

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2024-204
June 2024

GADSDEN COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2023



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2022-23 fiscal year, Elijah Key served as Superintendent of the Gadsden County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Cathy S. Johnson	1
Steve Scott, Vice Chair through 11-21-22	2
Leroy McMillan, Chair	3
Charlie D. Frost	4
Karema D. Dudley, Vice Chair from 11-22-22	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 Craig J. Pohlmann, CPA, and the audit was supervised by Maria G. Loar, CPA.

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

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GADSDEN COUNTY DISTRICT SCHOOL BOARD

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

We obtained an understanding of the District's internal control over financial reporting and its operation and noted a certain matter that we consider to be a material weakness and matters that we consider to be significant deficiencies, as summarized below.

Material Weakness

Finding No. 2023-001: District financial reporting procedures could be improved to ensure that the required audit reports of the District school internal funds and discretely presented component unit are timely issued and considered in completing the District financial statements and related audit. A similar finding was noted in our report No. 2023-181.

Significant Deficiencies

Finding No. 2023-002: As similarly noted in our report No. 2023-181, certain information was not properly presented in the annual financial report (AFR) and the AFR was not timely submitted to the Florida Department of Education.

Finding No. 2023-003: Bank account reconciliations were not always properly and timely completed, resulting in cash and cash equivalent errors on the financial statements. A similar finding was noted in our report No. 2023-181.

Finding No. 2023-004: District controls over accounting entries made to the accounting records and other adjustments made during the preparation of the financial statements need improvement.

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 Title I Program, Education Stabilization Fund, and Hurricane Education Recovery Program were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs except that the District did not materially comply with the Special Tests and Provisions requirements for the Education Stabilization Fund and the Allowable Costs/Cost Principles requirements for the Hurricane Education Recovery program. The noncompliance and control deficiency findings are summarized below:

Federal Award Finding No. 2023-005: District controls did not always ensure compliance with the Davis-Bacon Act for construction projects exceeding \$2,000 and financed by the Federal Education Stabilization (ES) Fund, resulting in questioned costs totaling \$677,890.

Federal Award Finding No. 2023-006: District controls did not always ensure compliance with Federal regulations by properly expending Federal Hurricane Education Recovery Program funds, resulting in questioned costs totaling \$325,202.

Federal Award Finding No. 2023-007: District property records did not demonstrate compliance with Federal regulations by identifying detailed property information for certain equipment funded by the ES Fund, resulting in questioned costs totaling \$213,936. A similar finding was noted in our report No. 2023-181.

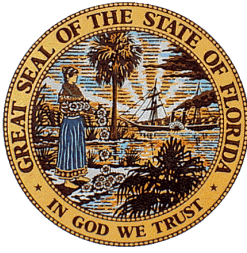
AUDIT OBJECTIVES AND SCOPE

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

- Exercised professional judgment and maintained professional skepticism throughout the audit.
- Identified and assessed the risks of material misstatement of the financial statements and material noncompliance with Federal awards requirements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluated the overall presentation of the financial statements and accompanying Schedule of Expenditures of Federal Awards.
- Concluded whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.
- Examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.
- Determined whether corrective actions were taken for findings and additional matters included in our report No. 2023-181.

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Gadsden County District School Board, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Qualified Opinion on the Aggregate Remaining Fund Information

In our opinion, except for the effects of the matter described in the ***Basis for Qualified and Unmodified Opinions*** section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the Gadsden County District School Board, as of June 30, 2023, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of the Gadsden County District School Board, as of June 30, 2023, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns as of June 30, 2023. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

Basis for Qualified and Unmodified Opinions

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

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

The Board is required, pursuant to Chapter 8 of the *Financial and Program Cost Accounting and Reporting for Florida Schools*, to provide for an annual audit of the school internal funds. The Board contracted with other auditors to conduct that audit for the 2022-23 fiscal year; however, the audit report was not available for consideration in completing the District financial statements and related audit.

The school internal funds financial activities are included in the District's basic financial statements as Fiduciary Funds and represent 21 percent, 0 percent, 21 percent, 4 percent, and 0 percent, respectively, of the assets, liabilities, net position and fund balance, revenues and additions, and expenditures of the aggregate remaining fund information. Further discussion about the opinion qualification is in Finding No. 2023-001.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2024, 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
June 27, 2024

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, 2023. 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 2022-23 fiscal year are as follows:

- In total, net position decreased by \$2.7 million, which represents a 6.3 percent decrease from the 2021-22 fiscal year.
- General revenues total \$61 million, or 90 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$6.8 million, or 10 percent of all revenues.
- Expenses total \$70.4 million. Only \$6.8 million of these expenses was offset by program specific revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$2.1 million, which is \$0.7 million less than the prior fiscal year balance. The General Fund unassigned fund balance total \$1.6 million, or 4.1 percent of total General Fund revenues.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

- Governmental activities – This represents most of the District's services, including its educational programs such as basic, vocational, adult, and exceptional education. Support functions such as

transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.

- Component unit – The District presents Crossroad Academy Charter School as a separate legal entity in this report. Although the school is a legally separate organization, it is considered a component unit of the Gadsden County District School Board for financial reporting purposes and is included in this report because 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, Special Revenue – Food Service Fund, Special Revenue – Other Fund, Special Revenue – Federal Education Stabilization Fund, and Capital Projects – Other Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General and major Special Revenue Funds to demonstrate compliance with the budget.

