

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial and Federal Single Audit**

Report No. 2020-138  
March 2020

**GADSDEN COUNTY  
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended  
June 30, 2019



Sherrill F. Norman, CPA  
Auditor General

## **Board Members and Superintendent**

During the 2018-19 fiscal year, Roger P. Milton served as Superintendent of the Gadsden County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Audrey D. Lewis, Vice Chair from 11-20-18	1
Steve Scott, Chair	2
Leroy McMillan from 11-20-18	3
Isaac Simmons Jr. through 11-19-18	3
Charlie D. Frost	4
Tyron D. Smith, Vice Chair through 11-19-18	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 Shirley Dong, CPA, and the audit was supervised by Edward A. Waller, CPA.

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

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## SUMMARY

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### 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.

### SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

We 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. 2019-001:** District controls over cash continue to be deficient as the December 2017 through June 2019 reconciliations for two bank accounts and the June 2018 through June 2019 reconciliations for another bank account had not been completed as of January 2020. The bank statement cash balances at June 30, 2019, for these three accounts totaled \$5.1 million.

**Finding No. 2019-002:** Four employees and three contracted consultants had full update access privileges to information technology applications or components that allowed them to perform functions incompatible or inconsistent with their assigned job responsibilities. A similar finding was noted in our report No. 2019-162.

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.

### SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster, Supporting Effective Instruction State Grants, and Head Start programs 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.

### AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether the School Board and its officers with administrative and stewardship responsibilities for District operations had:

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on the District's major Federal programs;

- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2019-162.

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards, as of and for the fiscal year ended June 30, 2019. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also 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.

#### 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 Financial Statements

We have audited the accompanying 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statement of the school internal funds, which represents 8 percent and 36 percent, respectively, of the assets and liabilities of the aggregate remaining fund information. In addition, 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. The financial statements for the school internal funds and the discretely presented component unit were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those financial statements, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require

that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statement of the school internal funds was not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 June 30, 2019, 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.

### ***Other Matters***

#### *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**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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.

The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** 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. Such 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 auditing standards generally accepted in the United States of America. 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 February 28, 2020, 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  
February 28, 2020

## **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, 2019. 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 2018-19 fiscal year are as follows:

- The District's total net position decreased by \$0.2 million, or 0.4 percent.
- General revenues total \$60.3 million, or 89.6 percent of all revenues in the 2018-19 fiscal year, as compared to \$52.2 million, or 87.8 percent for the 2017-18 fiscal year.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$4.2 million at June 30, 2019, or 8.7 percent of General Fund expenditures as compared to an unassigned fund balance of \$1.4 million, or 3.1 percent of expenditures at June 30, 2018.
- During the current fiscal year, General Fund expenditures exceeded revenues by \$5.5 million. This may be compared to the 2017-18 fiscal year's result in which General Fund expenditures exceeded revenues by \$1.7 million and the 2016-17 fiscal year's results in which General Fund expenditures exceeded revenues by \$2.2 million.
- The total long-term debt decreased by \$0.4 million, primarily because of principal payments.

### **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 for financial reporting purposes and is included in this report because the 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 and the Special Revenue – 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 agency funds to account for resources held for student activities and groups.

**Notes to Financial Statements**

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

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's other postemployment benefits and net pension liabilities.

<b>GOVERNMENT-WIDE FINANCIAL ANALYSIS</b>
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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, 2019, compared to net position as of June 30, 2018:

**Net Position, End of Year**

	<b>Governmental Activities</b>	
	<b>6-30-19</b>	<b>6-30-18</b>
Current and Other Assets	\$ 15,448,224	\$ 5,399,507
Capital Assets	60,850,010	62,759,067
<b>Total Assets</b>	<b>76,298,234</b>	<b>68,158,574</b>
<b>Deferred Outflows of Resources</b>	<b>12,551,981</b>	<b>13,356,880</b>
Long-Term Liabilities	36,823,659	39,310,966
Other Liabilities	7,959,373	243,318
<b>Total Liabilities</b>	<b>44,783,032</b>	<b>39,554,284</b>
<b>Deferred Inflows of Resources</b>	<b>6,337,696</b>	<b>4,079,470</b>
Net Position:		
Net Investment in Capital Assets	59,193,759	60,732,214
Restricted	2,563,767	3,076,068
Unrestricted (Deficit)	(24,028,039)	(25,926,582)
<b>Total Net Position</b>	<b>\$ 37,729,487</b>	<b>\$ 37,881,700</b>

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 current and other assets increased by \$10 million from the prior fiscal year primarily due to insurance loss recoveries related to damage caused by Hurricane Michael and the increase in the Title I grant revenues. The other liabilities increased by \$7.7 million primarily due to a short-term tax anticipation note and the increase in accounts payable incurred for the repairs and additional maintenance related to damage caused by Hurricane Michael.

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 \$2.5 million in compensated absences payable, \$3.2 million in other postemployment benefit obligations, and \$29.5 million in net pension liability.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2019, and June 30, 2018, are as follows:

## Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-19	6-30-18
Program Revenues:		
Charges for Services	\$ 256,497	\$ 408,473
Operating Grants and Contributions	6,292,888	6,372,346
Capital Grants and Contributions	455,366	477,463
General Revenues:		
Property Taxes, Levied for Operational Purposes	7,598,090	7,459,658
Property Taxes, Levied for Capital Projects	2,292,160	2,221,459
Grants and Contributions Not Restricted to Specific Programs	44,080,268	40,279,598
Unrestricted Investment Earnings	45,846	66,738
Miscellaneous	6,316,401	2,165,116
<b>Total Revenues</b>	<b>67,337,516</b>	<b>59,450,851</b>
Functions/Program Expenses:		
Instruction	30,091,132	28,098,822
Student Support Services	2,980,205	3,195,825
Instructional Media Services	486,745	636,780
Instruction and Curriculum Development Services	2,360,748	2,156,094
Instructional Staff Training Services	1,669,741	1,199,156
Instruction-Related Technology	150,646	226,002
Board	420,712	410,098
General Administration	858,705	742,520
School Administration	3,252,449	3,441,572
Facilities Acquisition and Construction	265,755	113,067
Fiscal Services	671,397	633,912
Food Services	4,817,712	4,862,827
Central Services	386,655	437,184
Student Transportation Services	4,887,118	4,522,645
Operation of Plant	5,974,980	5,619,995
Maintenance of Plant	4,347,811	1,240,438
Administrative Technology Services	1,079,323	878,480
Community Services	-	42,987
Unallocated Interest on Long-Term Debt	76,733	91,062
Unallocated Depreciation Expense	2,711,162	2,711,163
<b>Total Functions/Program Expenses</b>	<b>67,489,729</b>	<b>61,260,629</b>
<b>Change in Net Position</b>	<b>(152,213)</b>	<b>(1,809,778)</b>
Net Position - Beginning	37,881,700	40,552,568
Adjustment to Beginning Net Position (1)	-	(861,090)
Net Position - Beginning, as Restated	37,881,700	39,691,478
<b>Net Position - Ending</b>	<b>\$ 37,729,487</b>	<b>\$ 37,881,700</b>

- (1) Adjustment to beginning net position was due to the implementation of GASB Statement No. 75, which was a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits.

The largest revenue source is the State of Florida (47 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 requirement of the class size amendment.

