					
				0.00	0.00
EXTRAORDINARY ITEMS					
				0.00	0.00
Net Change in Fund Balances		(335,515.85)	(335,515.85)	(244,955.66)	90,560.19
Fund Balances, July 1, 2017	2800	1,237,206.85	1,191,305.95	1,191,305.95	0.00
Adjustments to Fund Balances	2891			0.00	0.00
Fund Balances, June 30, 2018	2700	901,691.00	855,790.10	946,350.29	90,560.19

DISTRICT SCHOOL BOARD OF GADSDEN COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR SPECIAL REVENUE FUNDS - OTHER FEDERAL PROGRAMS
For the Fiscal Year Ended June 30, 2018

	Account Number	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
		Original	Final		
REVENUES					
Federal Direct	3100	2,070,498.69	2,070,498.69	2,221,201.06	150,702.37
Federal Through State and Local	3200	6,252,799.94	6,252,799.94	7,147,233.19	894,433.25
State Sources	3300			0.00	0.00
<i>Local Sources:</i>					
Property Taxes Levied, Tax Redemptions and Excess Fees for Operational Purposes	3411, 3421, 3423			0.00	0.00
Property Taxes Levied, Tax Redemptions and Excess Fees for Debt Service	3412, 3421, 3423			0.00	0.00
Property Taxes Levied, Tax Redemptions and Excess Fees for Capital Projects	3413, 3421, 3423			0.00	0.00
Local Sales Taxes	3418, 3419			0.00	0.00
Charges for Service - Food Service	345X			0.00	0.00
Impact Fees	3496			0.00	0.00
Other Local Revenue				0.00	0.00
Total Local Sources	3400	0.00	0.00	0.00	0.00
Total Revenues		8,323,298.63	8,323,298.63	9,368,434.25	1,045,135.62
EXPENDITURES					
<i>Current:</i>					
Instruction	5000	4,509,232.32	4,509,232.32	5,265,678.43	(756,446.11)
Student Support Services	6100	1,040,576.94	1,040,576.94	1,256,154.10	(215,577.16)
Instructional Media Services	6200	21,599.62	21,599.62	11,667.11	9,932.51
Instruction and Curriculum Development Services	6300	869,533.79	869,533.79	1,088,387.71	(218,853.92)
Instructional Staff Training Services	6400	650,227.59	650,227.59	713,566.61	(63,339.02)
Instruction-Related Technology	6500	58,531.87	58,531.87	62,396.00	(3,864.13)
Board	7100	0.00	0.00	0.00	0.00
General Administration	7200	354,661.57	354,661.57	41,885.50	312,776.07
School Administration	7300	32,587.32	32,587.32	26,621.72	5,965.60
Facilities Acquisition and Construction	7410	232,231.30	232,231.30	0.00	232,231.30
Fiscal Services	7500	0.00	0.00	0.00	0.00
Food Services	7600	0.00	0.00	1,109.39	(1,109.39)
Central Services	7700	132,953.03	132,953.03	93,432.25	39,520.78
Student Transportation Services	7800	267,203.93	267,203.93	515,473.09	(248,269.16)
Operation of Plant	7900	92,430.36	92,430.36	89,590.60	2,839.76
Maintenance of Plant	8100	2,618.25	2,618.25	0.00	2,618.25
Administrative Technology Services	8200	5,910.66	5,910.66	3,284.05	2,626.61
Community Services	9100	53,000.08	53,000.08	29,773.74	23,226.34
<i>Debt Service: (Function 9200)</i>					
Redemption of Principal	710			0.00	0.00
Interest	720			0.00	0.00
Dues and Fees	730			0.00	0.00
Miscellaneous	790			0.00	0.00
<i>Capital Outlay:</i>					
Facilities Acquisition and Construction	7420			0.00	0.00
Other Capital Outlay	9300			169,413.95	(169,413.95)
Total Expenditures		8,323,298.63	8,323,298.63	9,368,434.25	(1,045,135.62)
Excess (Deficiency) of Revenues Over (Under) Expenditures		0.00	0.00	0.00	(0.00)
OTHER FINANCING SOURCES (USES)					
Issuance of Bonds	3710			0.00	0.00
Premium on Sale of Bonds	3791			0.00	0.00
Discount on Sale of Bonds	891			0.00	0.00
Proceeds of Lease-Purchase Agreements	3750			0.00	0.00
Premium on Lease-Purchase Agreements	3793			0.00	0.00
Discount on Lease-Purchase Agreements	893			0.00	0.00
Loans	3720			0.00	0.00
Sale of Capital Assets	3730			0.00	0.00
Loss Recoveries	3740			0.00	0.00
Proceeds of Forward Supply Contract	3760			0.00	0.00
Face Value of Refunding Bonds	3715			0.00	0.00
Premium on Refunding Bonds	3792			0.00	0.00
Discount on Refunding Bonds	892			0.00	0.00
Refunding Lease-Purchase Agreements	3755			0.00	0.00
Premium on Refunding Lease-Purchase Agreements	3794			0.00	0.00
Discount on Refunding Lease-Purchase Agreements	894			0.00	0.00
Payments to Refunding Escrow Agent (Function 9299)	760			0.00	0.00
Transfers In	3600			0.00	0.00
Transfers Out	9700			0.00	0.00
Total Other Financing Sources (Uses)		0.00	0.00	0.00	0.00
SPECIAL ITEMS				0.00	0.00
EXTRAORDINARY ITEMS				0.00	0.00
Net Change in Fund Balances		0.00	0.00	0.00	(0.00)
Fund Balances, July 1, 2017	2800			169,401.21	169,401.21
Adjustments to Fund Balances	2891			(169,401.21)	(169,401.21)
Fund Balances, June 30, 2018	2700	0.00	0.00	0.00	0.00