Fiduciary Funds: Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the

government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2023, compared to net position as of June 30, 2022:

Net Position, End of Year

	Governmental Activities	
	6-30-23	6-30-22
Current and Other Assets	\$ 17,413,189	\$ 16,634,284
Capital Assets	58,887,735	58,965,829
Total Assets	76,300,924	75,600,113
Deferred Outflows of Resources	9,307,204	8,594,054
Long-Term Liabilities	35,724,599	20,554,643
Other Liabilities	4,913,100	1,269,618
Total Liabilities	40,637,699	21,824,261
Deferred Inflows of Resources	5,336,372	20,084,705
Net Position:		
Net Investment in Capital Assets	57,567,152	57,795,649
Restricted	10,587,356	12,948,413
Unrestricted (Deficit)	(28,520,451)	(28,458,861)
Total Net Position	\$ 39,634,057	\$ 42,285,201

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was primarily the result, in

part, of accruing \$3.3 million in compensated absences payable, \$1.2 million in total OPEB liability, and \$30.2 million in net pension liability.

Long-term liabilities increased and deferred inflows of resources decreased primarily due to the District recognizing its proportionate share of the FRS's net pension liability and deferred inflows of resources. In addition, other liabilities increased due to Federal funds received in advance of eligible expenditures.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2023, and June 30, 2022, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-23	6-30-22
Program Revenues:		
Charges for Services	\$ 43,695	\$ 193,415
Operating Grants and Contributions	6,414,790	4,491,365
Capital Grants and Contributions	296,414	289,122
General Revenues:		
Property Taxes, Levied for Operational Purposes	8,102,996	7,754,383
Property Taxes, Levied for Capital Projects	3,038,589	2,662,897
Grants and Contributions Not Restricted to Specific Programs	48,782,017	46,002,389
Unrestricted Investment Earnings	381,950	55,349
Miscellaneous	694,453	967,136
Total Revenues	67,754,904	62,416,056
Functions/Program Expenses:		
Instruction	32,063,577	24,599,313
Student Support Services	3,441,106	2,950,616
Instructional Media Services	318,446	340,777
Instruction and Curriculum Development Services	1,692,181	1,518,670
Instructional Staff Training Services	1,424,829	1,324,668
Instruction-Related Technology	1,053,759	5,052,175
Board	1,237,338	1,130,914
General Administration	710,008	883,868
School Administration	3,615,415	2,991,267
Facilities Acquisition and Construction	753,368	523,792
Fiscal Services	542,551	471,324
Food Services	4,671,867	4,067,618
Central Services	649,895	451,284
Student Transportation Services	4,976,706	4,300,049
Operation of Plant	7,333,228	5,624,450
Maintenance of Plant	1,813,099	1,288,351
Administrative Technology Services	753,117	736,477
Unallocated Interest on Long-Term Debt	45,376	51,745
Unallocated Depreciation Expense	3,310,182	2,975,357
Total Functions/Program Expenses	70,406,048	61,282,715
Change in Net Position	(2,651,144)	1,133,341
Net Position - Beginning	42,285,201	41,151,860
Net Position - Ending	\$ 39,634,057	\$ 42,285,201

The largest revenue source is the State of Florida (44.2 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.

Total revenues increased by \$5.3 million, or 8.6 percent, primarily due to an increase in Federal grant funding.

Overall expenses increased by \$9.1 million, or 14.9 percent since the prior fiscal year.

Instruction expenses increased by \$7.5 million, or 30.3 percent, primarily due to an overall increase in teacher salaries and benefits, including pension, expenses.

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

The total fund balances of governmental funds decreased by \$2.8 million during the fiscal year to \$12.2 million at June 30, 2023. Of the total fund balance, \$1.6 million, or 12.9 percent, is unassigned fund balance, which is available for spending at the District's discretion; \$0.1 million is nonspendable; and \$10.5 million is restricted for particular purposes.

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$1.6 million, while the total fund balance is \$2.1 million. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total unassigned fund balance is 4.1 percent of the total General Fund revenues, while total fund balance represents approximately 5.5 percent of total General Fund revenues. Total fund balance decreased by \$0.7 million during the fiscal year.

The Special Revenue – Food Service Fund accounts for and reports all food service activities. The fund has revenues and expenditures of \$4.6 million and \$4.5 million, respectively, and ended the fiscal year with a fund balance of \$2.2 million, including inventories of \$106,825 that represent the nonspendable fund balance, while the remaining \$2.1 million fund balance is restricted for food service operations. The total fund balance increased \$85,445, or 4 percent, during the fiscal year.