Grants and contributions not restricted to specific programs increased by \$3.8 million, or 9.4 percent, primarily due to an increase in Title I grant revenues. Miscellaneous revenues increased by \$4.2 million mainly due to the recognition of insurance loss recoveries related to Hurricane Michael.

Instruction expenses represent 44.6 percent of total governmental expenses in the 2018-19 fiscal year. Overall expenses increased by \$6.2 million, or 10.2 percent since the prior fiscal year. Some areas of increased spending noted were for instruction due mainly to the increase in the Title I grant expenditures, and maintenance of plant due mainly to repairs and additional maintenance related to damage caused by Hurricane Michael during the 2018-19 fiscal year.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### **Governmental Funds**

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

The total fund balances of governmental funds increased by \$2.3 million during the fiscal year to \$6.8 million at June 30, 2019. Approximately 61.8 percent of this amount is unassigned fund balance (\$4.2 million), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable or restricted to indicate that it is (1) not in spendable form (\$0.2 million), or (2) restricted for particular purposes (\$2.4 million).

### **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 \$4.2 million, while the total fund balance is \$4.8 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 9.9 percent of the total General Fund revenues, while total fund balance represents 11.3 percent of total General Fund revenues.

Total fund balance increased by \$2.1 million during the fiscal year primarily due to the insurance loss recoveries recognized for damage caused by Hurricane Michael.

The Special Revenue – Other Fund is used by the District to account for resources of certain Federal grant programs and, for the 2018-19 fiscal year, had revenues and expenditures totaling \$11.6 million each, an increase of \$2.1 million from the 2017-18 fiscal year mainly due to the increase in the Title I

grant expenditures. 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.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

**CAPITAL ASSETS AND LONG-TERM DEBT**

**Capital Assets**

The District’s investment in capital assets for its governmental activities as of June 30, 2019, amounts to \$60.9 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, 2019, the District has total long-term debt outstanding of \$1.7 million related to bonds payable.

Additional information on the District’s long-term debt can be found in Notes I.F.6. and II.I. to the financial statements.

**REQUESTS FOR INFORMATION**

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



# BASIC FINANCIAL STATEMENTS

## Gadsden County District School Board Statement of Net Position June 30, 2019

	Primary Government <u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Unit</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,526,879.27	\$ 4,121,075.00
Investments	339.43	265,582.00
Accounts Receivable	18,108.91	231,479.00
Due from Other Agencies	6,094,505.30	-
Due from Insurer	4,922,971.47	-
Notes Receivable	656,082.61	-
Prepaid Items	-	33,277.00
Inventories	229,336.39	-
Capital Assets:		
Nondepreciable Capital Assets	1,704,688.29	474,342.00
Depreciable Capital Assets, Net	59,145,321.93	3,462,604.00
<b>TOTAL ASSETS</b>	<u>76,298,233.60</u>	<u>8,588,359.00</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	269,992.00	-
Pensions	12,281,989.00	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>12,551,981.00</u>	<u>-</u>
<b>LIABILITIES</b>		
Payroll Deductions and Withholdings	13,510.56	-
Accounts Payable	3,769,235.24	413,563.00
Accrued Interest Payable	-	40,964.00
Tax Anticipation Note	3,999,916.67	-
Unearned Revenue	176,711.00	-
Long-Term Liabilities:		
Portion Due Within 1 Year	1,118,165.26	75,985.00
Portion Due After 1 Year	35,705,493.26	1,615,421.00
<b>TOTAL LIABILITIES</b>	<u>44,783,031.99</u>	<u>2,145,933.00</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	1,065,424.00	-
Pensions	5,272,272.00	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>6,337,696.00</u>	<u>-</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	59,193,759.14	-
Restricted for:		
State Required Carryover Programs	364,542.85	-
Debt Service	339.43	-
Capital Projects	1,172,953.86	-
Food Service	1,025,930.12	-
Unrestricted	(24,028,038.79)	6,442,426.00
<b>TOTAL NET POSITION</b>	<u>\$ 37,729,486.61</u>	<u>\$ 6,442,426.00</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, 2019**

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities:</b>			
Instruction	\$ 30,091,131.69	\$ 62,253.88	\$ -
Student Support Services	2,980,204.76	-	-
Instructional Media Services	486,744.77	-	-
Instruction and Curriculum Development Services	2,360,748.27	-	-
Instructional Staff Training Services	1,669,741.19	-	-
Instruction-Related Technology	150,645.62	-	-
Board	420,711.57	-	-
General Administration	858,704.98	-	-
School Administration	3,252,448.68	-	-
Facilities Acquisition and Construction	265,755.27	-	-
Fiscal Services	671,397.24	-	-
Food Services	4,817,712.46	151,408.30	4,424,294.10
Central Services	386,655.48	-	-
Student Transportation Services	4,887,117.92	42,834.50	1,575,495.00
Operation of Plant	5,974,980.27	-	-
Maintenance of Plant	4,347,811.05	-	293,099.00
Administrative Technology Services	1,079,323.07	-	-
Unallocated Interest on Long-Term Debt	76,732.59	-	-
Unallocated Depreciation Expense*	2,711,162.44	-	-
<b>Total Primary Government</b>	<b>\$ 67,489,729.32</b>	<b>\$ 256,496.68</b>	<b>\$ 6,292,888.10</b>
<b>Component Unit</b>			
Crossroad Academy Charter School	\$ 3,562,547.00	\$ 0.00	\$ 0.00

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

**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**

Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit
\$ -	\$ (30,028,877.81)	\$ -
-	(2,980,204.76)	-
-	(486,744.77)	-
-	(2,360,748.27)	-
-	(1,669,741.19)	-
-	(150,645.62)	-
-	(420,711.57)	-
-	(858,704.98)	-
-	(3,252,448.68)	-
411,877.53	146,122.26	-
-	(671,397.24)	-
-	(242,010.06)	-
-	(386,655.48)	-
-	(3,268,788.42)	-
-	(5,974,980.27)	-
-	(4,054,712.05)	-
-	(1,079,323.07)	-
43,488.00	(33,244.59)	-
-	(2,711,162.44)	-
<b>\$ 455,365.53</b>	<b>(60,484,979.01)</b>	<b>-</b>
<b>\$ 0.00</b>	<b>-</b>	<b>(3,562,547.00)</b>
	7,598,089.99	-
	2,292,160.14	-
	44,080,268.36	4,002,807.00
	45,846.27	-
	6,316,401.21	-
	60,332,765.97	4,002,807.00
	(152,213.04)	440,260.00
	37,881,699.65	6,002,166.00
	<b>\$ 37,729,486.61</b>	<b>\$ 6,442,426.00</b>

