

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2023-181
March 2023

**GADSDEN COUNTY
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended
June 30, 2022



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2021-22 fiscal year, Elijah Key served as Superintendent of the Gadsden County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Cathy S. Johnson	1
Steve Scott, Vice Chair	2
Leroy McMillan, Chair	3
Charlie D. Frost	4
Karema D. Dudley	5

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The team leader was Gloria Whitten, and the audit was supervised by Shelly G. Curti, CPA.

Please address inquiries regarding this report to Edward A. Waller, CPA, Audit Manager, by e-mail at tedwaller@aud.state.fl.us or by telephone at (850) 412-2887.

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of the Gadsden County District School Board (District) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards, with the exception of the school internal funds, which comprise a significant portion of the aggregate remaining fund information.

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a material weakness, as summarized below.

Material Weakness

Finding No. 2022-001: District procedures had not been established to ensure that District school internal funds and discretely presented component unit audit reports are promptly issued and considered in completing the District financial statements.

We also noted certain matters involving the District's internal control over financial reporting and its operation that we consider to be significant deficiencies, as summarized below. However, these significant deficiencies are not considered to be material weaknesses.

Significant Deficiencies

Finding No. 2022-002: District procedures did not provide for timely reconciliations of bank account cash balances to the general ledger account balances.

Finding No. 2022-003: Two employees had full update access privileges to information technology applications or components that allowed them to perform functions incompatible with their assigned job responsibilities.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States; however, we noted certain additional matters as summarized below.

Additional Matters

Finding AM 2022-001: District financial reporting procedures need improvement to ensure that all components of the annual financial report are timely submitted to the Florida Department of Education.

Finding AM 2022-002: District procedures did not always limit expenditures to budgeted amounts, contrary to State law, State Board of Education rules, and Board policies.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Emergency Connectivity Fund Program, Education Stabilization Fund, and Head Start Cluster were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs except that the District did not materially comply with the Equipment and Real Property Management requirement for the Emergency Connectivity Fund Program and Education Stabilization Fund. The noncompliance and control deficiency findings are summarized below:

Federal Award Finding No. 2022-004: The District did not comply with Federal regulations by maintaining inventory records to identify the location of 333 laptops, resulting in Emergency Connectivity Fund program questioned costs of \$132,527.

Federal Award Finding No. 2022-005: The District did not comply with Federal regulations by maintaining inventory records to identify the location of certain equipment, resulting in Elementary and Secondary School Emergency Relief Fund questioned costs of \$1,565,006.14.

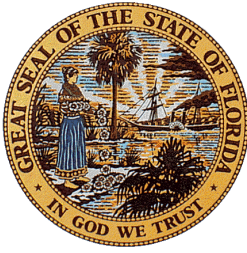
AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included our opinions. Our audit objectives were also to obtain reasonable assurance about whether material noncompliance with applicable Federal awards requirements occurred, whether due to fraud or error, and to express an opinion on the District's compliance based on our audit. In doing so, we:

- Exercised professional judgment and maintained professional skepticism throughout the audit.
- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks.
- Obtained an understanding of internal control relevant to the audit 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 District's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluated the overall presentation of the financial statements and accompanying Schedule of Expenditures of Federal Awards.
- Concluded whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.
- Examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.
- Determined whether corrective action was taken for the additional matter finding included in our report No. 2022-181.

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Gadsden County District School Board, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements. These financial statements collectively comprise the District's basic financial statements as listed in the table of contents.

Qualified Opinion on the Aggregate Remaining Fund Information

In our opinion, except for the effects of the matter described in the ***Basis for Qualified and Unmodified Opinions*** section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the Gadsden County District School Board, as of June 30, 2022, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on the Governmental Activities, the Discretely Presented Component Unit, and Each Major Fund

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of the Gadsden County District School Board, as of June 30, 2022, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those financial statements, is based solely on the report of the other auditors.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to Qualified Opinion on the Aggregate Remaining Fund Information

The Board is required, pursuant to Chapter 8 of the *Financial and Program Cost Accounting and Reporting for Florida Schools*, to provide for an annual audit of the school internal funds. While the Board entered into a contract with other auditors to conduct that audit for the 2021-22 fiscal year, the audit was not completed.

According to District personnel, the District did not timely provide all requested records to the school internal funds auditor to complete that audit. The school internal funds financial activities are included in the District's basic financial statements as Fiduciary Funds and represent 7 percent, 0 percent, 0 percent, 7 percent, 0 percent, and 0 percent, respectively, of the assets, liabilities, deferred inflows of resources, net position and fund balance, revenues, and expenditures of the aggregate remaining fund information.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government*

Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Budgetary Comparison Schedule – General and Major Special Revenue Funds**, **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion

or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 31, 2023

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, 2022. 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 2021-22 fiscal year are as follows:

- The District's total net position increased by \$1.1 million, or 2.8 percent.
- General revenues total \$57.4 million, or 92 percent of all revenues in the 2021-22 fiscal year, as compared to \$64.2 million, or 90.9 percent for the 2020-21 fiscal year.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$2 million at June 30, 2022, or 4.7 percent of General Fund expenditures as compared to an unassigned fund balance of \$7.2 million, or 16.2 percent of expenditures at June 30, 2021.
- During the current fiscal year, General Fund expenditures exceeded revenues by \$6.7 million. This may be compared to the 2020-21 fiscal year's result in which General Fund expenditures exceeded revenues by \$4.7 million and the 2019-20 fiscal year's results in which General Fund expenditures exceeded revenues by \$5.3 million.
- The total long-term liabilities decreased by \$22.2 million, primarily because of a decrease in the net pension liability.

OVERVIEW OF 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 such as 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 unit – The District presents Crossroad Academy Charter School as a separate legal entity in this report. Although the school is a legally separate organization, it is considered a component unit of the Gadsden County District School Board for financial reporting purposes and is included in this report because school meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.

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 entitywide 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, Special Revenue – Federal Education Stabilization Fund, and Capital Projects – Other 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 custodial 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 total other postemployment benefits (OPEB) and net pension liabilities.

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, 2022, compared to net position as of June 30, 2021:

Net Position, End of Year

	Governmental Activities	
	6-30-22	6-30-21
Current and Other Assets	\$ 16,634,284	\$ 20,939,349
Capital Assets	58,965,829	58,036,600
Total Assets	75,600,113	78,975,949
Deferred Outflows of Resources	8,594,054	11,903,473
Long-Term Liabilities	20,554,643	42,722,047
Other Liabilities	1,269,618	1,852,892
Total Liabilities	21,824,261	44,574,939
Deferred Inflows of Resources	20,084,705	5,152,623
Net Position:		
Net Investment in Capital Assets	57,795,649	56,707,359
Restricted	12,948,413	11,458,221
Unrestricted (Deficit)	(28,458,861)	(27,013,720)
Total Net Position	\$ 42,285,201	\$ 41,151,860

The largest portion of the District's net position is investment in capital assets (e.g., land; buildings; furniture, fixtures, 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 position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was the result, in part, of accruing \$3 million in compensated absences payable, \$2.3 million in total OPEB liability, and \$14.1 million in net pension liability.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2022, and June 30, 2021, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-22	6-30-21
Program Revenues:		
Charges for Services	\$ 193,415	\$ 101,092
Operating Grants and Contributions	4,491,365	6,000,499
Capital Grants and Contributions	289,122	296,258
General Revenues:		
Property Taxes, Levied for Operational Purposes	7,754,383	7,279,819
Property Taxes, Levied for Capital Projects	2,662,897	2,509,760
Grants and Contributions Not Restricted to Specific Programs	46,002,389	44,393,151
Unrestricted Investment Earnings	55,349	23,059
Miscellaneous	967,136	10,006,664
Total Revenues	62,416,056	70,610,302
Functions/Program Expenses:		
Instruction	24,599,313	27,903,649
Student Support Services	2,950,616	3,400,118
Instructional Media Services	340,777	422,449
Instruction and Curriculum Development Services	1,518,670	2,275,142
Instructional Staff Training Services	1,324,668	1,771,735
Instruction-Related Technology	5,052,175	1,077,251
Board	1,130,914	679,905
General Administration	883,868	946,185
School Administration	2,991,267	3,348,588
Facilities Acquisition and Construction	523,792	717,095
Fiscal Services	471,324	689,735
Food Services	4,067,618	3,731,914
Central Services	451,284	439,046
Student Transportation Services	4,300,049	4,191,194
Operation of Plant	5,624,450	6,068,386
Maintenance of Plant	1,288,351	4,912,043
Administrative Technology Services	736,477	890,139
Unallocated Interest on Long-Term Debt	51,745	57,926
Unallocated Depreciation Expense	2,975,357	2,663,150
Loss on Disposal of Capital Assets	-	6,235
Total Functions/Program Expenses	61,282,715	66,191,885
Change in Net Position	1,133,341	4,418,417
Net Position - Beginning	41,151,860	36,733,443
Net Position - Ending	\$ 42,285,201	\$ 41,151,860

The largest revenue source is the State of Florida (45.6 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP funding 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.

Total revenues decreased by \$8.2 million, or 11.6 percent, primarily due to a decrease in insurance loss recoveries related to Hurricane Michael.

Overall expenses decreased by \$4.9 million, or 7.4 percent since the prior fiscal year.

Instruction expenses decreased by \$3.3 million, or 11.8 percent, primarily due to pension activity resulting in a decrease in net pension liability, offset by an increase in the related deferred inflows of resources.

Instruction-related technology increased by \$4 million primarily due to an increase in Federal funding used to upgrade the District's information technology equipment.

Maintenance of plant expenses decreased by \$3.6 million, or 73.8 percent, mainly due to the completion of repair and maintenance for damages caused by Hurricane Michael.

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 \$3.7 million during the fiscal year to \$15 million at June 30, 2022. Of the total fund balance, \$2 million, or 13.6 percent, is unassigned fund balance, which is available for spending at the District's discretion; \$0.2 million is nonspendable; and \$12.8 million is restricted for particular purposes.

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$2 million, while the total fund balance is \$2.9 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 unassigned fund balance is 5.6 percent of the total General Fund revenues, while total fund balance represents approximately 7.8 percent of total General Fund revenues. Total fund balance decreased by \$5.8 million during the fiscal year primarily due to a \$3 million decrease in State revenues and a \$2.7 million decrease in transfers in from other funds.

The Special Revenue – Food Service Fund accounts for and reports all food service activities. The fund has revenues and expenditures of \$4.8 million and \$4.3 million, respectively, and ended the fiscal year

with a fund balance of \$2.1 million, including inventories of \$106,825 that represent the nonspendable fund balance, while the remaining \$2 million fund balance is restricted for food service operations. The total fund balance increased \$525,801, or 32.7 percent, during the fiscal year, mainly from increases in Federal funding for school lunch programs.