The Special Revenue – Other Fund is used by the District to account for resources of certain Federal grant programs and, for the 2022-23 fiscal year, had total revenues of \$10.9 million, expenditures of \$10.4 million, and other financing uses of \$0.5 million. Because grant revenues attributed to the Federal grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Special Revenue – Federal Education Stabilization Fund accounts for certain Federal funds provided in response to the COVID-19 pandemic and, for the 2022-23 fiscal year, had total revenues of \$9.9 million, expenditures of \$8.9 million, and other financing uses of \$1.1 million. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Capital Projects – Other Fund is used to account for the Educational Facilities Security Grant to be used for improving the physical security of school buildings and the insurance loss recoveries to be used for repair and renovation of school buildings. The fund balance decreased by \$404,131 during the fiscal year primarily due to an increase in maintenance and repairs related to storm damage.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2022-23 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$0.4 million, or 0.9 percent. At the same time, final appropriations are more than the original budgeted amounts by \$4.6 million. Budget revisions occurred primarily to reflect adjustments to appropriations and incurred costs. These amendments were made as part of the routine budget process of the District and were deemed to be necessary and appropriate by management.

Actual revenues and expenditures are in line with final budget amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2023, amounts to \$59 million (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

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

Long-Term Debt

At June 30, 2023, the District had total long-term debt outstanding of \$1 million related to bonds payable.

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

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

Gadsden County District School Board Statement of Net Position June 30, 2023

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	\$ 16,044,124.32	\$ 5,878,063.00
Investments	-	266,893.00
Due from Other Agencies	922,267.16	892,588.00
Notes Receivable	295,672.37	-
Prepaid Items	-	49,178.00
Inventories	151,125.24	-
Capital Assets:		
Nondepreciable Capital Assets	1,694,273.29	1,608,932.00
Depreciable Capital Assets, Net	57,193,461.75	3,624,290.00
TOTAL ASSETS	76,300,924.13	12,319,944.00
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	9,105,844.00	-
OPEB	201,360.00	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,307,204.00	-
LIABILITIES		
Accrued Salaries and Benefits	481,052.69	-
Payroll Deductions and Withholdings	101,582.80	-
Accounts Payable	332,726.93	538,641.00
Construction Contracts Payable	314,725.50	-
Accrued Interest Payable	-	33,121.00
Unearned Revenue	3,683,012.96	-
Long-Term Liabilities:		
Portion Due Within 1 Year	615,424.87	89,750.00
Portion Due After 1 Year	35,109,173.69	1,304,229.00
TOTAL LIABILITIES	40,637,699.44	1,965,741.00
DEFERRED INFLOWS OF RESOURCES		
Pensions	3,397,958.00	-
OPEB	1,938,414.00	-
TOTAL DEFERRED INFLOWS OF RESOURCES	5,336,372.00	-
NET POSITION		
Net Investment in Capital Assets	57,567,151.51	3,865,688.00
Restricted for:		
State Required Carryover Programs	523,982.09	-
Capital Projects	7,845,814.50	-
Food Service	2,217,559.72	-
Unrestricted	(28,520,451.13)	6,488,515.00
TOTAL NET POSITION	\$ 39,634,056.69	\$ 10,354,203.00

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, 2023**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 32,063,576.78	\$ -	\$ -	\$ -
Student Support Services	3,441,106.52	-	-	-
Instructional Media Services	318,445.91	-	-	-
Instruction and Curriculum Development Services	1,692,180.58	-	-	-
Instructional Staff Training Services	1,424,828.72	-	-	-
Instruction-Related Technology	1,053,758.59	-	-	-
Board	1,237,338.35	-	-	-
General Administration	710,007.56	-	-	-
School Administration	3,615,415.52	-	-	-
Facilities Acquisition and Construction	753,368.42	-	-	296,413.98
Fiscal Services	542,551.50	-	-	-
Food Services	4,671,867.20	43,695.35	4,542,375.90	-
Central Services	649,894.59	-	-	-
Student Transportation Services	4,976,706.11	-	1,527,798.00	-
Operation of Plant	7,333,227.86	-	-	-
Maintenance of Plant	1,813,099.11	-	344,616.00	-
Administrative Technology Services	753,116.57	-	-	-
Unallocated Interest on Long-Term Debt	45,376.33	-	-	-
Unallocated Depreciation Expense*	3,310,182.21	-	-	-
Total Primary Government	\$ 70,406,048.43	\$ 43,695.35	\$ 6,414,789.90	\$ 296,413.98
Component Unit				
Crossroad Academy Charter School	\$ 5,157,331.00	\$ 368,983.00	\$ 1,387,965.00	\$ 344,616.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

Net Position - Ending

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

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

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

Primary Government	
Governmental Activities	Component Unit

\$ (32,063,576.78)	\$ -
(3,441,106.52)	-
(318,445.91)	-
(1,692,180.58)	-
(1,424,828.72)	-
(1,053,758.59)	-
(1,237,338.35)	-
(710,007.56)	-
(3,615,415.52)	-
(456,954.44)	-
(542,551.50)	-
(85,795.95)	-
(649,894.59)	-
(3,448,908.11)	-
(7,333,227.86)	-
(1,468,483.11)	-
(753,116.57)	-
(45,376.33)	-
(3,310,182.21)	-
(63,651,149.20)	-
-	(3,055,767.00)

8,102,995.46	-
3,038,588.76	-
48,782,017.32	3,894,826.00
381,949.78	113,648.00
694,453.14	-
61,000,004.46	4,008,474.00
(2,651,144.74)	952,707.00
42,285,201.43	9,590,960.00
-	(189,464.00)
42,285,201.43	9,401,496.00
\$ 39,634,056.69	\$ 10,354,203.00