**Gadsden County District School Board  
Balance Sheet – Governmental Funds  
June 30, 2019**

	General Fund	Special Revenue - Other Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,733,712.26	\$ 384.00	\$ 1,792,783.01	\$ 3,526,879.27
Investments	-	-	339.43	339.43
Accounts Receivable	11,692.84	4,715.07	1,701.00	18,108.91
Due from Other Funds	1,208,162.84	-	-	1,208,162.84
Due from Other Agencies	3,389,751.42	2,243,739.98	461,013.90	6,094,505.30
Due from Insurer	4,922,971.47	-	-	4,922,971.47
Notes Receivable	656,082.61	-	-	656,082.61
Inventories	85,524.83	-	143,811.56	229,336.39
<b>TOTAL ASSETS</b>	<b>\$ 12,007,898.27</b>	<b>\$ 2,248,839.05</b>	<b>\$ 2,399,648.90</b>	<b>\$ 16,656,386.22</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Payroll Deductions and Withholdings	\$ 5,039.50	\$ 8,471.06	\$ -	\$ 13,510.56
Accounts Payable	2,565,440.30	1,190,272.15	13,522.79	3,769,235.24
Due to Other Funds	-	1,049,711.84	158,451.00	1,208,162.84
Tax Anticipation Note	3,999,916.67	-	-	3,999,916.67
Unearned Revenue	-	384.00	176,327.00	176,711.00
<b>Total Liabilities</b>	<b>6,570,396.47</b>	<b>2,248,839.05</b>	<b>348,300.79</b>	<b>9,167,536.31</b>
Deferred Inflows of Resources:				
Unavailable Revenue - Notes Receivable	656,082.61	-	-	656,082.61
Fund Balances:				
Nonspendable:				
Inventories	85,524.83	-	143,811.56	229,336.39
Restricted for:				
State Required Carryover Programs	364,542.85	-	-	364,542.85
Debt Service	-	-	339.43	339.43
Capital Projects	147,875.30	-	1,025,078.56	1,172,953.86
Food Service	-	-	882,118.56	882,118.56
Total Restricted Fund Balance	512,418.15	-	1,907,536.55	2,419,954.70
Unassigned Fund Balance	4,183,476.21	-	-	4,183,476.21
<b>Total Fund Balances</b>	<b>4,781,419.19</b>	<b>-</b>	<b>2,051,348.11</b>	<b>6,832,767.30</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 12,007,898.27</b>	<b>\$ 2,248,839.05</b>	<b>\$ 2,399,648.90</b>	<b>\$ 16,656,386.22</b>

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

**Gadsden County District School Board  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Position  
 June 30, 2019**

**Total Fund Balances - Governmental Funds** \$ 6,832,767.30

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. 60,850,010.22

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. 656,082.61

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	\$	(1,656,251.08)	
Compensated Absences Payable		(2,481,007.44)	
Other Postemployment Benefits Payable		(3,153,130.00)	
Net Pension Liability		<u>(29,533,270.00)</u>	(36,823,658.52)

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 OPEB	\$	269,992.00	
Deferred Outflows Related to Pensions		12,281,989.00	
Deferred Inflows Related to OPEB		(1,065,424.00)	
Deferred Inflows Related to Pensions		<u>(5,272,272.00)</u>	<u>6,214,285.00</u>

**Net Position - Governmental Activities** **\$ 37,729,486.61**

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

**Gadsden County District School Board  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances – Governmental Funds  
For the Fiscal Year Ended June 30, 2019**

	General Fund	Special Revenue - Other Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 46,638.88	\$ 2,200,263.30	\$ -	\$ 2,246,902.18
Federal Through State and Local	3,118,956.94	9,446,069.48	4,354,581.10	16,919,607.52
State	30,848,206.06	-	813,806.23	31,662,012.29
Local:				
Property Taxes	7,598,089.99	-	2,292,160.14	9,890,250.13
Charges for Services - Food Service	-	-	151,408.30	151,408.30
Miscellaneous	822,401.36	-	274,326.40	1,096,727.76
Total Local Revenues	<u>8,420,491.35</u>	<u>-</u>	<u>2,717,894.84</u>	<u>11,138,386.19</u>
<b>Total Revenues</b>	<u>42,434,293.23</u>	<u>11,646,332.78</u>	<u>7,886,282.17</u>	<u>61,966,908.18</u>
<b>Expenditures</b>				
Current - Education:				
Instruction	23,338,575.07	6,409,724.22	-	29,748,299.29
Student Support Services	1,702,333.03	1,237,976.79	-	2,940,309.82
Instructional Media Services	479,202.72	-	-	479,202.72
Instruction and Curriculum Development Services	1,134,024.91	1,192,295.20	-	2,326,320.11
Instructional Staff Training Services	231,532.89	1,419,842.92	-	1,651,375.81
Instruction-Related Technology	53,186.66	96,746.00	-	149,932.66
Board	417,642.02	-	-	417,642.02
General Administration	496,883.38	356,477.39	-	853,360.77
School Administration	3,163,982.55	36,442.76	-	3,200,425.31
Facilities Acquisition and Construction	91,907.41	-	-	91,907.41
Fiscal Services	662,780.10	-	-	662,780.10
Food Services	313,093.91	1,331.01	4,476,091.67	4,790,516.59
Central Services	325,003.77	57,317.48	-	382,321.25
Student Transportation Services	3,807,900.77	421,893.67	-	4,229,794.44
Operation of Plant	5,862,375.48	85,939.00	-	5,948,314.48
Maintenance of Plant	4,337,242.93	-	-	4,337,242.93
Administrative Technology Services	1,071,615.46	558.09	-	1,072,173.55
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	-	289,296.01	289,296.01
Other Capital Outlay	411,929.81	329,788.25	244,586.79	986,304.85
Debt Service:				
Principal	-	-	370,601.97	370,601.97
Interest and Fiscal Charges	-	-	76,732.59	76,732.59
<b>Total Expenditures</b>	<u>47,901,212.87</u>	<u>11,646,332.78</u>	<u>5,457,309.03</u>	<u>65,004,854.68</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(5,466,919.64)</u>	<u>-</u>	<u>2,428,973.14</u>	<u>(3,037,946.50)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	2,393,393.25	-	401,404.74	2,794,797.99
Sale of Capital Assets	5,000.00	-	-	5,000.00
Loss Recoveries	5,380,986.10	-	-	5,380,986.10
Transfers Out	(213,662.25)	-	(2,581,135.74)	(2,794,797.99)
<b>Total Other Financing Sources (Uses)</b>	<u>7,565,717.10</u>	<u>-</u>	<u>(2,179,731.00)</u>	<u>5,385,986.10</u>
<b>Net Change in Fund Balances</b>	2,098,797.46	-	249,242.14	2,348,039.60
Fund Balances, Beginning	2,682,621.73	-	1,802,105.97	4,484,727.70
<b>Fund Balances, Ending</b>	<u>\$ 4,781,419.19</u>	<u>\$ 0.00</u>	<u>\$ 2,051,348.11</u>	<u>\$ 6,832,767.30</u>

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

**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, 2019**

**Net Change in Fund Balances - Governmental Funds** \$ 2,348,039.60

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 depreciation expense in excess of capital outlays in the current fiscal year. (1,909,056.62)

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.

Note Principal Repayments	\$	183,331.85	
Bond Principal Repayments		187,270.12	370,601.97

Payments received as notes receivable are reported as revenues in the fiscal year received in the fund statements. However, under full accrual, these revenues were recognized as revenue in the statement of activities in the year the note was issued. (15,378.00)

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 earned in excess of the amount paid in the current fiscal year. (131,510.99)

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 OPEB Liability	\$	1,161,397.00	
Decrease in Deferred Outflows of Resources - OPEB		(103,531.00)	
Increase in Deferred Inflows of Resources - OPEB		(913,019.00)	144,847.00

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	\$	1,990,263.00	
HIS Pension Contribution		474,309.00	
FRS Pension Expense		(3,004,596.00)	
HIS Pension Expense		(419,732.00)	(959,756.00)

**Change in Net Position - Governmental Activities** **\$ (152,213.04)**

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

**Gadsden County District School Board  
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds  
June 30, 2019**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 199,334.58</u>
<b>LIABILITIES</b>	
Internal Accounts Payable	<u>\$ 199,334.58</u>

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



# **NOTES TO FINANCIAL STATEMENTS**

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## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Description of Government-Wide Financial Statements**

The government wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component 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. 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 units 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, 2019. 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 – Other Fund – to account for certain Federal grant program resources.