The Special Revenue – Other Fund is used by the District to account for resources of certain Federal grant programs and, for the 2021-22 fiscal year, had revenues and expenditures totaling \$8.6 million each. 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 Special Revenue – Federal Education Stabilization Fund accounts for certain Federal funds provided in response to the COVID-19 pandemic and has total revenues and expenditures of \$8.7 million each. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Capital Projects – Other Fund is used to account for the Educational Facilities Security Grant to be used for improving the physical security of school buildings and the insurance loss recoveries to be used for repair and renovation of school buildings. The fund balance increased by \$233,877 during the fiscal year primarily due to the sale of property.

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. However, certain budget amounts were not increased during preparation of the budget schedule for the 2021-22 fiscal year annual financial report, and separate budget amendments to cover the over-expended amounts, were not presented to the Board for approval. The District will implement new procedures, including a detailed monthly review of budget-to-actual expenditures, to detect and prevent budgetary overexpenditures going forward.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2022, amounts to \$59 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; and audio visual materials and computer software.

Additional information on the District's capital assets can be found in Notes I.F.4. and II.D. to the financial statements.

Long-Term Debt

At June 30, 2022, the District had total long-term debt outstanding of \$1.17 million related to bonds payable.

Additional information on the District's long-term debt can be found in Notes I.F.6. and II.H. 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 Interim Chief Financial Officer, Gadsden County District School Board, 35 Martin Luther King Jr., Boulevard, Quincy, Florida 32351.

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BASIC FINANCIAL STATEMENTS

**Gadsden County District School Board
Statement of Net Position
June 30, 2022**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Cash and Cash Equivalents	\$ 14,463,385.64	\$ 6,217,547.00
Investments	-	266,367.00
Due from Other Agencies	1,687,521.83	703,036.00
Notes Receivable	332,252.09	-
Prepaid Items	-	32,643.00
Inventories	151,125.24	-
Capital Assets:		
Nondepreciable Capital Assets	1,694,273.29	1,217,956.00
Depreciable Capital Assets, Net	57,271,555.53	3,262,493.00
TOTAL ASSETS	<u>75,600,113.62</u>	<u>11,700,042.00</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	8,294,384.00	-
OPEB	299,670.00	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>8,594,054.00</u>	<u>-</u>
LIABILITIES		
Accrued Salaries and Benefits	881,661.74	-
Payroll Deductions and Withholdings	126,321.21	-
Accounts Payable	31,367.28	592,872.00
Accrued Interest Payable	-	24,999.00
Unearned Revenue	230,268.00	-
Long-Term Liabilities:		
Portion Due Within 1 Year	609,554.22	86,091.00
Portion Due After 1 Year	19,945,088.74	1,405,120.00
TOTAL LIABILITIES	<u>21,824,261.19</u>	<u>2,109,082.00</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	18,805,457.00	-
OPEB	1,279,248.00	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>20,084,705.00</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	57,795,649.57	3,026,824.00
Restricted for:		
State Required Carryover Programs	782,619.25	-
Capital Projects	10,033,679.20	-
Food Service	2,132,114.88	-
Unrestricted	(28,458,861.47)	6,564,136.00
TOTAL NET POSITION	<u>\$ 42,285,201.43</u>	<u>\$ 9,590,960.00</u>

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

**Gadsden County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2022**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 24,599,312.66	\$ -	\$ -	\$ -
Student Support Services	2,950,615.52	-	-	-
Instructional Media Services	340,776.90	-	-	-
Instruction and Curriculum Development Services	1,518,669.78	-	-	-
Instructional Staff Training Services	1,324,668.44	-	-	-
Instruction-Related Technology Board	5,052,174.88	-	-	-
Board	1,130,914.50	-	-	-
General Administration	883,867.74	-	-	-
School Administration	2,991,266.85	-	-	-
Facilities Acquisition and Construction	523,791.95	-	-	289,121.76
Fiscal Services	471,323.98	-	-	-
Food Services	4,067,618.03	186,629.45	4,491,364.68	-
Central Services	451,283.82	-	-	-
Student Transportation Services	4,300,049.18	6,785.50	-	-
Operation of Plant	5,624,449.67	-	-	-
Maintenance of Plant	1,288,351.48	-	-	-
Administrative Technology Services	736,476.83	-	-	-
Unallocated Interest on Long-Term Debt	51,745.38	-	-	-
Unallocated Depreciation Expense*	2,975,357.30	-	-	-
Total Primary Government	\$ 61,282,714.89	\$ 193,414.95	\$ 4,491,364.68	\$ 289,121.76
Component Unit				
Crossroad Academy Charter School	\$ 4,299,148.00	\$ 217,458.00	\$ 1,194,554.00	\$ 355,248.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

Net Position - Ending

* This amount excludes the depreciation that is included in the direct expenses of the various functions.

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

**Net (Expense) Revenue and Changes
in Net Position**

<u>Primary Governmental Activities</u>	<u>Component Unit</u>
\$ (24,599,312.66)	\$ -
(2,950,615.52)	-
(340,776.90)	-
(1,518,669.78)	-
(1,324,668.44)	-
(5,052,174.88)	-
(1,130,914.50)	-
(883,867.74)	-
(2,991,266.85)	-
(234,670.19)	-
(471,323.98)	-
610,376.10	-
(451,283.82)	-
(4,293,263.68)	-
(5,624,449.67)	-
(1,288,351.48)	-
(736,476.83)	-
(51,745.38)	-
(2,975,357.30)	-
(56,308,813.50)	-
-	(2,531,888.00)
7,754,383.03	-
2,662,896.88	-
46,002,389.27	3,899,393.00
55,349.27	2,315.00
967,136.02	-
57,442,154.47	3,901,708.00
1,133,340.97	1,369,820.00
41,151,860.46	8,253,264.00
-	(32,124.00)
41,151,860.46	8,221,140.00
\$ 42,285,201.43	\$ 9,590,960.00

**Gadsden County District School Board
Balance Sheet – Governmental Funds
June 30, 2022**

	<u>General Fund</u>	<u>Special Revenue - Food Service Fund</u>	<u>Special Revenue - Other Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,800,278.55	\$ 1,921,355.15	\$ -
Due from Other Funds	691,730.03	48,245.29	-
Due from Other Agencies	57,996.19	139,065.22	435,946.01
Notes Receivable	332,252.09	-	-
Inventories	44,300.44	106,824.80	-
TOTAL ASSETS	<u>\$ 3,926,557.30</u>	<u>\$ 2,215,490.46</u>	<u>\$ 435,946.01</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ 579,194.97	\$ 68,327.42	\$ 159,354.58
Payroll Deductions and Withholdings	69,111.42	15,048.16	42,161.63
Accounts Payable	31,367.28	-	-
Due to Other Funds	48,245.29	-	234,429.80
Unearned Revenue	-	-	-
Total Liabilities	<u>727,918.96</u>	<u>83,375.58</u>	<u>435,946.01</u>
Deferred Inflows of Resources:			
Unavailable Revenue - Notes Receivable	332,252.09	-	-
Unavailable Revenue - State Capital Outlay	-	-	-
Total Deferred Inflows of Resources	<u>332,252.09</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Nonspendable:			
Inventories	44,300.44	106,824.80	-
Restricted for:			
State Required Carryover Programs	782,619.25	-	-
Capital Projects	-	-	-
Food Service	-	2,025,290.08	-
Total Restricted Fund Balance	<u>782,619.25</u>	<u>2,025,290.08</u>	<u>-</u>
Unassigned Fund Balance	<u>2,039,466.56</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>2,866,386.25</u>	<u>2,132,114.88</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 3,926,557.30</u>	<u>\$ 2,215,490.46</u>	<u>\$ 435,946.01</u>

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

Special Revenue - Federal Education Stabilization Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 6,772,745.93	\$ 2,969,006.01	\$ 14,463,385.64
-	-	-	739,975.32
532,085.00	230,268.00	292,161.41	1,687,521.83
-	-	-	332,252.09
-	-	-	151,125.24
<u>\$ 532,085.00</u>	<u>\$ 7,003,013.93</u>	<u>\$ 3,261,167.42</u>	<u>\$ 17,374,260.12</u>
\$ 74,784.77	\$ -	\$ -	\$ 881,661.74
-	-	-	126,321.21
-	-	-	31,367.28
457,300.23	-	-	739,975.32
-	230,268.00	-	230,268.00
<u>532,085.00</u>	<u>230,268.00</u>	<u>-</u>	<u>2,009,593.55</u>
-	-	-	332,252.09
-	-	234.15	234.15
-	-	234.15	332,486.24
-	-	-	151,125.24
-	-	-	782,619.25
-	6,772,745.93	3,260,933.27	10,033,679.20
-	-	-	2,025,290.08
<u>-</u>	<u>6,772,745.93</u>	<u>3,260,933.27</u>	<u>12,841,588.53</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,039,466.56</u>
<u>-</u>	<u>6,772,745.93</u>	<u>3,260,933.27</u>	<u>15,032,180.33</u>
<u>\$ 532,085.00</u>	<u>\$ 7,003,013.93</u>	<u>\$ 3,261,167.42</u>	<u>\$ 17,374,260.12</u>

**Gadsden County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022**

Total Fund Balances - Governmental Funds \$ 15,032,180.33

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. 58,965,828.82

Certain funding is not available to pay for current period expenditures and, therefore, is reported as unavailable revenue on the governmental fund statements. However, under full accrual this amount increases net position in the statement of net position. 234.15

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. 332,252.09

The deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits (OPEB) are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$ 8,294,384.00	
Deferred Outflows Related to OPEB	299,670.00	
Deferred Inflows Related to Pensions	(18,805,457.00)	
Deferred Inflows Related to OPEB	<u>(1,279,248.00)</u>	(11,490,651.00)

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:

Bonds Payable	\$ (1,170,179.25)	
Compensated Absences Payable	(3,022,976.71)	
Net Pension Liability	(14,095,919.00)	
Total OPEB Liability	<u>(2,265,568.00)</u>	<u>(20,554,642.96)</u>

Net Position - Governmental Activities **\$ 42,285,201.43**

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

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Gadsden County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2022