	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 126,381.00
Interest	132,339
Changes of Benefit Terms	(172,198)
Difference Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	-
Benefit Payments	<u>(355,575)</u>
Net Change in Total OPEB Liability	(269,053)
Total OPEB Liability - Beginning, as Restated	<u>4,583,580</u>
Total OPEB Liability - Ending	<u><u>\$ 4,314,527</u></u>
Covered-Employee Payroll	\$ 23,752,855
Total OPEB Liability as a Percentage of Covered-Employee Payroll	18.16%

**Schedule of the District's Proportionate Share
of the Net Pension Liability –
Florida Retirement System Pension Plan (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the FRS Net Pension Liability	0.069450826%	0.068199373%	0.076705428%	0.081729998%	0.086175321%
District's Proportionate Share of the FRS Net Pension Liability	\$ 20,543,088	\$ 17,220,397	\$ 9,907,535	\$ 4,986,732	\$ 14,834,608
District's Covered Payroll	\$ 30,088,901	\$ 28,331,182	\$ 29,143,950	\$ 30,277,610	\$ 31,821,650
District's Proportionate Share of the FRS Net Pension Liability as a Percentage of Its Covered Payroll	68.27%	60.78%	34.00%	16.47%	46.62%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.89%	84.88%	92.00%	96.09%	88.54%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of District Contributions –
Florida Retirement System Pension Plan (1)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required FRS Contribution	\$ 1,912,178	\$ 1,807,976	\$ 1,663,150	\$ 1,870,143	\$ 1,790,234
FRS Contributions in Relation to the Contractually Required Contribution	(1,912,178)	(1,807,976)	(1,663,150)	(1,870,143)	(1,790,234)
FRS Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 28,887,377	\$ 30,088,901	\$ 28,331,182	\$ 29,143,950	\$ 30,277,610
FRS Contributions as a Percentage of Covered Payroll	6.62%	6.01%	5.87%	6.42%	5.91%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of the District's Proportionate Share
of the Net Pension Liability –
Health Insurance Subsidy Pension Plan (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the HIS Net Pension Liability	0.094243971%	0.091667405%	0.096010715%	0.101781025%	1.095380120%
District's Proportionate Share of the HIS Net Pension Liability	\$ 10,077,000	\$ 10,683,456	\$ 9,791,583	\$ 9,516,774	\$ 9,536,724
District's Covered Payroll	\$ 30,088,901	\$ 28,331,182	\$ 29,143,950	\$ 30,277,610	\$ 31,821,650
District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	33.49%	37.71%	33.60%	31.43%	29.97%
HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	1.64%	0.97%	0.50%	0.99%	1.78%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of District Contributions –
Health Insurance Subsidy Pension Plan (1)**

	2018	2017	2016	2015	2014
Contractually Required HIS Contribution	\$ 477,720	\$ 498,766	\$ 469,854	\$ 367,013	\$ 348,668
HIS Contributions in Relation to the Contractually Required Contribution	(477,720)	(498,766)	(469,854)	(367,013)	(348,668)
HIS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 28,887,377	\$ 30,088,901	\$ 28,331,182	\$ 29,143,950	\$ 30,277,610
HIS Contributions as a Percentage of Covered Payroll	1.65%	1.66%	1.66%	1.26%	1.15%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

The Board follows procedures established by State law and State Board of Education (SBE) rules in establishing budget balances for governmental funds, as described below:

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by State law and SBE rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, student transportation services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds. (A description of any differences in the basis of accounting used to prepare the budgets should be included, if applicable.)
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

2. Schedule of Changes in the District's Total Other Postemployment Benefits Liability and Related Ratios

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The June 30, 2018, total OPEB liability significantly increased from the prior fiscal year as a result of changes to assumptions as discussed below:

Changes of Assumptions. The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change is reflected in the Schedule of Changes in Total OPEB Liability.

**3. Schedule of Net Pension Liability and Schedule of Contributions –
Florida Retirement System Pension Plan**

Changes of Benefit Terms.

Changes of Assumptions. The long-term expected rate of return was decreased from 7.6 percent to 7.1 percent, and the active member mortality assumption was updated.

4. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan

Changes of Benefit Terms.

Changes of Assumptions. The municipal bond rate used to determine total pension liability was increased from 2.85 percent to 3.58 percent.