Additionally, the District reports the following fiduciary fund type:

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

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. 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 capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

The charter 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 in the SBA debt service accounts for investment of debt service moneys and 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 investments 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. These investments are 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 cost on the first-in, first-out basis for maintenance department inventories; moving weighted-average for transportation inventories; and last invoice cost, which approximated the first-in, first-out basis for purchased foods and nonfood inventories, 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 \$750. 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 position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category. The deferred outflows of resources related to pensions and OPEB are discussed in subsequent notes.

In addition to liabilities, the statement of 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 position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The District has three items that qualify for reporting in this category. The deferred inflows of resources related to pensions and OPEB are discussed in subsequent notes. The remaining item, unavailable revenue from a notes receivable, is reported in the governmental funds balance sheet and is deferred and will be recognized as an inflow of resources in the period that it becomes 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, 2019.

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.

## **G. Revenues and Expenditures/Expenses**

### **1. Program Revenues**

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

### **2. State Revenue Sources**

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

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received an allocation under the Educational Facilities Security Grant. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE. Accordingly, the District recognizes its allocation of the Educational Facilities Security Grant 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 2018 tax levy on September 4, 2018. 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, 2019, are reported as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	28 Day Average	\$ 628,326.13
Debt Service Accounts	6 Months	339.43
<b>Total Investments</b>		<b>\$ 628,665.56</b>

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

### **Fair Value Measurement**

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

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy does not limit 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, 2019, 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’s investment policy does not further limit its investment choices.

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

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

### **C. Notes Receivables**

The District sold Chattahoochee High School, Havana North Side High School, and Greensboro Elementary School each to a separate not-for-profit corporation, and as part of the 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 \$205,000, bearing interest at 1 percent per annum, payable in monthly installments of \$948.78 until paid-in-full with the first installment received July 1, 2012. The third 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 received January 1, 2013. At June 30, 2019, the District’s remaining notes receivable balance was \$656,082.61.

## 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	\$ 1,704,688.29	\$ -	\$ -	\$ 1,704,688.29
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	5,682,254.53	582,887.41	-	6,265,141.94
Buildings and Fixed Equipment	97,176,831.51	-	-	97,176,831.51
Furniture, Fixtures, and Equipment	5,476,429.27	692,713.45	575,096.72	5,594,046.00
Motor Vehicles	7,238,508.97	-	442,706.00	6,795,802.97
Audio Visual Materials and Computer Software	162,729.95	-	-	162,729.95
Total Capital Assets Being Depreciated	<u>115,736,754.23</u>	<u>1,275,600.86</u>	<u>1,017,802.72</u>	<u>115,994,552.37</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	3,842,343.95	133,793.02	-	3,976,136.97
Buildings and Fixed Equipment	40,029,198.34	2,090,960.67	-	42,120,159.01
Furniture, Fixtures, and Equipment	5,068,317.28	453,862.76	575,096.72	4,947,083.32
Motor Vehicles	5,709,970.12	473,495.04	442,706.00	5,740,759.16
Audio Visual Materials and Computer Software	32,545.99	32,545.99	-	65,091.98
Total Accumulated Depreciation	<u>54,682,375.68</u>	<u>3,184,657.48</u>	<u>1,017,802.72</u>	<u>56,849,230.44</u>
Total Capital Assets Being Depreciated, Net	<u>61,054,378.55</u>	<u>(1,909,056.62)</u>	<u>-</u>	<u>59,145,321.93</u>
Governmental Activities Capital Assets, Net	<u>\$ 62,759,066.84</u>	<u>\$ (1,909,056.62)</u>	<u>\$ 0.00</u>	<u>\$ 60,850,010.22</u>

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 473,495.04
Unallocated	<u>2,711,162.44</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,184,657.48</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. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The District's FRS and HIS pension expense totaled \$3,424,328 for the fiscal year ended June 30, 2019.

### **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:

<b><u>Class, Initial Enrollment, and Retirement Age/Years of Service</u></b>	<b><u>Percent Value</u></b>
<b>Regular Members Initially Enrolled Before July 1, 2011</b>	
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
<b>Regular Members Initially Enrolled On or After July 1, 2011</b>	
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
<b>Elected County Officers</b>	<b>3.00</b>

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 2018-19 fiscal year were as follows:

<b><u>Class</u></b>	<b><u>Percent of Gross Salary</u></b>	
	<b><u>Employee</u></b>	<b><u>Employer (1)</u></b>
FRS, Regular	3.00	8.26
FRS, Elected County Officers	3.00	48.70
DROP – Applicable to Members from All of the Above Classes	0.00	14.03
FRS, Reemployed Retiree	(2)	(2)

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

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

The District's contributions to the Plan totaled \$1,990,263 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the District reported a liability of \$20,209,622 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the net pension liability was based on the District's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the District's proportionate share was 0.067095864 percent, which was a decrease of 0.002354962 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized the Plan pension expense of \$3,004,596. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 1,712,059	\$ 62,140
Change of Assumptions	6,603,522	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	1,561,440
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	133,336	1,434,905
District FRS Contributions Subsequent to the Measurement Date	1,990,263	-
<b>Total</b>	<b>\$ 10,439,180</b>	<b>\$ 3,058,485</b>

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$1,990,263, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. 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>
2020	\$ 2,124,353
2021	1,386,069
2022	(13,134)
2023	1,068,031
2024	734,340
Thereafter	90,773
<b>Total</b>	<b>\$ 5,390,432</b>

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	2.9%	2.9%	1.8%
Fixed Income	18%	4.4%	4.3%	4.0%
Global Equity	54%	7.6%	6.3%	17.0%
Real Estate (Property)	11%	6.6%	6.0%	11.3%
Private Equity	10%	10.7%	7.8%	26.5%
Strategic Investments	6%	6.0%	5.7%	8.6%
<b>Total</b>	<u>100%</u>			
Assumed inflation - Mean			2.6%	1.9%

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

Discount Rate. The discount rate used to measure the total pension liability was 7 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2018 valuation was updated from 7.1 percent to 7 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
District's Proportionate Share of the Net Pension Liability	\$ 36,883,408	\$ 20,209,622	\$ 6,361,057

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

### **HIS Pension Plan**

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

Benefits Provided. For the fiscal year ended June 30, 2019, 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, 2019, 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 \$474,309 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the District reported a net pension liability of \$9,323,648 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the net pension liability was based on the District's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year



contributions of all participating members. At June 30, 2018, the District's proportionate share was 0.088090966 percent, which was a decrease of 0.006153005 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized the HIS Plan pension expense of \$419,732. 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	\$ 142,741	\$ 15,841
Change of Assumptions	1,036,905	985,774
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	5,628	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	183,226	1,212,172
District HIS Contributions Subsequent to the Measurement Date	474,309	-
<b>Total</b>	<b>\$ 1,842,809</b>	<b>\$ 2,213,787</b>

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$474,309, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. 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>
2020	\$ (145,745)
2021	(146,219)
2022	(109,447)
2023	(102,322)
2024	(187,488)
Thereafter	(154,066)
<b>Total</b>	<b>\$ (845,287)</b>

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	3.87 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 3.87 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 3.58 percent to 3.87 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.87 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	<b>1% Decrease (2.87%)</b>	<b>Current Discount Rate (3.87%)</b>	<b>1% Increase (4.87%)</b>
District's Proportionate Share of the Net Pension Liability	\$ 10,619,087	\$ 9,323,648	\$ 8,243,822

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

## **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 Comprehensive Annual Financial Report.

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

approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2018-19 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, 2019, 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 \$235,181 for the fiscal year ended June 30, 2019.