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 27,772.22	\$ -	\$ 2,768,082.53
Federal Through State and Local	457,251.28	4,419,954.68	5,863,931.65
State	27,755,711.48	71,410.00	-
Local:			
Property Taxes	7,754,383.03	-	-
Charges for Services - Food Service	-	186,629.45	-
Miscellaneous	536,170.94	115,860.49	-
Total Local Revenues	8,290,553.97	302,489.94	-
Total Revenues	36,531,288.95	4,793,854.62	8,632,014.18
Expenditures			
Current - Education:			
Instruction	21,958,279.12	-	3,956,924.93
Student Support Services	1,764,452.14	-	1,428,957.27
Instructional Media Services	377,315.25	-	-
Instruction and Curriculum Development Services	793,460.62	-	869,855.84
Instructional Staff Training Services	69,522.23	-	1,130,234.06
Instruction-Related Technology	259,069.91	-	423,264.51
Board	1,119,484.47	-	-
General Administration	638,300.15	-	185,533.28
School Administration	3,265,436.39	-	46,748.66
Facilities Acquisition and Construction	525,789.38	-	-
Fiscal Services	513,135.90	-	-
Food Services	37,208.65	4,184,501.97	1,101.23
Central Services	429,546.08	-	56,392.68
Student Transportation Services	3,982,512.91	-	6,801.86
Operation of Plant	4,646,327.25	-	39,223.38
Maintenance of Plant	1,215,342.27	-	3,127.00
Administrative Technology Services	774,898.60	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	706,802.48	-	330,284.35
Other Capital Outlay	162,670.47	83,551.36	153,565.13
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	43,239,554.27	4,268,053.33	8,632,014.18
Excess (Deficiency) of Revenues Over Expenditures	(6,708,265.32)	525,801.29	-
Other Financing Sources (Uses)			
Transfers In	1,889,876.46	-	-
Sale of Capital Assets	216,736.00	-	-
Loss Recoveries	24,351.47	-	-
Transfers Out	(1,269,044.10)	-	-
Total Other Financing Sources (Uses)	861,919.83	-	-
Net Change in Fund Balances	(5,846,345.49)	525,801.29	-
Fund Balances, Beginning	8,712,731.74	1,606,313.59	-
Fund Balances, Ending	\$ 2,866,386.25	\$ 2,132,114.88	\$ 0.00

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

Special Revenue - Federal Education Stabilization Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,509,241.66	\$ -	\$ -	\$ 4,305,096.41
7,203,793.26	-	-	17,944,930.87
-	-	628,165.76	28,455,287.24
-	-	2,662,896.88	10,417,279.91
-	-	-	186,629.45
-	-	-	652,031.43
-	-	2,662,896.88	11,255,940.79
<u>8,713,034.92</u>	<u>-</u>	<u>3,291,062.64</u>	<u>61,961,255.31</u>
643,997.51	-	-	26,559,201.56
21,261.63	-	-	3,214,671.04
-	-	-	377,315.25
-	-	-	1,663,316.46
185,181.60	-	-	1,384,937.89
4,398,071.98	-	-	5,080,406.40
83,000.00	-	-	1,202,484.47
116,160.23	-	-	939,993.66
16.61	-	-	3,312,201.66
-	10,191.22	-	535,980.60
-	-	-	513,135.90
-	-	-	4,222,811.85
-	-	-	485,938.76
130,482.81	-	-	4,119,797.58
1,131,005.06	17,707.00	-	5,834,262.69
109,559.30	5,525.00	-	1,333,553.57
-	-	-	774,898.60
326,437.25	1,053,100.02	-	2,416,624.10
1,567,860.94	15,708.00	-	1,983,355.90
-	-	159,061.23	159,061.23
-	-	51,745.38	51,745.38
<u>8,713,034.92</u>	<u>1,102,231.24</u>	<u>210,806.61</u>	<u>66,165,694.55</u>
<u>-</u>	<u>(1,102,231.24)</u>	<u>3,080,256.03</u>	<u>(4,204,439.24)</u>
-	1,058,567.02	210,477.08	3,158,920.56
-	277,541.41	-	494,277.41
-	-	-	24,351.47
-	-	(1,889,876.46)	(3,158,920.56)
-	1,336,108.43	(1,679,399.38)	518,628.88
-	233,877.19	1,400,856.65	(3,685,810.36)
-	6,538,868.74	1,860,076.62	18,717,990.69
<u>\$ 0.00</u>	<u>\$ 6,772,745.93</u>	<u>\$ 3,260,933.27</u>	<u>\$ 15,032,180.33</u>

Gadsden County District School Board
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2022

Net Change in Fund Balances - Governmental Funds \$ (3,685,810.36)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current fiscal year.	957,095.93
The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets.	(27,866.68)
Certain funds due from other agencies were not available and, therefore, not recognized as revenue in the governmental fund statements. However, under the full accrual basis of accounting, this amount is accrued and reported as revenue on the statement of activities.	234.15
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.	159,061.23
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.	(36,215.59)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year.	307,827.29
Governmental funds report District OPEB contributions as expenditures. However, in the statement of activities, the cost of OPEB benefits earned net of employee contributions, as determined through an actuarial valuation, is reported as an OPEB expense.	
Decrease in Total OPEB Liability	\$ 4,169.00
Increase in Deferred Outflows of Resources - OPEB	42,646.00
Decrease in Deferred Inflows of Resources - OPEB	228,053.00
	274,868.00
Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.	
FRS Pension Contribution	\$ 2,535,986.00
HIS Pension Contribution	460,159.00
FRS Pension Expense	502,979.00
HIS Pension Expense	(314,977.00)
	3,184,147.00
Change in Net Position - Governmental Activities	\$ 1,133,340.97

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

**Gadsden County District School Board
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2022**

	<u>Custodial Funds (Unaudited)</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>255,316</u>
NET POSITION	
Restricted for Internal Accounts	\$ <u>255,316</u>

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

NOTES TO FINANCIAL STATEMENTS

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 unit. All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. Likewise, 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 (FDOE), 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.

The District's charter school, Crossroad Academy Charter School, a division of Community and Economic Development Organization of Gadsden County, Inc., is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and

Section 1002.33, Florida Statutes. The charter school operates under a charter approved by its sponsor, the Gadsden County District School Board. The charter school is considered to be a component unit 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 impose 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 audited financial statements for the fiscal year ended June 30, 2022. The audit report is filed in the District's administrative offices at 35 Martin Luther King, Jr. Boulevard, Quincy, Florida 32351.

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 except for interfund services provided and used.

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 funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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 – Food Service Fund – to account for the District's food service program.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Education Stabilization Fund – to account for certain Federal grant program resources provided as emergency relief to address the impact of COVID-19 on elementary and secondary schools.
- Capital Projects – Other Fund – to account for various financial resources (e.g., insurance proceeds and State Capital Outlay) to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

Additionally, the District reports the following fiduciary fund type:

- Custodial 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. 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 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 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 leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

The charter school is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

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 PRIME.

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. Investments

Investments consist of amounts placed with the SBA for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

The District's investment in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. This investment is reported at fair value, which is amortized cost.

Types and amounts of investments held at fiscal year end are described in a subsequent note.

3. Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at moving weighted-average for transportation inventories; and last invoice cost, which approximated the first-in, first-out basis, except that 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.

4. 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 \$1,000. Such assets are recorded at historical cost or estimated

historical cost if purchased or constructed. Donated assets are recorded at acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful 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
Audio Visual Materials and Computer Software	3 - 5 years

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

5. 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.

6. 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.

7. 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 assets 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 net position and the governmental funds balance sheet report a separate section for deferred inflows of resources. This separate financial statement

element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. The first two items, deferred inflows of resources related to pensions and OPEB are discussed in the statement of net position and discussed in subsequent notes. The remaining two items, unavailable revenue from notes receivable and State capital outlay, are reported in the governmental funds balance sheet and are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

8. 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.

9. 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.

10. 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 reported no committed fund balances at June 30, 2022.

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 Board has, by approval of the annual financial report, authorized the assignment of fund balance. 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. The District reported no assigned fund balances at June 30, 2022.

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 District received an allocation from the State under the School Hardening Grant program. 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 these funds as unearned 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 2021 tax levy on September 9, 2021. 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. The FDOE may require adjustments to subsequent fiscal period expenditures and related revenues based upon an audit of the District's compliance with applicable Federal awards requirements. Normally, such adjustments are treated as reductions of expenditures and related revenues in the fiscal year when the adjustments are made.

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. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk. In the case of deposits, this is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

B. Investments

The District's investments at June 30, 2022, are reported as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	28 Days	<u>\$ 13,015,602.75</u>

(1) This investment is reported as a cash equivalent for financial statement reporting purposes.

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's investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Florida PRIME uses 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, and the Investment 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, 2022, 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 further limits its investment choices.

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

C. Notes Receivables

The District sold Chattahoochee High School and Greensboro Elementary School each to a separate non-for-profit corporation, and as part of the sales agreement, the District issued and held interest bearing notes receivable in the amount of the sales price. The first note was for \$500,000, bearing interest at 1 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 \$220,000, bearing interest at 1 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, 2022, the District's remaining notes receivable balance was \$332,252.09.

D. Changes in Capital Assets

Changes in capital assets are presented in the following table:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	<u>\$ 1,702,113.29</u>	<u>\$ -</u>	<u>\$ 7,840.00</u>	<u>\$ 1,694,273.29</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	6,378,957.44	138,769.02	31,457.00	6,486,269.46
Buildings and Fixed Equipment	99,072,221.92	2,277,855.08	660,436.34	100,689,640.66
Furniture, Fixtures, and Equipment	5,378,563.11	1,856,888.74	-	7,235,451.85
Motor Vehicles	6,578,170.06	128,980.93	-	6,707,150.99
Audio Visual Materials and Computer Software	<u>162,729.95</u>	<u>634.46</u>	<u>-</u>	<u>163,364.41</u>
Total Capital Assets Being Depreciated	<u>117,570,642.48</u>	<u>4,403,128.23</u>	<u>691,893.34</u>	<u>121,281,877.37</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	4,248,105.41	139,436.87	16,187.78	4,371,354.50
Buildings and Fixed Equipment	46,058,583.17	2,179,131.33	655,678.88	47,582,035.62
Furniture, Fixtures, and Equipment	5,135,899.66	647,586.99	-	5,783,486.65
Motor Vehicles	5,686,854.77	470,675.00	-	6,157,529.77
Audio Visual Materials and Computer Software	<u>106,713.19</u>	<u>9,202.11</u>	<u>-</u>	<u>115,915.30</u>
Total Accumulated Depreciation	<u>61,236,156.20</u>	<u>3,446,032.30</u>	<u>671,866.66</u>	<u>64,010,321.84</u>
Total Capital Assets Being Depreciated, Net	<u>56,334,486.28</u>	<u>957,095.93</u>	<u>20,026.68</u>	<u>57,271,555.53</u>
Governmental Activities Capital Assets, Net	<u>\$ 58,036,599.57</u>	<u>\$ 957,095.93</u>	<u>\$ 27,866.68</u>	<u>\$ 58,965,828.82</u>

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 470,675.00
Unallocated	<u>2,975,357.30</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 3,446,032.30</u>

E. Retirement Plans

1. FRS – Defined Benefit Pension Plans

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. An annual comprehensive 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 a negative \$188,002 for the fiscal year ended June 30, 2022.