**Gadsden County District School Board
Balance Sheet – Governmental Funds
June 30, 2023**

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund
ASSETS			
Cash and Cash Equivalents	\$ 2,665,917.78	\$ 2,110,734.92	\$ 1,528,542.84
Due from Other Agencies	234,500.46	-	95,685.36
Notes Receivable	295,672.37	-	-
Inventories	44,300.44	106,824.80	-
TOTAL ASSETS	\$ 3,240,391.05	\$ 2,217,559.72	\$ 1,624,228.20
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ 402,644.37	\$ -	\$ 78,408.32
Payroll Deductions and Withholdings	84,305.76	-	17,277.04
Accounts Payable	316,726.93	-	-
Construction Contracts Payable	-	-	-
Unearned Revenue	-	-	1,528,542.84
Total Liabilities	803,677.06	-	1,624,228.20
Deferred Inflows of Resources:			
Unavailable Revenue - Notes Receivable	295,672.37	-	-
Fund Balances:			
Nonspendable:			
Inventories	44,300.44	106,824.80	-
Restricted for:			
State Required Carryover Programs	523,982.09	-	-
Capital Projects	-	-	-
Food Service	-	2,110,734.92	-
Total Restricted Fund Balance	523,982.09	2,110,734.92	-
Unassigned Fund Balance	1,572,759.09	-	-
Total Fund Balances	2,141,041.62	2,217,559.72	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,240,391.05	\$ 2,217,559.72	\$ 1,624,228.20

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

Special Revenue - Federal Education Stabilization Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,882,202.12	\$ 6,384,615.28	\$ 1,472,111.38	\$ 16,044,124.32
314,725.50	272,268.00	5,087.84	922,267.16
-	-	-	295,672.37
-	-	-	151,125.24
<u>\$ 2,196,927.62</u>	<u>\$ 6,656,883.28</u>	<u>\$ 1,477,199.22</u>	<u>\$ 17,413,189.09</u>
\$ -	\$ -	\$ -	\$ 481,052.69
-	-	-	101,582.80
-	16,000.00	-	332,726.93
314,725.50	-	-	314,725.50
1,882,202.12	272,268.00	-	3,683,012.96
<u>2,196,927.62</u>	<u>288,268.00</u>	<u>-</u>	<u>4,913,100.88</u>
-	-	-	295,672.37
-	-	-	151,125.24
-	-	-	523,982.09
-	6,368,615.28	1,477,199.22	7,845,814.50
-	-	-	2,110,734.92
<u>-</u>	<u>6,368,615.28</u>	<u>1,477,199.22</u>	<u>10,480,531.51</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,572,759.09</u>
-	6,368,615.28	1,477,199.22	12,204,415.84
<u>\$ 2,196,927.62</u>	<u>\$ 6,656,883.28</u>	<u>\$ 1,477,199.22</u>	<u>\$ 17,413,189.09</u>

**Gadsden County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2023**

Total Fund Balances - Governmental Funds	\$ 12,204,415.84
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	58,887,735.04
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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.	295,672.37
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The deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits (OPEB) are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$ 9,105,844.00	
Deferred Outflows Related to OPEB	201,360.00	
Deferred Inflows Related to Pensions	(3,397,958.00)	
Deferred Inflows Related to OPEB	(1,938,414.00)	3,970,832.00

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

Bonds Payable	\$ (1,005,858.03)	
Compensated Absences Payable	(3,331,075.53)	
Net Pension Liability	(30,167,510.00)	
Total OPEB Liability	(1,220,155.00)	(35,724,598.56)

Net Position - Governmental Activities	\$ <u>39,634,056.69</u>
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The accompanying notes to financial statements are an integral part of this statement.

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Gadsden County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2023

	<u>General Fund</u>	<u>Special Revenue - Food Service Fund</u>	<u>Special Revenue - Other Fund</u>
Revenues			
Intergovernmental:			
Federal Direct	\$ 25,780.95	\$ -	\$ 3,227,505.03
Federal Through State and Local	185,342.65	4,470,925.90	7,664,154.78
State	29,612,835.95	71,450.00	-
Local:			
Property Taxes	8,102,995.46	-	-
Charges for Services - Food Service	-	43,695.35	-
Miscellaneous	885,642.01	979.71	-
Total Local Revenues	<u>8,988,637.47</u>	<u>44,675.06</u>	<u>-</u>
Total Revenues	<u>38,812,597.02</u>	<u>4,587,050.96</u>	<u>10,891,659.81</u>
Expenditures			
Current - Education:			
Instruction	22,058,419.80	-	5,856,806.43
Student Support Services	2,067,959.49	-	1,217,808.92
Instructional Media Services	316,685.20	-	-
Instruction and Curriculum Development Services	871,723.87	-	768,966.94
Instructional Staff Training Services	92,052.95	-	938,572.85
Instruction-Related Technology	290,627.35	-	353,659.05
Board	1,236,846.85	-	-
General Administration	660,231.43	-	30,007.25
School Administration	3,233,552.25	-	127,452.78
Facilities Acquisition and Construction	665,798.23	-	-
Fiscal Services	524,368.89	-	-
Food Services	35,567.60	4,501,606.12	-
Central Services	471,245.78	-	104,500.42
Student Transportation Services	3,568,468.31	-	2,388.08
Operation of Plant	6,969,627.81	-	22,969.65
Maintenance of Plant	1,183,512.95	-	185,634.94
Administrative Technology Services	730,143.95	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	91,441.14	-	349,419.78
Other Capital Outlay	792,963.45	-	463,655.01
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>45,861,237.30</u>	<u>4,501,606.12</u>	<u>10,421,842.10</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(7,048,640.28)</u>	<u>85,444.84</u>	<u>469,817.71</u>
Other Financing Sources (Uses)			
Transfers In	6,532,640.03	-	-
Transfers Out	<u>(209,344.38)</u>	<u>-</u>	<u>(469,817.71)</u>
Total Other Financing Sources (Uses)	<u>6,323,295.65</u>	<u>-</u>	<u>(469,817.71)</u>
Net Change in Fund Balances	<u>(725,344.63)</u>	<u>85,444.84</u>	<u>-</u>
Fund Balances, Beginning	<u>2,866,386.25</u>	<u>2,132,114.88</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 2,141,041.62</u>	<u>\$ 2,217,559.72</u>	<u>\$ 0.00</u>