## **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 contributes \$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, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	135
Active Employees	<u>637</u>
Total	<u><u>772</u></u>

Total OPEB Liability. The District’s total OPEB liability of \$3,153,130 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2018.

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

Inflation	2.5 percent
Discount Rate	3.62 percent
Salary Increases	3.7 percent – 7.8 percent, including inflation.
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend starting at 5.51 percent for 2018 (to reflect actual premium increases), followed by 6.75 percent for 2019, 6.5 percent for 2020, and then gradually decreasing to an ultimate rate of 4.24 percent plus 0.52 percent increase for excise tax.
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.

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of the OPEB Plan actuarial valuation, the municipal bond rate of 3.62 percent was based on the daily rate closest to but not later than the measurement date of Fidelity’s “20-Year Municipal GO AA Index”.

Demographic assumptions employed in the actuarial valuation were the same as those employed in the July 1, 2018, 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, 2018, 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, 2018	\$ 4,314,527
Changes for the year:	
Service Cost	116,577
Interest	151,099
Differences Between Expected and Actual Experience	(386,656)
Changes of Assumptions or Other Inputs	(668,894)
Benefit Payments	<u>(373,523)</u>
Net Changes	<u>(1,161,397)</u>
Balance at June 30, 2019	<u>\$ 3,153,130</u>

The changes of assumptions or other inputs are based on the following:

- The discount rate was changed from 3.56 percent in 2017 to 3.62 percent in 2018.
- The medical claims costs and premiums were updated based on information provided for the valuation.
- The health coverage acceptance assumption was lowered from 50 percent (45 percent single coverage and 5 percent dual coverage) to 40 percent (35 percent single coverage and 5 percent dual coverage) based on recent experience.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.62 percent) or 1 percentage point higher (4.62 percent) than the current rate:

	<u>1% Decrease (2.62%)</u>	<u>Current Discount Rate (3.62%)</u>	<u>1% Increase (4.62%)</u>
Total OPEB Liability	\$ 3,355,627	\$ 3,153,130	\$ 2,962,481

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 (4.51 percent decreasing to 3.76 percent) or 1 percentage point higher (6.51 percent decreasing to 5.76 percent) than the current healthcare cost trend rates:

	<b>1% Decrease (4.51% decreasing to 3.76%)</b>	<b>Healthcare Cost Trend Rates (5.51% decreasing to 4.76%)</b>	<b>1% Increase (6.51% decreasing to 5.76%)</b>
Total OPEB Liability	\$ 2,887,323	\$ 3,153,130	\$ 3,462,669

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$125,145. At June 30, 2019, 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	\$ -	\$ 341,696
Changes of Assumptions or Other Inputs	-	723,728
Benefits Paid Subsequent to the Measurement Date	269,992	-
<b>Total</b>	<u>\$ 269,992</u>	<u>\$ 1,065,424</u>

The amount reported as deferred outflows of resources related to OPEB, totaling \$269,992, resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as 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>
2020	\$ (142,531)
2021	(142,531)
2022	(142,531)
2023	(142,531)
2024	(142,531)
Thereafter	(352,769)
<b>Total</b>	<u>\$ (1,065,424)</u>

## G. Risk Management Programs

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

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

## H. Changes in Short-Term Debt

The following is a schedule of changes in short-term debt:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note	\$ 0.00	\$4,000,000.00	\$ 83.33	\$3,999,916.67

Proceeds from the tax anticipation note were used as working capital reserves in the General Fund as permitted under State and Federal tax laws.

## I. Long-Term Liabilities

### 1. Bonds Payable

Bonds payable at June 30, 2019, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2014B, Refunding	\$ 24,000.00	2	2020
Sales Tax Revenue Bonds:			
Series 2013	<u>1,632,251.08</u>	3.28	2029
<b>Total Bonds Payable</b>	<u>\$ 1,656,251.08</u>		

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

#### **State School Bonds**

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

#### **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 \$1,912,982.90 of sales tax revenues in connection with the District Sales Tax Bonds, Series 2013, described above. During the 2018-19 fiscal year,

the District recognized sales tax revenues totaling \$223,250 and expended \$201,366.62 (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 85.7 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, 2019, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2020	\$ 24,480.00	\$ 24,000.00	\$ 480.00
Sales Tax Revenue Bonds			
2020	201,366.62	149,040.98	52,325.64
2021	201,366.63	153,969.62	47,397.01
2022	201,366.62	159,061.23	42,305.39
2023	201,366.62	164,321.22	37,045.40
2024	201,366.62	169,755.15	31,611.47
2025-2029	906,149.79	836,102.88	70,046.91
Total Sales Tax Revenue Bonds	1,912,982.90	1,632,251.08	280,731.82
<b>Total</b>	<b>\$ 1,937,462.90</b>	<b>\$ 1,656,251.08</b>	<b>\$ 281,211.82</b>

## 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>
<b>GOVERNMENTAL ACTIVITIES</b>					
Note Payable	\$ 183,331.85	\$ -	\$ 183,331.85	\$ -	\$ -
Bonds Payable	1,843,521.20	-	187,270.12	1,656,251.08	173,040.98
Compensated Absences Payable	2,349,496.45	514,259.55	382,748.56	2,481,007.44	446,917.28
Other Postemployment Benefits Payable	4,314,527.00	267,676.00	1,429,073.00	3,153,130.00	269,992.00
Net Pension Liability	30,620,089.00	16,781,120.00	17,867,939.00	29,533,270.00	228,215.00
<b>Total Governmental Activities</b>	<b>\$39,310,965.50</b>	<b>\$17,563,055.55</b>	<b>\$20,050,362.53</b>	<b>\$36,823,658.52</b>	<b>\$1,118,165.26</b>

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

## J. 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.

## K. Interfund Receivables and Payables

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major:		
General	\$ 1,208,162.84	\$ -
Special Revenue:		
Other	-	1,049,711.84
Nonmajor Governmental	-	158,451.00
<b>Total</b>	<b>\$ 1,208,162.84</b>	<b>\$ 1,208,162.84</b>

The interfund balances represent temporary borrowing of cash to cover projects that are awaiting reimbursement from other agencies. All balances are expected to be repaid within 1 year.