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 2021-22 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	10.82
FRS, Elected County Officers	3.00	51.42
DROP – Applicable to Members from All of the Above Classes	0.00	18.34
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 \$2,535,986 for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the District reported a liability of \$4,571,011 for its proportionate share of the Plan’s net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The District’s proportionate share of the net pension liability was based on the District’s 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the District’s proportionate share was 0.060512229 percent, which was an increase of 0.000737231 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the District recognized a negative Plan pension expense of \$502,979. 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	\$ 783,479	\$ -
Change of Assumptions	3,127,713	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	15,947,110
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	232,427	1,286,687
District FRS Contributions Subsequent to the Measurement Date	2,535,986	-
Total	\$ 6,679,605	\$ 17,233,797

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$2,535,986 will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. 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>
2023	\$ (2,471,676)
2024	(2,767,060)
2025	(3,542,236)
2026	(4,363,496)
2027	54,290
Total	\$ (13,090,178)

Actuarial Assumptions. The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	6.80 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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	1.0%	2.1%	2.1%	1.1%
Fixed Income	20.0%	3.8%	3.7%	3.3%
Global Equity	54.2%	8.2%	6.7%	17.8%
Real Estate (Property)	10.3%	7.1%	6.2%	13.8%
Private Equity	10.8%	11.7%	8.5%	26.4%
Strategic Investments	3.7%	5.7%	5.4%	8.4%
Total	100%			
Assumed inflation - Mean			2.4%	1.2%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.8 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.

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 6.8 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 (5.8 percent) or 1 percentage point higher (7.8 percent) than the current rate:

	<u>1% Decrease (5.8%)</u>	<u>Current Discount Rate (6.8%)</u>	<u>1% Increase (7.8%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 20,441,868	\$ 4,571,011	\$ (8,695,246)

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 Annual Comprehensive 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, 2022, 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, 2022, 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 \$460,159 for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the District reported a net pension liability of \$9,524,908 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, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020, and update procedures were used to determine the net pension liability as of June 30, 2021. The District's proportionate share of the net pension liability was based on the District's 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the District's proportionate share was 0.077649739 percent, which was a decrease of 0.003308763 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the District recognized the HIS Plan pension expense of \$314,977. 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	\$ 318,727	\$ 3,989
Change of Assumptions	748,445	392,450
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	9,929	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	77,519	1,175,221
District HIS Contributions Subsequent to the Measurement Date	460,159	-
Total	\$ 1,614,779	\$ 1,571,660

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$460,159, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. 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>
2023	\$ (97,035)
2024	(165,023)
2025	(118,377)
2026	(15,825)
2027	(8,915)
Thereafter	(11,865)
Total	\$ (417,040)

Actuarial Assumptions. The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	2.16 percent

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

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 2.16 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 2.21 percent to 2.16 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 2.16 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 (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
District's Proportionate Share of the Net Pension Liability	\$ 11,011,716	\$ 9,524,908	\$ 8,306,801

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 Annual Comprehensive Financial Report.

2. 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 Annual Comprehensive 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 2021-22 fiscal year were as follows:

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

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, 2022, 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 \$632,520 for the fiscal year ended June 30, 2022.

F. 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, pursuant to Section 112.0801, Florida Statutes, the District contributed \$30 per month toward 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.

Employees Covered by Benefit Terms. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	108
Active Employees	<u>598</u>
Total	<u>706</u>

Total OPEB Liability. The District’s total OPEB liability of \$2,265,568 was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2020, and update procedures were used to determine the total OPEB liability as of June 30, 2021.

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	2.25 percent
Salary Increases	3.4 percent - 7.8 percent, including inflation
Discount Rate	1.92 percent
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend rates starting at 2 percent for 2020, followed by 6.25 percent for 2021 and then gradually decreasing to an ultimate trend rate of 3.99 percent in 2040.
Aging Factors	Based on the 2013 SOA Study “Health Care Costs - From Birth to Death.”
Expenses	Administrative expenses are included in the per capita health costs.

The discount rate was based on the daily rate of Fidelity’s 20-Year Municipal General Obligation AA Index closest to but not later than the measurement date.

Demographic assumptions employed in the actuarial valuation were the same as those employed in the July 1, 2020, actuarial valuation of the FRS Defined Benefit Pension Plan. These demographic assumptions were developed by FRS from an actuarial experience study, and therefore are appropriate for use in the OPEB Plan actuarial valuation. These include assumed rates of future termination, mortality, disability, and retirement. In addition, salary increase assumptions (for development of the pattern of the normal cost increases) were the same as those used in the July 1, 2020, actuarial valuation of the FRS Defined Benefit Pension Plan. Assumptions used in valuation of benefits for participants of the FRS Investment Plan are the same as for similarly situated participants of the FRS Defined Benefit Pension Plan.

Changes in the Total OPEB Liability.

	<u>Amount</u>
Balance at June 30, 2021	\$ 2,269,737
Changes for the year:	
Service Cost	83,002
Interest	55,246
Changes of Assumptions or Other Inputs	53,191
Benefit Payments	<u>(195,608)</u>
Net Changes	<u>(4,169)</u>
Balance at June 30, 2022	<u>\$ 2,265,568</u>

The changes of assumptions or other inputs was based on a decrease in the discount rate from 2.45 percent as of the beginning of the measurement period to 1.92 percent as of June 30, 2021.

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 (0.92 percent) or 1 percentage point higher (2.92 percent) than the current rate:

	<u>1% Decrease (0.92%)</u>	<u>Current Discount Rate (1.92%)</u>	<u>1% Increase (2.92%)</u>
Total OPEB Liability	\$ 2,362,877	\$ 2,265,568	\$ 2,164,749

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 (1 percent increasing to 2.99 percent) or 1 percentage point higher (3 percent increasing to 4.99 percent) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 2,057,075	\$ 2,265,568	\$ 2,509,191

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2022, the District recognized a negative OPEB expense of \$74,901. At June 30, 2022, 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	\$ -	\$ 665,501
Changes of Assumptions or Other Inputs	99,703	613,747
Benefits Paid Subsequent to the Measurement Date	199,967	-
Total	\$ 299,670	\$ 1,279,248

The deferred outflows of resources related to OPEB resulting from benefits paid subsequent to the measurement date, totaling \$199,967, will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2023. 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>
2023	\$ (213,149)
2024	(213,149)
2025	(213,149)
2026	(207,210)
2027	(144,264)
Thereafter	(188,624)
Total	\$ (1,179,545)

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, and health and hospitalization coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

H. Long-Term Liabilities

1. Bonds Payable

Bonds payable at June 30, 2022, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rate (Percent)</u>	<u>Annual Maturity To</u>
Sales Tax Revenue Bonds: Series 2013	<u>\$ 1,170,179.25</u>	3.28	2029

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

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

These bonds are authorized by Chapters 57-665 and 70-693, Laws of Florida, and 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 \$1,308,883.03 of sales tax revenues in connection with the District Sales Tax Revenue Bonds, Series 2013, described above. During the 2021-22 fiscal year, the District recognized sales tax revenues totaling \$223,250 and expended \$210,366.62 (90.2 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 84.6 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, 2022, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
Sales Tax Revenue Bonds:			
2023	\$ 201,366.62	\$ 164,321.22	\$ 37,045.40
2024	201,366.62	169,755.15	31,611.47
2025	201,366.62	175,368.77	25,997.85
2026	201,366.62	181,168.04	20,198.58
2027	201,366.62	187,159.08	14,207.54
2028-2029	<u>302,049.93</u>	<u>292,406.99</u>	<u>9,642.94</u>
Total Sales Tax Revenue Bonds	<u>\$ 1,308,883.03</u>	<u>\$ 1,170,179.25</u>	<u>\$ 138,703.78</u>

2. 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					
Bonds Payable	\$ 1,329,240.48	\$ -	\$ 159,061.23	\$ 1,170,179.25	\$ 164,321.22
Compensated Absences Payable	3,330,804.00	369,682.34	677,509.63	3,022,976.71	197,323.00
Net Pension Liability	35,792,266.00	9,073,054.00	30,769,401.00	14,095,919.00	47,943.00
Total OPEB Liability	<u>2,269,737.00</u>	<u>191,439.00</u>	<u>195,608.00</u>	<u>2,265,568.00</u>	<u>199,967.00</u>
Total Governmental Activities	<u>\$ 42,722,047.48</u>	<u>\$ 9,634,175.34</u>	<u>\$ 31,801,579.86</u>	<u>\$ 20,554,642.96</u>	<u>\$ 609,554.22</u>

For the governmental activities, compensated absences, pensions, 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 Note I.F.10., 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	\$ 691,730.03	\$ 48,245.29
Special Revenue:		
Food Service	48,245.29	-
Other		234,429.80
Federal Education Stabilization	-	457,300.23
Total	\$ 739,975.32	\$ 739,975.32

The interfund receivables and payables represent temporary loans between funds to cover expenditures incurred prior to reimbursement from outside parties. All balances are expected to be repaid within 1 year.

K. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2021-22 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 22,184,057.27
Categorical Educational Program - Class Size Reduction	4,296,870.73
Voluntary Prekindergarten Program	533,146.26
Workforce Development Program	407,392.00
Charter School Capital Outlay	339,044.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	293,493.06
Adults with Disabilities	63,750.00
Miscellaneous	337,533.92
Total	\$ 28,455,287.24

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

2. Property Taxes

The following is a summary of millages and taxes levied on the 2021 tax roll for the 2021-22 fiscal year:

General Fund	Millages	Taxes Levied
Nonvoted School Tax:		
Required Local Effort	3.626	\$ 6,632,843.38
Basic Discretionary Local Effort	0.748	1,368,275.47
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,743,867.92
Total	5.874	\$ 10,744,986.77

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	\$ 1,889,876.46	\$ 1,269,044.10
Capital Projects:		
Other	1,058,567.02	-
Nonmajor Governmental	210,477.08	1,889,876.46
Total	\$ 3,158,920.56	\$ 3,158,920.56

Transfers to the General Fund from nonmajor capital projects funds were to cover maintenance and property casualty insurance premiums and the charter school capital outlay distribution payment. Transfers to the Capital Projects – Other Fund from the General Fund were for insurance recoveries to be used for capital outlay needs, including repairs and renovation projects. Transfers to the nonmajor governmental funds were to pay the current year debt service payment on the sales tax revenue bonds payable.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2022

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 50,000.00	\$ 50,000.00	\$ 27,772.22	\$ (22,227.78)
Federal Through State and Local	-	-	457,251.28	457,251.28
State	29,896,729.30	29,896,729.30	27,755,711.48	(2,141,017.82)
Local:				
Property Taxes	6,392,903.00	6,392,903.00	7,754,383.03	1,361,480.03
Charges for Services - Food Service	-	-	-	-
Miscellaneous	-	-	536,170.94	536,170.94
Total Local Revenues	6,392,903.00	6,392,903.00	8,290,553.97	1,897,650.97
Total Revenues	36,339,632.30	36,339,632.30	36,531,288.95	191,656.65
Expenditures				
Current - Education:				
Instruction	20,100,037.28	20,084,235.21	21,958,279.12	(1,874,043.91)
Student Support Services	1,395,599.72	1,395,599.72	1,764,452.14	(368,852.42)
Instructional Media Services	369,427.26	369,427.26	377,315.25	(7,887.99)
Instruction and Curriculum Development Services	1,057,866.06	1,057,866.06	793,460.62	264,405.44
Instructional Staff Training Services	266,587.39	266,587.39	69,522.23	197,065.16
Instruction-Related Technology	246,243.98	246,243.98	259,069.91	(12,825.93)
Board	636,279.88	613,034.75	1,119,484.47	(506,449.72)
General Administration	659,000.00	655,101.94	638,300.15	16,801.79
School Administration	3,728,847.00	3,728,847.00	3,265,436.39	463,410.61
Facilities Acquisition and Construction	91,301.29	156,908.97	525,789.38	(368,880.41)
Fiscal Services	645,000.00	642,157.61	513,135.90	129,021.71
Food Services	36,462.21	36,462.21	37,208.65	(746.44)
Central Services	356,791.16	356,791.16	429,546.08	(72,754.92)
Student Transportation Services	3,142,397.82	3,072,035.79	3,982,512.91	(910,477.12)
Operation of Plant	3,412,496.64	3,407,587.75	4,646,327.25	(1,238,739.50)
Maintenance of Plant	1,125,777.99	859,850.59	1,215,342.27	(355,491.68)
Administrative Technology Services	868,150.00	866,900.00	774,898.60	92,001.40
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	706,802.48	706,802.48	-
Other Capital Outlay	-	162,670.47	162,670.47	-
Total Expenditures	38,138,265.68	38,685,110.34	43,239,554.27	(4,554,443.93)
Excess (Deficiency) of Revenues Over Expenditures	(1,798,633.38)	(2,345,478.04)	(6,708,265.32)	(4,362,787.28)
Other Financing Sources (Uses)				
Transfers In	2,000,000.00	2,000,000.00	1,889,876.46	(110,123.54)
Sale of Capital Assets	-	-	216,736.00	216,736.00
Loss Recoveries	-	-	24,351.47	24,351.47
Transfers Out	(201,366.62)	(201,366.62)	(1,269,044.10)	(1,067,677.48)
Total Other Financing Sources (Uses)	1,798,633.38	1,798,633.38	861,919.83	(936,713.55)
Net Change in Fund Balances	-	(546,844.66)	(5,846,345.49)	(5,299,500.83)
Fund Balances, Beginning	1,500,000.00	1,500,000.00	8,712,731.74	7,212,731.74
Fund Balances, Ending	\$ 1,500,000.00	\$ 953,155.34	\$ 2,866,386.25	\$ 1,913,230.91

Special Revenue - Food Service Fund

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ -
4,247,891.00	4,247,891.00	4,419,954.68	172,063.68
68,632.00	68,632.00	71,410.00	2,778.00
-	-	-	-
-	-	186,629.45	186,629.45
150,000.00	150,000.00	115,860.49	(34,139.51)
150,000.00	150,000.00	302,489.94	152,489.94
4,466,523.00	4,466,523.00	4,793,854.62	327,331.62
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
4,466,523.00	4,382,971.64	4,184,501.97	198,469.67
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	83,551.36	83,551.36	-
4,466,523.00	4,466,523.00	4,268,053.33	198,469.67
-	-	525,801.29	525,801.29
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	525,801.29	525,801.29
250,000.00	-	1,606,313.59	1,606,313.59
\$ 250,000.00	\$ 0.00	\$ 2,132,114.88	\$ 2,132,114.88

(Continued)

**Budgetary Comparison Schedule
General and Major Special Revenue Funds (Continued)
For the Fiscal Year Ended June 30, 2022**

	Special Revenue - Other Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 800,000.00	\$ 2,768,082.53	\$ 2,768,082.53	\$ -
Federal Through State and Local	5,900,000.00	5,863,931.65	5,863,931.65	-
Total Revenues	6,700,000.00	8,632,014.18	8,632,014.18	-
Expenditures				
Current - Education:				
Instruction	3,323,587.11	3,956,924.93	3,956,924.93	-
Student Support Services	1,753,352.37	1,428,957.27	1,428,957.27	-
Instructional Media Services	40,818.89	-	-	-
Instruction and Curriculum Development Services	875,794.49	869,855.84	869,855.84	-
Instructional Staff Training Services	546,947.14	1,130,234.06	1,130,234.06	-
Instruction-Related Technology Board	-	423,264.51	423,264.51	-
General Administration	42,000.00	185,533.28	185,533.28	-
School Administration	115,000.00	46,748.66	46,748.66	-
Food Services	2,500.00	1,101.23	1,101.23	-
Central Services	-	56,392.68	56,392.68	-
Student Transportation Services	-	6,801.86	6,801.86	-
Operation of Plant	-	39,223.38	39,223.38	-
Maintenance of Plant	-	3,127.00	3,127.00	-
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	330,284.35	330,284.35	-
Other Capital Outlay	-	153,565.13	153,565.13	-
Total Expenditures	6,700,000.00	8,632,014.18	8,632,014.18	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning	-	-	-	-
Fund Balances, Ending	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Special Revenue - Federal Education Stabilization Fund

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ -	\$ 1,509,241.66	\$ 1,509,241.66	\$ -
-	7,203,793.26	7,203,793.26	-
-	8,713,034.92	8,713,034.92	-
-	643,997.51	643,997.51	-
-	21,261.63	21,261.63	-
-	-	-	-
-	-	-	-
-	185,181.60	185,181.60	-
-	4,398,071.98	4,398,071.98	-
-	83,000.00	83,000.00	-
-	116,160.23	116,160.23	-
-	16.61	16.61	-
-	-	-	-
-	-	-	-
-	130,482.81	130,482.81	-
-	1,131,005.06	1,131,005.06	-
-	109,559.30	109,559.30	-
-	326,437.25	326,437.25	-
-	1,567,860.94	1,567,860.94	-
-	8,713,034.92	8,713,034.92	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

**Schedule of Changes in the District's
Total OPEB Liability and Related Ratios**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service Cost	\$ 83,002	\$ 99,518	\$ 88,228	\$ 116,577	\$ 126,381
Interest	55,246	97,778	112,450	151,099	132,339
Differences Between Expected and Actual Experience	-	(581,001)	-	(386,656)	-
Changes of Assumptions or Other Inputs	53,191	(231,460)	80,026	(668,894)	(172,198)
Benefit Payments	(195,608)	(278,940)	(269,992)	(373,523)	(355,575)
Net Change in Total OPEB Liability	<u>(4,169)</u>	<u>(894,105)</u>	<u>10,712</u>	<u>(1,161,397)</u>	<u>(269,053)</u>
Total OPEB Liability - Beginning	<u>2,269,737</u>	<u>3,163,842</u>	<u>3,153,130</u>	<u>4,314,527</u>	<u>4,583,580</u>
Total OPEB Liability - Ending	<u>\$ 2,265,568</u>	<u>\$ 2,269,737</u>	<u>\$ 3,163,842</u>	<u>\$ 3,153,130</u>	<u>\$ 4,314,527</u>
Covered-Employee Payroll	\$ 20,135,655	\$ 19,549,180	\$ 23,296,209	\$ 22,617,579	\$ 23,752,855
Total OPEB Liability as a Percentage of Covered-Employee Payroll	11.25%	11.61%	13.58%	13.94%	18.16%

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

Fiscal Year Ending June 30	District's Proportion of the FRS Net Pension Liability	District's Proportionate Share of the FRS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered Payroll	FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2013	0.086175321%	\$ 14,834,608	\$ 31,821,650	46.62%	88.54%
2014	0.081729998%	4,986,732	30,277,610	16.47%	96.09%
2015	0.076705428%	9,907,535	29,143,950	34.00%	92.00%
2016	0.068199373%	17,220,397	28,331,182	60.78%	84.88%
2017	0.069450826%	20,543,088	30,088,901	68.27%	83.89%
2018	0.067095864%	20,209,622	28,887,377	69.96%	84.26%
2019	0.064187084%	22,105,138	28,591,014	77.31%	82.61%
2020	0.059774998%	25,907,365	28,175,341	91.95%	78.85%
2021	0.060512229%	4,571,011	27,542,054	16.60%	96.40%

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

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

Fiscal Year Ending June 30	Contractually Required FRS Contribution	FRS Contributions in Relation to the Contractually Required Contribution	FRS Contribution Deficiency (Excess)	District's Covered Payroll	FRS Contributions as a Percentage of Covered Payroll
2014	\$ 1,790,234	\$ (1,790,234)	\$ -	\$ 30,277,610	5.91%
2015	1,870,143	(1,870,143)	-	29,143,950	6.42%
2016	1,663,150	(1,663,150)	-	28,331,182	5.87%
2017	1,807,976	(1,807,976)	-	30,088,901	6.01%
2018	1,912,178	(1,912,178)	-	28,887,377	6.62%
2019	1,990,263	(1,990,263)	-	28,591,014	6.96%
2020	1,986,058	(1,986,058)	-	28,175,341	7.05%
2021	2,305,254	(2,305,254)	-	27,542,054	8.37%
2022	2,535,986	(2,535,986)	-	27,866,488	9.10%