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

Special Revenue - Federal Education Stabilization Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 3,253,285.98
9,943,183.26	-	-	22,263,606.59
-	-	292,042.68	29,976,328.63
-	-	3,038,588.76	11,141,584.22
-	-	-	43,695.35
-	226,595.07	-	1,113,216.79
-	226,595.07	3,038,588.76	12,298,496.36
9,943,183.26	226,595.07	3,330,631.44	67,791,717.56
4,217,297.81	-	-	32,132,524.04
163,045.06	-	-	3,448,813.47
2,691.26	-	-	319,376.46
55,910.72	-	-	1,696,601.53
396,131.39	-	-	1,426,757.19
410,454.10	-	-	1,054,740.50
1,000.00	-	-	1,237,846.85
21,530.00	-	-	711,768.68
265,000.55	-	-	3,626,005.58
-	87,727.82	-	753,526.05
19,477.93	-	-	543,846.82
139,921.27	-	-	4,677,094.99
75,532.64	-	-	651,278.84
895,452.09	-	-	4,466,308.48
349,046.61	-	-	7,341,644.07
27,376.46	304,179.73	114,012.32	1,814,716.40
24,221.25	-	-	754,365.20
799,943.38	238,818.17	-	1,479,622.47
1,016,328.42	-	-	2,272,946.88
-	-	164,321.22	164,321.22
-	-	45,376.33	45,376.33
8,880,360.94	630,725.72	323,709.87	70,619,482.05
1,062,822.32	(404,130.65)	3,006,921.57	(2,827,764.49)
-	-	209,344.38	6,741,984.41
(1,062,822.32)	-	(5,000,000.00)	(6,741,984.41)
(1,062,822.32)	-	(4,790,655.62)	-
-	(404,130.65)	(1,783,734.05)	(2,827,764.49)
-	6,772,745.93	3,260,933.27	15,032,180.33
\$ 0.00	\$ 6,368,615.28	\$ 1,477,199.22	\$ 12,204,415.84

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, 2023

Net Change in Fund Balances - Governmental Funds \$ (2,827,764.49)

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. (78,093.78)

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. 164,321.22

Payments received as notes receivable are reported as revenues in the fiscal year received in the fund statements. However, under full accrual, these revenues were recognized as revenue in the statement of activities in the year the note was issued. (36,579.72)

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. (308,098.82)

Governmental funds report District OPEB contributions as expenditures. However, in the statement of activities, the cost of OPEB benefits earned net of employee contributions, as determined through an actuarial valuation, is reported as an OPEB expense.

Decrease in Total OPEB Liability	\$ 1,045,413.00	
Decrease in Deferred Outflows of Resources - OPEB	(98,310.00)	
Increase in Deferred Inflows of Resources - OPEB	(659,166.00)	287,937.00

Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.

FRS Pension Contribution	\$ 2,510,154.00	
HIS Pension Contribution	440,258.00	
FRS Pension Expense	(2,699,344.00)	
HIS Pension Expense	(103,700.00)	147,368.00

Certain funds due from other agencies were not available and, therefore, not recognized as revenue in the governmental fund statements in the prior year. However, these funds were recognized as revenue under the full accrual basis of accounting in the statement of activities in the prior year. This is the amount of revenues that became available in the current year. (234.15)

Change in Net Position - Governmental Activities \$ (2,651,144.74)

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

**Gadsden County District School Board
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2023**

	Custodial Funds (Unaudited)
	<u> </u>
ASSETS	
Cash and Cash Equivalents	\$ 387,332.26
	<u> </u>
NET POSITION	
Restricted for Internal Accounts	\$ 387,332.26
	<u> </u>

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

Gadsden County District School Board
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Fiscal Year Ended June 30, 2023

	Custodial Funds (Unaudited)
ADDITIONS	
General	\$ 132,016.26
Change in Net Position	132,016.26
Net Position - Beginning	255,316.00
Net Position - Ending	\$ 387,332.26

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

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

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

B. Reporting Entity

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

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

Discretely Presented Component Unit. The component unit columns in the government-wide financial statements should 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, 2023. The audit report is filed in the District's administrative offices at 35 Martin Luther King, Jr. Boulevard, Quincy, Florida 32351.