## L. Revenues

### 1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2018-19 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 22,895,639.00
Categorical Educational Program - Class Size Reduction	5,154,944.00
Voluntary Prekindergarten Program	551,941.31
School of Hope	519,000.00
Workforce Development Program	350,615.00
School Recognition	302,718.00
Charter School Capital Outlay	293,099.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	292,543.23
Florida Best and Brightest Teacher Scholarships	268,750.00
Gross Receipts Tax (Public Education Capital Outlay)	158,451.00
Food Service Supplement	69,713.00
Miscellaneous	804,598.75
<b>Total</b>	<b>\$ 31,662,012.29</b>

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 2018 tax roll for the 2018-19 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<b><u>General Fund</u></b>		
Nonvoted School Tax:		
Required Local Effort	4.222	\$ 6,659,920.78
Basic Discretionary Local Effort	0.748	1,179,919.65
<b><u>Capital Projects - Local Capital Improvement Fund</u></b>		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,366,149.02
<b>Total</b>	<b>6.470</b>	<b>\$10,205,989.45</b>

## M. Interfund Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 2,393,393.25	\$ 213,662.25
Nonmajor Governmental	401,404.74	2,581,135.74
<b>Total</b>	<b>\$ 2,794,797.99</b>	<b>\$ 2,794,797.99</b>

The transfers to the General Fund were for maintenance and property casualty insurance premiums and for charter school capital outlay paid from the General Fund and reimbursed from the nonmajor capital projects funds. The transfers to the nonmajor governmental funds were to pay the current year debt service payment on the note issued for the Havana Magnet School (formerly known as the Havana Middle School Addition project) and 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, 2019

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 50,000.00	\$ 46,638.88	\$ 46,638.88	\$ -
Federal Through State and Local	287,789.56	3,118,956.94	3,118,956.94	-
State	31,010,691.77	30,848,206.06	30,848,206.06	-
Local:				
Property Taxes	7,535,570.00	7,598,089.99	7,598,089.99	-
Miscellaneous	702,825.00	822,401.36	822,401.36	-
Total Local Revenues	<u>8,238,395.00</u>	<u>8,420,491.35</u>	<u>8,420,491.35</u>	-
<b>Total Revenues</b>	<u>39,586,876.33</u>	<u>42,434,293.23</u>	<u>42,434,293.23</u>	-
<b>Expenditures</b>				
Current - Education:				
Instruction	20,861,902.68	23,338,575.07	23,338,575.07	-
Student Support Services	1,976,162.31	1,702,333.03	1,702,333.03	-
Instructional Media Services	619,257.04	479,202.72	479,202.72	-
Instruction and Curriculum Development Services	1,069,179.61	1,134,024.91	1,134,024.91	-
Instructional Staff Training Services	469,931.44	231,532.89	231,532.89	-
Instruction-Related Technology	233,201.32	53,186.66	53,186.66	-
Board	381,290.85	417,642.02	417,642.02	-
General Administration	660,468.48	496,883.38	496,883.38	-
School Administration	3,399,877.89	3,163,982.55	3,163,982.55	-
Facilities Acquisition and Construction	138,279.95	91,907.41	91,907.41	-
Fiscal Services	726,980.64	662,780.10	662,780.10	-
Food Services	12,600.00	313,093.91	313,093.91	-
Central Services	317,031.58	325,003.77	325,003.77	-
Student Transportation Services	3,666,402.68	3,807,900.77	3,807,900.77	-
Operation of Plant	4,140,022.77	5,862,375.48	5,862,375.48	-
Maintenance of Plant	1,302,742.60	4,337,242.93	4,337,242.93	-
Administrative Technology Services	889,530.58	1,071,615.46	1,071,615.46	-
Community Services	14,759.00	-	-	-
Fixed Capital Outlay:				
Other Capital Outlay	-	411,929.81	411,929.81	-
<b>Total Expenditures</b>	<u>40,879,621.42</u>	<u>47,901,212.87</u>	<u>47,901,212.87</u>	-
<b>Deficiency of Revenues Over Expenditures</b>	<u>(1,292,745.09)</u>	<u>(5,466,919.64)</u>	<u>(5,466,919.64)</u>	-
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,500,000.00	2,393,393.25	2,393,393.25	-
Sale of Capital Assets	5,000.00	5,000.00	5,000.00	-
Loss Recoveries	-	5,380,986.10	5,380,986.10	-
Transfers Out	<u>(201,366.62)</u>	<u>(213,662.25)</u>	<u>(213,662.25)</u>	-
<b>Total Other Financing Sources</b>	<u>1,303,633.38</u>	<u>7,565,717.10</u>	<u>7,565,717.10</u>	-
<b>Net Change in Fund Balances</b>	10,888.29	2,098,797.46	2,098,797.46	-
Fund Balances, Beginning	1,176,718.00	2,682,621.73	2,682,621.73	-
<b>Fund Balances, Ending</b>	<u>\$ 1,187,606.29</u>	<u>\$ 4,781,419.19</u>	<u>\$ 4,781,419.19</u>	<u>\$ 0.00</u>

**Special Revenue - Other Fund**

<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
\$ 2,000,498.00	\$ 2,200,263.30	\$ 2,200,263.30	\$ -
6,324,677.36	9,446,069.48	9,446,069.48	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>8,325,175.36</u>	<u>11,646,332.78</u>	<u>11,646,332.78</u>	<u>-</u>
4,535,269.01	6,409,724.22	6,409,724.22	-
1,031,488.13	1,237,976.79	1,237,976.79	-
-	-	-	-
868,813.00	1,192,295.20	1,192,295.20	-
1,051,020.00	1,419,842.92	1,419,842.92	-
259,932.00	96,746.00	96,746.00	-
-	-	-	-
18,106.22	356,477.39	356,477.39	-
26,662.00	36,442.76	36,442.76	-
-	-	-	-
-	-	-	-
-	1,331.01	1,331.01	-
107,802.00	57,317.48	57,317.48	-
323,330.00	421,893.67	421,893.67	-
75,229.00	85,939.00	85,939.00	-
-	-	-	-
5,900.00	558.09	558.09	-
21,624.00	-	-	-
-	329,788.25	329,788.25	-
<u>8,325,175.36</u>	<u>11,646,332.78</u>	<u>11,646,332.78</u>	<u>-</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<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>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service Cost	\$ 116,577	\$ 126,381
Interest	151,099	132,339
Difference Between Expected and Actual Experience	(386,656)	-
Changes of Assumptions or Other Inputs	(668,894)	(172,198)
Benefit Payments	<u>(373,523)</u>	<u>(355,575)</u>
<b>Net Change in Total OPEB Liability</b>	(1,161,397)	(269,053)
Total OPEB Liability - Beginning	<u>4,314,527</u>	<u>4,583,580</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 3,153,130</u>	<u>\$ 4,314,527</u>
Covered-Employee Payroll	\$ 22,617,679	\$ 23,752,855
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>	13.94%	18.16%

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the FRS Net Pension Liability	0.067095864%	0.069450826%	0.068199373%	0.076705428%	0.081729998%	0.086175321%
District's Proportionate Share of the FRS Net Pension Liability	\$ 20,209,622	\$ 20,543,088	\$ 17,220,397	\$ 9,907,535	\$ 4,986,732	\$ 14,834,608
District's Covered Payroll	\$ 28,887,377	\$ 30,088,901	\$ 28,331,182	\$ 29,143,950	\$ 30,277,610	\$ 31,821,650
District's Proportionate Share of the FRS Net Pension Liability as a Percentage of Its Covered Payroll	69.96%	68.27%	60.78%	34.00%	16.47%	46.62%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required FRS Contribution	\$ 1,990,263	\$ 1,912,178	\$ 1,807,976	\$ 1,663,150	\$ 1,870,143	\$ 1,790,234
FRS Contributions in Relation to the Contractually Required Contribution	<u>(1,990,263)</u>	<u>(1,912,178)</u>	<u>(1,807,976)</u>	<u>(1,663,150)</u>	<u>(1,870,143)</u>	<u>(1,790,234)</u>
FRS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 28,591,014	\$ 28,887,377	\$ 30,088,901	\$ 28,331,182	\$ 29,143,950	\$ 30,277,610
FRS Contributions as a Percentage of Covered Payroll	6.96%	6.62%	6.01%	5.87%	6.42%	5.91%