(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)**

Fiscal Year Ending June 30	District's Proportion of the HIS Net Pension Liability	District's Proportionate Share of the HIS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2013	0.109538012%	\$ 9,536,724	\$ 31,821,650	29.97%	1.78%
2014	0.101781025%	9,516,774	30,277,610	31.43%	0.99%
2015	0.096010715%	9,791,583	29,143,950	33.60%	0.50%
2016	0.091667405%	10,683,456	28,331,182	37.71%	0.97%
2017	0.094243971%	10,077,001	30,088,901	33.49%	1.64%
2018	0.088090966%	9,323,648	28,887,377	32.28%	2.15%
2019	0.085416384%	9,557,239	28,591,014	33.43%	2.63%
2020	0.080958502%	9,884,901	28,175,341	35.08%	3.00%
2021	0.077649739%	9,524,908	27,542,054	34.58%	3.56%

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

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

Fiscal Year Ending June 30	Contractually Required HIS Contribution	HIS Contributions in Relation to the Contractually Required Contribution	HIS Contribution Deficiency (Excess)	District's Covered Payroll	HIS Contributions as a Percentage of Covered Payroll
2014	\$ 348,668	\$ (348,668)	\$ -	\$ 30,277,610	1.15%
2015	367,013	(367,013)	-	29,143,950	1.26%
2016	469,854	(469,854)	-	28,331,182	1.66%
2017	498,766	(498,766)	-	30,088,901	1.66%
2018	477,720	(477,720)	-	28,887,377	1.65%
2019	474,309	(474,309)	-	28,591,014	1.66%
2020	466,526	(466,526)	-	28,175,341	1.66%
2021	456,426	(456,426)	-	27,542,054	1.66%
2022	460,159	(460,159)	-	27,866,488	1.65%

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

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.
- 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. Excess of Expenditures Over Appropriations in the General Fund

For the fiscal year ended June 30, 2022, expenditures exceeded appropriations by function for the General Fund as follows:

Fund/Activity	Expenditures		
	Budget	Actual	Variance
General:			
Current - Education:			
Instruction	\$ 20,084,235.21	\$ 21,958,279.12	\$ (1,874,043.91)
Student Support Services	1,395,599.72	1,764,452.14	(368,852.42)
Instructional Media Services	369,427.26	377,315.25	(7,887.99)
Instruction-Related Technology	246,243.98	259,069.91	(12,825.93)
Board	613,034.75	1,119,484.47	(506,449.72)
Facilities Acquisition and Construction	156,908.97	525,789.38	(368,880.41)
Food Services	36,462.21	37,208.65	(746.44)
Central Services	356,791.16	429,546.08	(72,754.92)
Student Transportation Services	3,072,035.79	3,982,512.91	(910,477.12)
Operation of Plant	3,407,587.75	4,646,327.25	(1,238,739.50)
Maintenance of Plant	859,850.59	1,215,342.27	(355,491.68)

The District will implement new procedures, including a detailed monthly review of budget-to-actual expenditures, to detect and prevent budgetary overexpenditures going forward.

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

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The June 30, 2022, total OPEB liability increased from the prior fiscal year as a result of changes to assumptions as discussed below:

- The discount rate was changed from 2.45 percent as of the beginning of the measurement period to 1.92 percent as of June 30, 2021.

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

Changes of Assumptions. In 2021, the maximum amortization period was decreased to 20 years for all current and future amortization bases.

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

Changes of Assumptions. In 2021, the municipal bond rate used to determine total pension liability was decreased from 2.21 percent to 2.16 percent.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Gadsden County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal Assistance Listing Number	Pass - Through Entity Identifying Number	Total Expenditures
Clustered			
Child Nutrition Cluster			
United States Department of Agriculture:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	22002	\$ 530,557.30
National School Lunch Program	10.555	22001, 22003	1,628,857.04
Summer Food Service Program for Children	10.559	21006, 21007, 22006, 22007	2,144,250.43
Fresh Fruit and Vegetable Program	10.582	22004	116,289.91
Total Child Nutrition Cluster			<u>4,419,954.68</u>
Student Financial Assistance Cluster			
United States Department of Education:			
Federal Pell Grant Program	84.063	N/A	46,439.00
Special Education Cluster			
United States Department of Education:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	1,577,050.95
Florida Gulf Coast University:			
Special Education - Grants to States	84.027	None	3,521.93
Total Special Education - Grants to States	84.027		<u>1,580,572.88</u>
Florida Department of Education:			
Special Education - Preschool Grants	84.173	267	89,269.12
Total Special Education Cluster			<u>1,669,842.00</u>
TRIO Cluster:			
United States Department of Education:			
Florida State University:			
TRIO Upward Bound	84.047	None	11,498.00
Florida A&M University:			
TRIO Upward Bound	84.047	None	1,277.00
Total Trio Cluster			<u>12,775.00</u>
477 Cluster			
United States Department of Health and Human Services:			
University of South Florida:			
Temporary Assistance for Needy Families	93.558	None	147,194.80
Head Start Cluster			
United States Department of Health and Human Services:			
Head Start	93.600	N/A	2,138,322.84
COVID-19 Head Start	COVID-19, 93.600	N/A	61,361.52
Total Head Start Cluster			<u>2,199,684.36</u>
Not Clustered			
United States Department of Defense			
Army Junior Reserve Officers Training Corps	12.UNK	N/A	27,772.22
United States Federal Communications Commission			
Emergency Connectivity Fund Program	COVID-19, 32.009	N/A	1,509,241.66

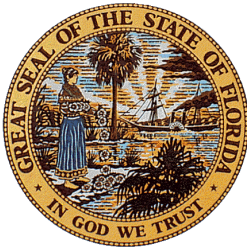
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**Gadsden County District School Board
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2022**

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal Assistance Listing Number	Pass - Through Entity Identifying Number	Total Expenditures
Not Clustered (Continued)			
United States Department of Education			
School Safety National Activities	84.184	N/A	\$ 583,320.69
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 226	2,660,993.24
Career and Technical Education - Basic Grants to States	84.048	161	192,208.81
Rural Education	84.358	110	69,307.16
English Language Acquisition State Grants	84.365	102	70,477.22
Supporting Effective Instruction State Grants	84.367	224	294,541.05
Education Stabilization Fund:	84.425		
Governor's Emergency Education Relief Fund	COVID-19, 84.425C	123	52,004.42
Elementary and Secondary School Emergency Relief Fund	COVID-19, 84.425D	124	7,086,240.23
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	COVID-19, 84.425U	121	4,187.09
Total Education Stabilization Fund	84.425		<u>7,142,431.74</u>
Hurricane Education Recovery	84.938	107	725,614.84
Florida Department of Education:			
Student Support and Academic Enrichment Program	84.424	241	36,431.84
Washington County District School Board:			
Student Support and Academic Enrichment Program	84.424	None	406.50
Total Student Support and Academic Enrichment Program			<u>36,838.34</u>
Total United States Department of Education			<u>11,775,733.09</u>
Total Expenditures of Federal Awards			<u>\$ 21,808,636.81</u>

The notes below are an integral part of this Schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Gadsden County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.
- (2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance:
- (A) National School Lunch Program – Includes \$99,720.52 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (B) Emergency Connectivity Fund – Includes \$1,509,241.66 of equipment and services received at fair value during the fiscal year.
- (5) Head Start. Expenditures include \$843,293.45 for grant number/program year 04CH01109603 and \$1,356,390.91 for grant number/program year 04CH01109604.



Sherrill F. Norman, CPA
Auditor General

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Gadsden County District School Board as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 31, 2023, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a qualified opinion on the aggregate remaining fund information because the District did not timely provide all requested records to the auditor of the school internal funds to complete the audit as described in our report. In addition, our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or

significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Financial Statement Finding No. 2022-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Financial Statement Finding Nos. 2022-002 and 2022-003 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We identified certain additional matter findings which are described as Findings AM 2022-001 and AM 2022-002 on pages 76 through 78.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. The District is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The District's response to the additional matters findings identified in our audit are included as the District Response on pages 77 and 78 in Findings AM 2022-001 and AM 2022-002. The District's responses and **CORRECTIVE ACTION PLAN** were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

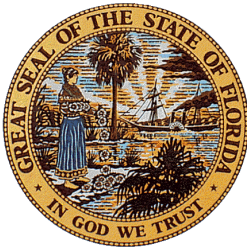
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with

Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 31, 2023



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Auditor General

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House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Gadsden County District School Board's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2022. The District's major Federal programs are identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Qualified Opinions on the Emergency Connectivity Fund Program and Education Stabilization Fund

In our opinion, except for the noncompliance described in the ***Basis for Qualified and Unmodified Opinions*** section of our report, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Emergency Connectivity Fund Program and Education Stabilization Fund for the fiscal year ended June 30, 2022.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its other major Federal program identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** for the fiscal year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing*

Standards); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the ***Auditor's Responsibilities for the Audit of Compliance*** section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major Federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on the Emergency Connectivity Fund Program

As described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**, the District did not comply with requirements regarding the Emergency Connectivity Fund Program, as described in Federal Award Finding No. 2022-004 for Equipment and Real Property Management. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Matter Giving Rise to Qualified Opinion on the Education Stabilization Fund

As described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**, the District did not comply with requirements regarding the Education Stabilization Fund, as described in Federal Award Finding No. 2022-005 for Equipment and Real Property Management. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the noncompliance findings identified in our compliance audit described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. The District is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The District's responses and **CORRECTIVE ACTION PLAN** were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in

accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the ***Auditor's Responsibilities for the Audit of Compliance*** section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the

accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Federal Award Finding Nos. 2022-004 and 2022-005 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. The District is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The District's responses and **CORRECTIVE ACTION PLAN** were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 31, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified, except for the qualified opinion on the aggregate remaining fund information.
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major Federal programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major Federal programs:	Unmodified for the Head Start Cluster and qualified for the Emergency Connectivity Fund Program (ALN 32.009) and the Education Stabilization Fund (ALN 84.425).
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Identification of major Federal programs:	
Assistance Listing Numbers:	Name of Federal Program or Cluster:
32.009	Emergency Connectivity Fund Program
84.425	Education Stabilization Fund
93.600	Head Start Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