C. Basis of Presentation: Government-Wide Financial Statements

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

The effects of interfund activity have been eliminated from the government-wide financial statements except for interfund services provided and used.

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Food Service Fund – to account for the District's food service program.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Education Stabilization Fund – to account for certain Federal grant program resources provided as emergency relief to address the impact of COVID-19 on elementary and secondary schools.
- Capital Projects – Other Fund – to account for various financial resources (e.g., insurance proceeds and State Capital Outlay) to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

Additionally, the District reports the following fiduciary fund type:

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

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

1. Cash and Cash Equivalents

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

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

2. Investments

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

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

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

3. Inventories

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

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000. Such assets are recorded at historical cost or estimated

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

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	10 - 35 years
Buildings and Fixed Equipment	15 - 50 years
Furniture, Fixtures, and Equipment	5 - 7 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	3 - 5 years

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

5. Pensions

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

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

6. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

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

7. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position and the governmental funds balance sheet report a separate section for deferred inflows of resources. This separate financial statement

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

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2023.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has, by approval of the annual financial report, authorized the assignment of fund balance. The Board

may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The District reported no assigned fund balances at June 30, 2023.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

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

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

The District received an allocation from the State under the School Hardening Grant program. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE. Accordingly, the District recognizes the allocation of these funds as unearned revenue until such time as an encumbrance authorization is received.

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

3. District Property Taxes

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

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

The Board adopted the 2022 tax levy on September 8, 2022. 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, 2023, are reported as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	37 Days	<u>\$ 11,387,749.25</u>

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Florida PRIME uses a weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2023, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Credit Risk

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

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

C. Notes Receivables

The District sold Chattahoochee High School and Greensboro Elementary School each to a separate 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 \$220,000, bearing interest at 1 percent per annum, payable in monthly installments of \$1,011.77 until paid-in-full with the first installment due January 1, 2013. At June 30, 2023, the District's remaining notes receivable balance was \$295,672.37.

D. Changes in Capital Assets

Changes in capital assets are presented in the following table:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,694,273.29	\$ -	\$ -	\$ 1,694,273.29
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	6,486,269.46	1,479,622.47	-	7,965,891.93
Buildings and Fixed Equipment	100,689,640.66	-	-	100,689,640.66
Furniture, Fixtures, and Equipment	7,235,451.85	1,092,482.07	-	8,327,933.92
Motor Vehicles	6,707,150.99	498,059.24	-	7,205,210.23
Audio Visual Materials and Computer Software	163,364.41	682,405.57	-	845,769.98
Total Capital Assets Being Depreciated	121,281,877.37	3,752,569.35	-	125,034,446.72
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	4,371,354.50	181,711.80	-	4,553,066.30
Buildings and Fixed Equipment	47,582,035.62	2,179,131.33	-	49,761,166.95
Furniture, Fixtures, and Equipment	5,783,486.65	803,655.86	-	6,587,142.51
Motor Vehicles	6,157,529.77	520,480.92	-	6,678,010.69
Audio Visual Materials and Computer Software	115,915.30	145,683.22	-	261,598.52
Total Accumulated Depreciation	64,010,321.84	3,830,663.13	-	67,840,984.97
Total Capital Assets Being Depreciated, Net	57,271,555.53	(78,093.78)	-	57,193,461.75
Governmental Activities Capital Assets, Net	\$ 58,965,828.82	\$ (78,093.78)	\$ 0.00	\$ 58,887,735.04

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 520,480.92
Unallocated	3,310,182.21
Total Depreciation Expense – Governmental Activities	<u>\$ 3,830,663.13</u>

E. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

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

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

The District's FRS and HIS pension expense totaled \$2,803,044 for the fiscal year ended June 30, 2023.

FRS Pension Plan

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

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

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

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

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

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

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2022-23 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	11.91
FRS, Elected County Officers	3.00	57.00
DROP – Applicable to Members from All of the Above Classes	0.00	18.60
FRS, Reemployed Retiree	(2)	(2)

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

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

The District's contributions to the Plan totaled \$2,510,154 for the fiscal year ended June 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the District reported a liability of \$22,112,731 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The District's proportionate share of the net pension liability was based on the District's 2021-22 fiscal year contributions relative to the total 2021-22 fiscal year contributions of all participating members. At June 30, 2022, the District's proportionate share was 0.059429987 percent, which was a decrease of 0.001082242 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the District recognized a Plan pension expense of \$2,699,344. 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	\$ 1,050,227	\$ -
Change of Assumptions	2,723,275	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	1,460,101	-
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	161,698	1,107,117
District FRS Contributions Subsequent to the Measurement Date	2,510,154	-
Total	\$ 7,905,455	\$ 1,107,117

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$2,510,154, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. 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>
2024	\$ 916,518
2025	155,693
2026	(649,087)
2027	3,693,195
2028	171,865
Total	\$ 4,288,184

Actuarial Assumptions. The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	6.70 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.6%	2.6%	1.1%
Fixed Income	19.8%	4.4%	4.4%	3.2%
Global Equity	54.0%	8.8%	7.3%	17.8%
Real Estate	10.3%	7.4%	6.3%	15.7%
Private Equity	11.1%	12.0%	8.9%	26.3%
Strategic Investments	3.8%	6.2%	5.9%	7.8%
Total	100%			
Assumed inflation - Mean			2.4%	1.3%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.7 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 changed from 6.8 percent to 6.7 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 6.7 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 (5.7 percent) or 1 percentage point higher (7.7 percent) than the current rate:

	<u>1% Decrease (5.7%)</u>	<u>Current Discount Rate (6.7%)</u>	<u>1% Increase (7.7%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 38,242,448	\$ 22,112,731	\$ 8,626,369

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2023, 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, 2023, 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 \$440,258 for the fiscal year ended June 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the District reported a net pension liability of \$8,054,779 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The District's proportionate share of the net pension liability was based on the District's 2021-22 fiscal year contributions relative to the total 2021-22 fiscal year contributions of all participating members. At June 30, 2022, the District's proportionate share was 0.07604877 percent, which was a decrease of 0.001600969 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the District recognized the HIS Plan pension expense of \$103,700. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 244,482	\$ 35,442
Change of Assumptions	461,705	1,246,069
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	11,662	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	42,282	1,009,330
District HIS Contributions Subsequent to the Measurement Date	440,258	-
Total	\$ 1,200,389	\$ 2,290,841

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$440,258, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2024	\$ (388,227)
2025	(342,891)
2026	(241,171)
2027	(233,411)
2028	(235,684)
Thereafter	(89,326)
Total	\$ (1,530,710)

Actuarial Assumptions. The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	3.54 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 3.54 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal

to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 2.16 percent to 3.54 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 3.54 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 (2.54 percent) or 1 percentage point higher (4.54 percent) than the current rate:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
District's Proportionate Share of the Net Pension Liability	\$ 9,215,329	\$ 8,054,779	\$ 7,094,449

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

2. FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member’s accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member’s account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2022-23 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	9.30
FRS, Elected County Officers	14.34

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, 2023, 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 \$687,943 for the fiscal year ended June 30, 2023.

F. Other Postemployment Benefit Obligations

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

Benefits Provided. The OPEB Plan provides healthcare insurance benefits for retirees and their dependents. In addition to the implicit subsidy described above, pursuant to Section 112.0801, Florida Statutes, the District contributed \$30 per month toward single health insurance coverage for former employees who retired prior to May 2, 2001. The benefits provided under this defined plan are provided for a fixed number of years determined at the time of retirement based on the number of years worked for the District and may be amended by Board action.

Employees Covered by Benefit Terms. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	62
Active Employees	511
Total	<u>573</u>

Total OPEB Liability. The District's total OPEB liability of \$1,220,155 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2022.

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

Inflation	2.5 percent
Salary Increases	3.4 percent - 7.8 percent, including inflation
Discount Rate	3.69 percent
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend rates starting at 0 percent for 2022, followed by 7.5 percent for 2023 and then gradually decreasing to an ultimate trend rate of 4 percent in 2050.
Aging Factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death."
Expenses	Administrative expenses are included in the per capita health costs.

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

Demographic assumptions employed in the actuarial valuation were the same as those employed in the July 1, 2022, 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, 2022, 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, 2022	\$ 2,265,568
Changes for the year:	
Service Cost	93,793
Interest	43,380
Differences Between Expected and Actual Experience	(570,514)
Changes of Assumptions or Other Inputs	(412,105)
Benefit Payments	<u>(199,967)</u>
Net Changes	<u>(1,045,413)</u>
Balance at June 30, 2023	<u>\$ 1,220,155</u>

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

- The discount rate was changed from 1.92 percent to 3.69 percent.
- The expected claims costs and premiums were updated to reflect recent information provided for this valuation.
- The healthcare cost trend assumption was revised.
- The acceptance rate was revised from 40 to 30 percent.

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 (2.69 percent) or 1 percentage point higher (4.69 percent) than the current rate:

	<u>1% Decrease (2.69%)</u>	<u>Current Discount Rate (3.69%)</u>	<u>1% Increase (4.69%)</u>
Total OPEB Liability	\$ 1,276,889	\$ 1,220,155	\$ 1,162,701

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (-1 percent increasing to 3 percent) or 1 percentage point higher (1 percent increasing to 5 percent) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 1,120,396	\$ 1,220,155	\$ 1,335,749

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2023, the District recognized OPEB expense of \$171,376. At June 30, 2023, 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	\$ -	\$ 1,074,507
Changes of Assumptions or Other Inputs	84,799	863,907
Benefits Paid Subsequent to the Measurement Date	116,561	-
Total	\$ 201,360	\$ 1,938,414

The deferred outflows of resources related to OPEB resulting from benefits paid subsequent to the measurement date, totaling \$116,561, will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2024	\$ (308,549)
2025	(308,549)
2026	(302,610)
2027	(239,664)
2028	(169,737)
Thereafter	(524,506)
Total	\$ (1,853,615)

G. Risk Management Programs

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

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

H. Long-Term Liabilities

1. Bonds Payable

Bonds payable at June 30, 2023, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rate (Percent)</u>	<u>Annual Maturity To</u>
Sales Tax Revenue Bonds: Series 2013	<u>\$ 1,005,858.03</u>	3.28	2029