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the HIS Net Pension Liability	0.088090966%	0.094243971%	0.091667405%	0.096010715%	0.101781025%	0.109538012%
District's Proportionate Share of the HIS Net Pension Liability	\$ 9,323,648	\$ 10,077,001	\$ 10,683,456	\$ 9,791,583	\$ 9,516,774	\$ 9,536,724
District's Covered Payroll	\$ 28,887,377	\$ 30,088,901	\$ 28,331,182	\$ 29,143,950	\$ 30,277,610	\$ 31,821,650
District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	32.28%	33.49%	37.71%	33.60%	31.43%	29.97%
HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required HIS Contribution	\$ 474,309	\$ 477,720	\$ 498,766	\$ 469,854	\$ 367,013	\$ 348,668
HIS Contributions in Relation to the Contractually Required Contribution	(474,309)	(477,720)	(498,766)	(469,854)	(367,013)	(348,668)
HIS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 28,591,014	\$ 28,887,377	\$ 30,088,901	\$ 28,331,182	\$ 29,143,950	\$ 30,277,610
HIS Contributions as a Percentage of Covered Payroll	1.66%	1.65%	1.66%	1.66%	1.26%	1.15%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**1. Budgetary Basis of Accounting**

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

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

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

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The June 30, 2019 total OPEB liability decreased from the prior fiscal year as a result of changes in assumptions and other inputs as discussed below:

- The discount rate was changed from 3.56 percent to 3.62 percent. This change decreased the liability.
- The medical claims costs and premiums were updated based on actual claims experience and premium information provided for the valuation. This change decreased the liability.
- The health coverage acceptance assumption was decreased from 50 percent (45 percent single coverage and 5 percent dual coverage) to 40 percent (35 percent single coverage and 5 percent dual coverage) based on recent experience. This change decreased the liability.

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

*Changes of Assumptions.* The long-term expected rate of return was decreased from 7.1 percent to 7 percent, and the active member mortality assumption was updated.

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

*Changes of Assumptions.* The municipal bond rate used to determine total pension liability was increased from 3.58 percent to 3.87 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, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
<b>Clustered</b>				
<b>Child Nutrition Cluster:</b>				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	19002	\$ -	\$ 1,189,673.08
National School Lunch Program	10.555	19001, 19003	-	2,808,219.87
Summer Food Service Program for Children	10.559	18006, 18007, 19006, 19007	-	229,330.14
<b>Total Child Nutrition Cluster</b>			-	4,227,223.09
<b>Student Financial Assistance Cluster</b>				
United States Department of Education:				
Federal Pell Grant Program	84.063	N/A	-	67,190.00
<b>Special Education Cluster:</b>				
United States Department of Education:				
Special Education - Grants to States:	84.027			
Florida Department of Education		263	-	1,414,317.78
Florida Gulf Coast University		None	-	22,288.00
Leon County District School Board		None	-	32,453.80
Total Special Education - Grants to States	84.027		-	1,469,059.58
Special Education - Preschool Grants:				
Florida Department of Education	84.173	267	-	110,397.30
<b>Total Special Education Cluster</b>			-	1,579,456.88
<b>TRIO Cluster:</b>				
United States Department of Education:				
Florida State University:				
TRIO - Upward Bound	84.047	None	-	7,561.50
<b>TANF Cluster:</b>				
United State Department of Health and Human Services:				
University of South Florida:				
Temporary Assistance for Needy Families	93.558	None	-	174,284.45
<b>Not Clustered</b>				
<b>United States Department of Agriculture:</b>				
Florida Department of Agriculture and Consumer Services:				
Fresh Fruit and Vegetable Program	10.582	19004	-	127,358.01
<b>United States Department of Defense:</b>				
Army Junior Reserve Officers Training Corps	12.UNK	N/A	-	46,638.88
<b>United States Department of Education:</b>				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 226	201,476.70	4,900,275.56
Career and Technical Education - Basic Grants to States	84.048	161	-	193,883.79
Education for Homeless Children and Youth	84.196	127	-	27,567.67
Twenty-First Century Community Learning Centers	84.287	244	-	1,992,409.69
Rural Education	84.358	110	-	63,525.49
English Language Acquisition State Grants	84.365	102	-	149,927.02
Supporting Effective Instruction State Grants	84.367	224	-	248,588.92
Student Support and Academic Enrichment Program	84.424	241	-	170,891.81
<b>Total United States Department of Education</b>			201,476.70	7,747,069.95
<b>United States Department of Health and Human Services:</b>				
Head Start	93.600	N/A	-	2,133,073.30
<b>Total Expenditures of Federal Awards</b>			\$ 201,476.70	\$ 16,109,856.06

The accompanying notes 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, 2019. 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 – National School Lunch Program. Includes \$72,068.80 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (5) Head Start. Expenditures include \$860,958.30 for grant number/program year 04CH4687/05 and \$1,272,115.00 for grant number/program year 04CH4687/06.



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 28, 2020, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the District's financial statements. For the discretely presented component unit, 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. The financial statement of the school internal funds was not audited in accordance with *Government Auditing Standards*.

### **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) to determine the 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.

*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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Financial Statement Finding Nos. 2019-001 and 2019-002 that we consider to be significant deficiencies.

### **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **District's Responses to Findings**

The District's responses to the findings identified in our audit are described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** Financial Statement Finding Nos. 2019-001 and 2019-002. The District is also responsible for preparing a corrective action plan to address these findings. The District's responses and the **CORRECTIVE ACTION PLAN** were not subjected to the 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  
February 28, 2020



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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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 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

We have audited the Gadsden County District School Board's compliance with the types of compliance requirements described 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, 2019. 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**.

### *Management's Responsibility*

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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  
February 28, 2020

# **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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## **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

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted? No

### **Federal Awards**

Internal control over major Federal programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditor's report issued on compliance for major Federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major Federal programs:

CFDA Numbers:

10.553, 10.555, and 10.559

84.367

93.600

Name of Federal Program or Cluster:

Child Nutrition Cluster

Supporting Effective Instruction State Grants

Head Start

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low risk auditee? No

## SECTION II – FINANCIAL STATEMENT FINDINGS

### SIGNIFICANT DEFICIENCIES

#### BANK ACCOUNT RECONCILIATIONS

<b>Finding Number</b>	<b>2019-001</b>
<b>Opinion Unit</b>	Major Fund: General Fund
<b>Financial Statements</b>	
<b>Account Titles</b>	Cash, Accounts Receivable, and Miscellaneous Local Revenues
<b>Fund Name</b>	General Fund
<b>Adjustment Amounts</b>	General Fund: Additions of \$293,277 (debit) to Cash and deductions of \$619,771 (credit) to Accounts Receivable, and deductions of \$326,494 (debit) to Miscellaneous Local Revenues.
<b>Prior Year Finding</b>	2018-001, Report No. 2019-162
<b>Finding</b>	District controls over cash continue to be deficient as reconciliations of District bank account balances to general ledger account balances were not always performed.
<b>Criteria</b>	<p>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.</p> <p>Properly prepared bank account reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts, promptly detect cash account errors or fraud, identify and correct unrecorded and improperly recorded cash transactions, and provide for the efficient and economic management of cash resources.</p>
<b>Condition</b>	<p>The District maintained seven bank accounts during the 2018-19 fiscal year and, at June 30, 2019, the District's adjusted general ledger and financial statement cash account balances each totaled \$3,526,822. As of January 2020, bank account reconciliations for December 2017 through June 2019 had not been completed for two bank accounts. At June 30, 2019, the general ledger cash account balances totaled \$2,086,960 and bank statement cash balances totaled \$4,609,561 for the two bank accounts. In addition, as of January 2020, bank account reconciliations for June 2018 through June 2019 had not been completed for another bank account with a general ledger cash account balance of \$291,519 and bank statement cash balance of \$505,147 at June 30, 2019.</p> <p>We extended our audit procedures to determine the adjustments necessary to ensure that cash balances were materially correct at June 30, 2019, and District personnel accepted these adjustments. However, our procedures cannot substitute for management's responsibility to implement adequate controls over the bank account reconciliation process.</p>
<b>Cause</b>	Our examination of District records and discussions with District personnel disclosed that, although general ledger cash account balances were promptly reconciled to bank account statement balances for four District bank accounts, District personnel relied on online activity reports to monitor cash balances and cash needs for the other three accounts. In addition, District personnel indicated that, due to Business and Finance Department personnel turnover and limited training on the District's new accounting system, bank account reconciliations were not always prepared.

<b>Effect</b>	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.
<b>Recommendation</b>	The District should enhance procedures to ensure that reconciliations of bank account balances to the general ledger account balances are timely performed with reconciling items promptly identified, thoroughly investigated, adequately documented, and resolved. Such enhancements should include appropriate training for employees who perform bank account reconciliations and for employees who use the District accounting system.
<b>District Response</b>	The District is committed to ensuring that reconciliations of bank account cash balances to the general ledger account balances by fund. The District will work to timely perform the reconciliations and to promptly identify any reconciling items.

## **INFORMATION TECHNOLOGY ACCESS PRIVILEGES**

<b>Finding Number</b>	<b>2019-002</b>
<b>Opinion Units</b>	Not Applicable
<b>Financial Statements Account Titles</b>	Not Applicable
<b>Fund Names</b>	Not Applicable
<b>Adjustment Amounts</b>	Not Applicable
<b>Prior Year Finding</b>	2018-002, Report No. 2019-162

**Finding** Four employees and three contracted consultants had full update access privileges to information technology (IT) applications or components that allowed them to perform functions incompatible or inconsistent with their assigned job responsibilities.

**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. 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 or inconsistent with their assigned job responsibilities.

**Condition** The District implemented a new accounting system in October 2017 composed of 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 61 IT users during the 2018-19 fiscal year to the District applications and setup component. We found that:

- Two employees, the Finance Director and the Budget Director, and a contracted consultant who assisted with the accounting system transition, had full update access privileges to both the finance and HR applications

as well as the product setup component that allowed them to perform functions incompatible or inconsistent with their assigned job responsibilities. For example, with these privileges, the individuals could perform the incompatible functions of processing transactions and modifying the data underlying the transactions.

- An accounting clerk and a contracted consultant, who assisted with the financial reporting process, had full update access privileges to the finance application that allowed them to perform functions incompatible or inconsistent with their assignment or contracted service responsibilities. For example, with these privileges, the individuals could perform the incompatible functions of entering, updating, approving, and posting journal entries.
- A human resource specialist and a contracted consultant, who assisted with employee benefits and insurance, had full update access privileges to the HR application that allowed them to perform functions incompatible or inconsistent with their assignment or contracted service responsibilities. For example, with these privileges, the individuals could perform the incompatible functions of creating and updating employee profiles, entering and adjusting pay grades, and issuing pay checks.

<b>Cause</b>	District personnel indicated that full update access privileges were given to the four employees and three contracted consultants to smooth daily operations and to provide back-up personnel to continue with uninterrupted critical District operations in the absence of the key personnel.
<b>Effect</b>	<p>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.</p> <p>Our examination of District records supporting selected transactions, along with our analytical procedures comparing financial statement reported amounts to amounts expected based on corroborating evidence, indicated those transactions were properly supported; however, our procedures cannot substitute for management's responsibility to establish and maintain an adequate system of internal control.</p>
<b>Recommendation</b>	District management should take appropriate action to ensure that assigned IT access privileges restrict employees from performing functions incompatible or inconsistent with their assigned job responsibilities.
<b>District Response</b>	The District shall ensure that IT access to software be restricted to employees performing functions consistent with their assigned job responsibilities.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters are reported.

## ***PRIOR AUDIT FOLLOW-UP***

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The District had taken corrective actions for findings included in our report No. 2019-162, except as discussed in Finding Nos. 2019-001 and 2019-002.

# SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



"Putting Children First"

## THE SCHOOL BOARD OF GADSDEN COUNTY

35 Martin Luther King, Jr. Blvd  
 Quincy, Florida 32351  
 Main: (850) 627-9651 or Fax: (850) 627-2760  
 www.gcps.k12.fl.us

**Roger P. Milton**  
*Superintendent*  
 miltonr@gcpsmail.com

Audit Report No. (Finding No.)	Program/Area	Brief Description	Status	Comments
2019-162 (2018-001)	Bank Account Reconciliations	District procedures did not always provide for timely bank account reconciliations.	Partially corrected.	The District's Finance Department has been in the process of resolving previous outstanding balances and making the essential reconciliations timely and accurate.
2019-162 (2018-002)	Information Technology Access Privileges	Eleven employees had full update access privileges to information technology applications or components that allowed them to perform incompatible functions or functions that were not necessary to perform their assigned job responsibilities.	Partially corrected.	The District's Information Technology Department has been in the process of restricting the access for the designated employees to be compatible with their respective functions and to not obstruct the District's critical operating activities.
2019-162 (2018-003)	Child Nutrition Cluster (CNC) (CFDA Nos. 10.553, 10.555 and 10.559)	Contrary to the Florida Department of Agriculture and Consumer Services requirement, the District overcharged indirect costs to the CNC by applying the unrestricted instead of the restricted indirect cost rate, resulting in questioned costs totaling \$274,284.	Fully corrected.	

Audrey Lewis  
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 HAVANA, FL 32333  
 MIDWAY, FL 32343

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

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

Charlie D. Frost  
 DISTRICT NO. 4  
 GRETN, FL 32332  
 QUINCY, FL 32352

Tyrone D. Smith  
 DISTRICT NO. 5  
 QUINCY, FL 32351

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# CORRECTIVE ACTION PLAN

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### Gadsden County District School Board Management's Corrective Action Plan For the Fiscal Year Ended June 30, 2019

Finding Number: 2019-001.  
Planned Corrective Action: The District allocated resources in time and effort to ensuring that cash reconciliations are timely for all bank accounts. The financial software applications are being utilized to enhance the processing of the reconciliations and identify any differences with the appropriate documentation.  
Anticipated Completion Date: June 30, 2020  
Responsible Contact Person: Bonnie Wood

Finding Number: 2019-002.  
Planned Corrective Action: The District is exploring strategies to restrict access throughout personnel changes caused by the retirement of experienced employees and also continue essential financial functions. The division of duties is an integral component of the internal controls of the District and efforts are underway to demonstrate this component in software access for financial transactions.  
Anticipated Completion Date: April 30, 2020  
Responsible Contact Person: Darlean Youmans

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