SCHOOL INTERNAL FUNDS AND AGGREGATE DISCRETELY PRESENTED COMPONENT UNIT

Finding Number	2022-001
Opinion Units	Aggregate Remaining Fund Information and Discretely Presented Component Unit (DPCU)
Financial Statements Account Title	Various
Fund Name	Special Revenue – Miscellaneous Fund and DPCU
Adjustment Amounts	Not Applicable
Prior Year Finding	Not Applicable
Finding	District procedures could be improved to ensure that the required audit reports of the District school internal funds and DPCU are promptly issued and considered in completing the District financial statements and related audit.
Criteria	Chapter 8 – <i>School Internal Funds, Financial and Program Cost Accounting and Reporting for Florida Schools</i> (Red Book) requires an annual audit of the District school internal funds, which are an integral part of the District financial reporting entity. In addition, generally accepted accounting principles provide certain requirements for inclusion of DPCUs as part of the District financial statements and, according to those requirements, the Crossroad Academy Charter School, a division of Community and Economic Development Organization of Gadsden County, Inc. (Charter School) is the DPCU of the District. The school internal funds and DPCU audit reports, if timely issued, should be considered in completing the District financial statements and related audit. Pursuant to State Board of Education Rule 6A-1.0071, Florida Administrative Code, the District annual financial report (AFR), including the financial statements, must be submitted to the Florida Department of Education by September 11 of each year.
Condition	<p>As of June 30, 2022, District records indicated that the financial activities of the:</p> <ul style="list-style-type: none">• School internal funds represent 7 percent, 0 percent, 0 percent, 7 percent, 0 percent, and 0 percent, respectively, of the assets, liabilities, deferred inflows of resources, net position and fund balance, revenues, and expenditures of the aggregate remaining fund information reported on the District financial statements. School internal funds provide an accounting for various school club and class activities and are reported in the District financial statements as Fiduciary Funds in the custodial funds statement of fiduciary net position and statement of changes in fiduciary net position.• Charter School represent 100 percent of the assets and deferred outflows, liabilities and deferred inflows, revenues, expenditures, and net position of the DPCU information reported on the District financial statements. <p>On March 9, 2023, the DPCU financial audit report was issued; however, as of March 30, 2023, the school internal funds financial audit report had not been issued.</p>
Cause	The District had not established effective procedures to require and ensure timely completion of the 2021-22 fiscal year school internal funds and DPCU financial audit reports. The Board contracted with an audit firm to conduct those audits; however, the contract lacked required audit report issue dates and District records

did not demonstrate timely District communication with the audit firm to ensure the audits were completed by the September 11, 2022, AFR due date.

Professional auditing standards require that when other auditors are required to report on a significant portion of the entity's financial statements and the reports are not available for consideration during the course of an audit, appropriate disclosures (qualification on the aggregate remaining fund information) should be made in the auditor's report. Therefore, our report on the District financial statements includes an opinion modification to that effect.

Effect	Without audit reports opining on the fair presentation of the school internal funds and DPCU financial information, the District's ability to properly complete the District financial statements is limited and financial statement users have limited assurance regarding the accuracy of that information on the District financial statements. Timely completed and issued audit reports would also provide ample opportunity for the audit results to be considered during the District financial statements audit.
Recommendation	The District should establish procedures to ensure that District school internal funds and the DPCU audit reports are timely issued. Such procedures should ensure that audit contracts specify audit report issue dates and District efforts are sufficient to provide ample opportunity for the audit results to be considered during the preparation of the District financial statements and related audit.
District Response	The District will create procedures to ensure that the required audits are performed in a timely manner.

SIGNIFICANT DEFICIENCIES

BANK RECONCILIATIONS

Finding Number	2022-002
Opinion Units	Major Fund – General Fund
Financial Statements Account Title	Cash and Cash Equivalent and Miscellaneous Local Revenues
Fund Name	General Fund, Special Revenue – School Food Service (SFS), Special Revenue – Federal Education Stabilization (SRFES) Fund, and Aggregate Remaining Fund Information
Adjustment Amounts	General Fund: Additions (debit) to Cash and Cash Equivalents of \$2,561,277.25, Reductions (credit) to Due From Other Funds of \$2,800,278.55 and Reductions (debit) to Miscellaneous Local Revenues of \$239,001.30. SFS: Additions (debit) to Cash and Cash Equivalents and (credit) to Miscellaneous Local Revenues of \$114,151.65 each.
Prior Year Finding	Not Applicable
Finding	District procedures did not always provide for timely bank account reconciliations and postings of corrections to general ledger cash accounts.
Criteria	Section 1010.01(5), Florida Statutes, requires each school district to establish and maintain internal controls designed to, among other things, detect fraud, ensure reliability of financial records and reports, and safeguard assets. Effective internal controls require that reconciliations of bank account balances to general ledger account balances be performed on a timely, routine basis. Properly prepared bank account reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts, promptly detect and correct unrecorded and improperly recorded cash transactions or bank

errors, and provide for the efficient and economic management of cash resources.

Condition	As of March 2023, District personnel had not completed the July 2021 through June 2022 bank account reconciliations. During the 2021-22 fiscal year, the District maintained seven bank accounts and, at June 30, 2022, the District's adjusted general ledger cash account balances and financial statement cash account balances each totaled \$11,787,956.74, while the bank account statement cash balances totaled \$16,846,081.54. We extended our audit procedures to determine the adjustments necessary to ensure that cash balances were materially correct at June 30, 2022, and District personnel accepted the adjustments.
Cause	District personnel indicated that, due to personnel turnover, errors and omissions occurred in preparing and recording cash entries in the general ledger and, consequently, the bank account reconciliations were not always prepared timely.
Effect	Absent effective procedures for the timely preparation of bank account reconciliations, there is an increased risk that any cash transaction errors or fraud that may occur will not be timely detected. Additionally, without such procedures, the reliability of the general ledger financial information throughout the year and the Board's ability to effectively monitor the District's financial position is diminished.
Recommendation	The District should enhance procedures to ensure that reconciliations of bank account cash balances to the general ledger account balances are timely performed with reconciling items promptly identified, thoroughly investigated, adequately documented, and resolved.
District Response	The District will create procedures to ensure that cash balances and bank accounts are reconciled in a timely manner.

INFORMATION TECHNOLOGY ACCESS PRIVILEGES

Finding Number	2022-003
Opinion Units	Not Applicable
Financial Statements	
Account Title	Not Applicable
Fund Name	Not Applicable
Adjustment Amounts	Not Applicable
Prior Year Finding	Not Applicable
Finding	Two employees had full update access privileges to information technology (IT) applications or components that allowed them to perform functions incompatible with their assigned job responsibilities.
Criteria	Access controls are intended to protect District data and IT resources from unauthorized disclosure, modification, or destruction. Effective access controls include granting IT users access privileges to IT resources based on a demonstrated need to view, add, modify, or delete data and restrict employees from performing functions incompatible with their assigned job responsibilities.
Condition	The District accounting system includes finance and human resource (HR) applications, as well as a product setup component that allows for the technical configuration and system administration of both applications. The District finance application includes, for example, the ability to create and edit vendor information, create and post journal entries, and process payment transactions. The District HR application includes, for example, the ability to add new employees, adjust pay rates, edit leave balances, and approve payroll transactions. The product

setup component includes, for example, the ability to add modify, or delete data; create IT user accounts; and assign IT user access privileges to the District applications and setup component.

As part of our audit, we examined District records supporting the IT access privileges granted to the 30 IT users who during the 2021-22 fiscal year had update access to critical finance and HR functions in the District applications and setup component. We found that:

- The Interim Finance Director had full update access privileges to both the finance and HR applications as well as the product setup component that allowed him to perform functions incompatible with his assigned job responsibilities. For example, with these privileges, he could perform the incompatible functions of creating vendors, posting journal entries, and processing vendor payments.
- An HR specialist had full update access privileges to the HR application that allowed her to perform functions incompatible with her assignment or contracted service responsibilities. For example, with these privileges, she could perform the incompatible functions of creating and updating employee profiles, entering and adjusting pay grades, and issuing pay checks.

Cause	District personnel indicated that full update access privileges was given to the Interim Finance Director and HR specialist to smooth daily operations and to provide back-up personnel to continue uninterrupted critical District operations when key personnel are absent. In addition, the District had not established personnel back-up procedures that temporarily granted IT user privileges to employees in positions that were not incompatible with the job responsibilities of absent key personnel.
Effect	The existence of inappropriate or unnecessary IT access privileges increases the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur and not be timely detected.
Recommendation	District management should take appropriate action to ensure that assigned IT access privileges restrict employees from performing functions incompatible with their assigned job responsibilities. Such action should include removal of the full update access privileges from the Interim Finance Director and HR specialist and the establishment of procedures to temporarily grant IT user access privileges to other appropriate staff when key personnel are absent.
District Response	The District will establish procedures to govern access to IT resources in the absence of key personnel.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. FEDERAL COMMUNICATIONS COMMISSION

Finding Number	2022-004
Assistance Listing Number	32.009
Program Title	Emergency Connectivity Fund (ECF)
Compliance Requirement	Equipment and Real Property Management
Pass-Through Entity	Not Applicable
Federal Grant/Contract Number and Grant Year	ECF202102089
Statistically Valid Sample	Not Applicable
Finding Type	Opinion Qualification, Noncompliance, and Material Weakness
Questioned Costs	\$132,527

Prior Year Finding	Not Applicable
Finding	The District did not comply with Federal regulations by maintaining inventory records to identify the location of 333 laptops, resulting in ECF program questioned costs of \$132,527.
Criteria	Title 47, Section 54.1715, Code of Federal Regulations (CFR), requires equipment inventory records to identify the equipment type (e.g., laptop), make, and serial number; the school personnel responsible for that equipment or the person to whom the equipment was provided; and the dates the equipment was in service or dates the equipment was loaned out and returned to the school or when the equipment was missing, lost, or damaged.
Condition	During the 2021-22 fiscal year, the District expended ECF program funds totaling \$1,509,241.66 to acquire 4,597 laptops. As part of our audit, we requested for examination District inventory records to support the laptop acquisitions and the District provided records supporting 4,264 laptops. However, District personnel did not provide inventory records for, or locate, the remaining 333 laptops acquired with ECF program funds totaling \$132,527.
Cause	District personnel indicated that the missing inventory information was an oversight.
Effect	Without effective accountability over Federal equipment, including the maintenance of appropriate inventory records, there is an increased risk that the equipment may be used for unauthorized purposes. As such, ECF program expenditures totaling \$132,527 used to acquire the 333 unaccounted for laptops represent questioned costs.
Recommendation	The District should locate the missing laptops and prepare and maintain appropriate inventory records for the laptops pursuant to Federal requirements. If the laptops are not located, the District should restore the questioned costs totaling \$132,527 to the Federal Communications Commission and contact applicable law enforcement agencies regarding other necessary actions to help recover the laptops.
District Response	The District will enhance inventory records and procedures to ensure that all property items are properly recorded in order to maintain accountability of items purchased with federal funds. Additionally, the District will consult with the grantor agency regarding the allowability of the questioned costs.

U.S. DEPARTMENT OF EDUCATION

Finding Number	2022-005
Assistance Listing Number	84.425D
Program Title	Education Stabilization Fund – Elementary and Secondary School Emergency Relief (ESSER) Fund
Compliance Requirement	Equipment and Real Property Management
Pass-Through Entity	Florida Department of Education (FDOE)
Federal Grant/Contract Number and Grant Year	S425D100052 (2020-21) S425D200052 (2021-22)
Statistically Valid Sample	Not Applicable
Finding Type	Opinion Qualification, Noncompliance, and Material Weakness
Questioned Costs	\$1,565,006.14
Prior Year Finding	Not applicable

Finding	The District did not always comply with Federal regulations by maintaining inventory records to identify the location of certain equipment, resulting in ESSER Fund questioned costs totaling \$1,565,006.14.
Criteria	<p>Title 2, Section 200.313(d)(1), CFR, requires that for equipment, property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the Federal award under the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.</p> <p>Title 2, Section 200.313(a), CFR, defines equipment as tangible property, including information technology systems, having a useful life of one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization threshold established by District. Per Board Policy 7.77 – <i>Inventories and Property Records</i>, the Superintendent or designee shall maintain an adequate and accurate record of all tangible personal property of the District. All equipment shall be listed that has a value or cost of \$1,000 or more.</p>
Condition	During the 2021-22 fiscal year, District ESSER Fund expenditures totaled \$7,086,240.23, including \$3,423,497.39 expended for capital outlay. As part of our audit, we examined District records and noted equipment acquisitions totaling \$1,565,006.14 for 513 items with costs exceeding the District \$1,000 capitalization threshold. Although we requested, District personnel did not provide inventory records to identify the location of any of these items.
Cause	District personnel indicated that the missing inventory information was an oversight as the employee responsible for recording property items in the inventory records was not timely provided with the appropriate acquisition information.
Effect	Without effective accountability over Federal equipment, including the maintenance of appropriate inventory records, there is an increased risk that the equipment may be used for unauthorized purposes. Absent identification of the equipment location, the ESSER Fund equipment acquisitions totaling \$1,565,006.14 represent questioned costs.
Recommendation	The District should conduct a thorough investigation of the ESSER Fund capital outlay expenditures to identify equipment acquisitions with costs exceeding the District \$1,000 capitalization threshold, locate the applicable items, and prepare and maintain appropriate inventory records for those items. In addition, the District should restore to the FDOE the questioned costs related to any unlocated items and contact applicable law enforcement agencies regarding other necessary actions to help recover the equipment.
District Response	The District will enhance inventory records and procedures to ensure that all property items are properly recorded in order to maintain accountability of items purchased with federal funds. Additionally, the District will consult with the grantor agency regarding the allowability of the questioned costs.

ADDITIONAL MATTERS

FINANCIAL REPORTING

Finding Number	AM 2022-001
Opinion Units	Not Applicable
Financial Statements Account Title	Not Applicable
Fund Name	Not Applicable
Adjustment Amounts	Not Applicable
Prior Year Finding	Not Applicable

Finding District financial procedures need improvement to ensure that all components of the annual financial report (AFR) are timely submitted to the FDOE.

Criteria SBE Rule 6A-1.0071, Florida Administrative Code, and related instructions from the FDOE prescribe the exhibits and schedules that should be prepared as part of the District's AFR and required the District to submit its 2021-22 fiscal year AFR to the FDOE by September 11, 2022. SBE rules also provide that, in the event of an emergency or unusual circumstance and upon written request by the Superintendent of Schools, the Commissioner of Education shall have the authority to grant an extension of the reporting date. The AFR is to include, for example:

- Form ESE 348 containing the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds and the Statement of Changes in Assets, Liabilities, and Fiduciary Net Position.
- Form ESE 145 containing Management's Discussion and Analysis, Statement of Net Position, Statement of Activities, Balance Sheet – Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds, Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Notes to Financial Statements, Required Supplementary Information, and the Schedule of Expenditures of Federal Awards (SEFA).

Federal guidance requires the District to prepare a SEFA that reports total Federal awards expended for each individual Federal program. Federal guidance also requires the auditor to use a risk-based approach to determine which Federal programs are audited (i.e., major programs). As part of this approach, the auditor must identify the larger Type A Federal programs, which must be audited as a major program at least once every 3 audit periods.

Condition Contrary to SBE rules, the District did not comply with the requirement to timely submit the District AFR to the FDOE. Our examination of District records and inquiry with District personnel disclosed the following sequence of events:

- In September 2022 the District contracted with a finance consultant to assist with the preparation of the District AFR.
- On January 9, 2023, the District electronically submitted only Form ESE 348 to the FDOE.
- On January 30, 2023, the FDOE sent a letter to the Superintendent confirming that only the Form ESE 348 had been received and that the Form ESE 145 had not been received.
- On February 28, 2023, 166 days after the reporting deadline, the Board approved the District Form ESE 348 and all components for the ESE Form 145 except for the SEFA, which had not been prepared.

- As of March 15, 2023, the FDOE indicated that the Form ESE 145 had still not been received from the District.
- On March 28, 2023, the District completed the SEFA and made it available for audit.

Cause	The Board-approved consultant contract for AFR preparation did not establish an AFR completion date to require and ensure timely submittal of the AFR to the FDOE. In addition, due to lack of training and employee turnover, the District did not have appropriate controls in place to require and ensure the timely submittal of the AFR, with all required exhibits and schedules, to the FDOE.
Effect	The untimely submittal of the AFR decreases the relevance and usefulness of financial reporting and is not in compliance with SBE rules. Without adequate procedures to timely prepare a SEFA that accurately reports Federal program expenditures, there is an increased risk that major Federal programs may not be identified and audited, and costs associated with those programs may be subject to disallowance by grantors.
Recommendation	The District should improve procedures to ensure that all components of the AFR are timely submitted to the FDOE. Such procedures should ensure that contracts for AFR preparation specify appropriate AFR completion dates and that appropriate training is provided for individuals responsible for financial reporting.
District Response	The District will create procedures to ensure that all annual financial report components are timely submitted to the Florida Department of Education.

BUDGETARY CONTROLS

Finding Number	AM 2022-002
Opinion Units	Major Fund: General Fund
Financial Statements Account Title	Not Applicable
Fund Name	General Fund
Adjustment Amounts	Not Applicable
Prior Year Finding	Not Applicable
Finding	District procedures did not always limit expenditures to budgeted amounts, contrary to State law, SBE rules, and Board policies.
Criteria	Section 1011.05, Florida Statutes, provides that the official budget shall not be altered, amended, or exceeded except as authorized. In addition, SBE Rule 6A-1.007(2), Florida Administrative Code, provides that no expenditure shall be authorized or obligation incurred that is in excess of budgetary appropriation and requires that the Board approve amendments to the budget whenever the function amounts are changed from the original budget. Also, pursuant to Section 1011.06(2), Florida Statutes, the Board adopted Policy 7.10, which allows expenditures to exceed budgeted amounts, provided that the Board approves the expenditure by amending the budget at the next scheduled public meeting. The process for adopting and amending the budget provides the District a mechanism to plan a level of expenditures to meet its obligations while remaining within available financial resources.
Condition	District records show that expenditures were not always limited to budgeted amounts. As of June 30, 2022, General Fund expenditures exceeded the budgeted amounts in 11 functional categories by \$746 to \$1,874,044, and the Board did not amend the budget at a subsequent meeting to authorize the over-expended amounts totaling \$5,717,150.

Cause	District personnel indicated that, due to oversights, certain budget amounts were not increased during preparation of the budget schedule for the 2021-22 fiscal year AFR that was provided to the Board for approval. In addition, separate budget amendments to cover the over-expended amounts were not presented to the Board for approval.
Effect	The District unassigned fund balance for the General Fund totaled \$2,039,467; however, without properly monitoring and amending the budget to meet changing financial circumstances, the District's ability to meet current financial obligations could be hindered.
Recommendation	District personnel should enhance budgetary procedures by closely monitoring financial activities to ensure that expenditures are limited to budgeted amounts as required by State law, SBE rules, and Board policies.
District Response	The District will create procedures to improve budgetary controls over expenditures.

PRIOR AUDIT FOLLOW-UP

There were no prior financial statement or Federal award findings requiring follow-up.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The District did not have prior audit findings required to be reported under 2 CFR 200.511.

CORRECTIVE ACTION PLAN



THE SCHOOL BOARD OF GADSDEN COUNTY

Educating Every Student Today, Making Gadsden Stronger Tomorrow

Elijah Key, Superintendent of Schools

35 Martin Luther King, Jr. Blvd Quincy, Florida 32351

Main: (850) 627-9651 or Fax: (850) 627-2760

www.GadsdenSchools.org

March 30, 2023

**Gadsden County District School Board
Management's Corrective Action Plans
For the Fiscal Year Ended June 30, 2022**

- Finding Number: 2022-001.
Planned Corrective Action: The District will create procedures to ensure that the required audits are performed in a timely manner.
- Anticipated Completion Date: June 30, 2023
Responsible Contact Person: LaClarence Mays
- Finding Number: 2022-002.
Planned Corrective Action: The District will create procedures to ensure that cash balances and bank accounts are reconciled in a timely manner.
- Anticipated Completion Date: June 30, 2023
Responsible Contact Person: LaClarence Mays
- Finding Number: 2022-003.
Planned Corrective Action: The District will establish procedures to govern access to IT resources in the absence of key personnel.
- Anticipated Completion Date: June 30, 2023
Responsible Contact Person: LaClarence Mays/Darlean Youmans

Cathy Johnson
DISTRICT NO. 1
HAVANA, FL 32333
MIDWAY, FL 32343

Steve Scott
DISTRICT NO. 2
QUINCY, FL 32351
HAVANA, FL 32333

Leroy McMillian
DISTRICT NO. 3
CHATTAHOOCHEE, FL 32324
GREENSBORO, FL 32330

Charlie Frost
DISTRICT NO. 4
GRETNA, FL 32332
QUINCY, FL 32352

Karema Dudley
DISTRICT NO. 5
QUINCY, FL 32351



THE SCHOOL BOARD OF GADSDEN COUNTY

Educating Every Student Today, Making Gadsden Stronger Tomorrow

Elijah Key, Superintendent of Schools

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www.GadsdenSchools.org

Federal Award Finding Number: 2022-004.

Planned Corrective Action: The District will enhance inventory records and procedures to ensure that all property items are properly recorded in order to maintain accountability of items purchased with federal funds. Additionally, the District will consult with the grantor agency regarding the allowability of the questioned costs.

Anticipated Completion Date: June 30, 2023

Responsible Contact Person: LaClarence Mays/Matthew Bryant

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Elijah Key
3/30/23

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