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

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

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

The District has pledged a total of \$1,107,516.41 of sales tax revenues in connection with the District Sales Tax Revenue Bonds, Series 2013, described above. During the 2022-23 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 82.7 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, 2023, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
Sales Tax Revenue Bonds:			
2024	\$ 201,366.62	\$ 169,755.15	\$ 31,611.47
2025	201,366.62	175,368.77	25,997.85
2026	201,366.62	181,168.04	20,198.58
2027	201,366.62	187,159.08	14,207.54
2028	201,366.62	193,348.24	8,018.38
2029	100,683.31	99,058.75	1,624.56
Total Sales Tax Revenue Bonds	<u>\$ 1,107,516.41</u>	<u>\$ 1,005,858.03</u>	<u>\$ 101,658.38</u>

2. Changes in Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 1,170,179.25	\$ -	\$ 164,321.22	\$ 1,005,858.03	\$ 169,755.15
Compensated Absences Payable	3,022,976.71	637,207.54	329,108.72	3,331,075.53	329,108.72
Net Pension Liability	14,095,919.00	27,453,987.00	11,382,396.00	30,167,510.00	-
Total OPEB Liability	2,265,568.00	137,173.00	1,182,586.00	1,220,155.00	116,561.00
Total Governmental Activities	<u>\$ 20,554,642.96</u>	<u>\$ 28,228,367.54</u>	<u>\$ 13,058,411.94</u>	<u>\$ 35,724,598.56</u>	<u>\$ 615,424.87</u>

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

I. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in Note I.F.10., fund balances may be classified as follows:

- **Nonspendable Fund Balance.** Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.
- **Restricted Fund Balance.** Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.
- **Unassigned Fund Balance.** The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

J. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2022-23 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 22,777,405.47
Categorical Educational Program - Class Size Reduction	4,392,343.00
Voluntary Prekindergarten Program	516,328.81
Workforce Development Program	416,945.00
Charter School Capital Outlay	344,616.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	296,413.98
Adults with Disabilities	42,500.00
Miscellaneous	1,189,776.37
Total	\$ 29,976,328.63

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 2022 tax roll for the 2022-23 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>General Fund</u>		
Nonvoted School Tax:		
Required Local Effort	3.263	\$ 6,770,847.57
Basic Discretionary Local Effort	0.748	1,552,128.10
<u>Capital Projects - Local Capital Improvement Fund</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	3,112,556.35
Total	5.511	\$ 11,435,532.02

K. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 6,532,640.03	\$ 209,344.38
Special Revenue:		
Other	-	469,817.71
Federal Education Stabilization	-	1,062,822.32
Nonmajor Governmental	209,344.38	5,000,000.00
Total	\$ 6,741,984.41	\$ 6,741,984.41

Transfers to the General Fund from the other funds were to cover payments made on behalf of those funds. Additionally, transfers to the General Fund from nonmajor capital projects funds were to cover maintenance and property casualty insurance premiums and the charter school capital outlay distribution payment. Transfers to the nonmajor governmental funds were to pay the current year debt service payment on the sales tax revenue bonds payable.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2023

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 50,000.00	\$ 25,780.95	\$ 25,780.95	\$ -
Federal Through State and Local	-	185,342.65	185,342.65	-
State	31,910,322.30	29,612,835.95	29,612,835.95	-
Local:				
Property Taxes	6,493,308.00	8,102,995.46	8,102,995.46	-
Charges for Services - Food Service	-	-	-	-
Miscellaneous	-	885,642.01	885,642.01	-
Total Local Revenues	6,493,308.00	8,988,637.47	8,988,637.47	-
Total Revenues	38,453,630.30	38,812,597.02	38,812,597.02	-
Expenditures				
Current - Education:				
Instruction	20,215,037.28	22,058,419.80	22,058,419.80	-
Student Support Services	1,536,412.94	2,067,959.49	2,067,959.49	-
Instructional Media Services	451,947.66	316,685.20	316,685.20	-
Instruction and Curriculum Development Services	705,000.00	871,723.87	871,723.87	-
Instructional Staff Training Services	161,766.99	92,052.95	92,052.95	-
Instruction-Related Technology	160,012.97	290,627.35	290,627.35	-
Board	765,000.00	1,236,846.85	1,236,846.85	-
General Administration	702,500.00	660,231.43	660,231.43	-
School Administration	4,562,900.00	3,233,552.25	3,233,552.25	-
Facilities Acquisition and Construction	104,529.64	665,798.23	665,798.23	-
Fiscal Services	626,000.00	524,368.89	524,368.89	-
Food Services	23,000.00	35,567.60	35,567.60	-
Central Services	394,591.16	471,245.78	471,245.78	-
Student Transportation Services	2,731,097.82	3,568,468.31	3,568,468.31	-
Operation of Plant	4,004,496.23	6,969,627.81	6,969,627.81	-
Maintenance of Plant	3,340,777.99	1,183,512.95	1,183,512.95	-
Administrative Technology Services	771,500.00	730,143.95	730,143.95	-
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	91,441.14	91,441.14	-
Other Capital Outlay	-	792,963.45	792,963.45	-
Total Expenditures	41,256,570.68	45,861,237.30	45,861,237.30	-
Excess (Deficiency) of Revenues Over Expenditures	(2,802,940.38)	(7,048,640.28)	(7,048,640.28)	-
Other Financing Sources (Uses)				
Transfers In	3,004,307.00	6,532,640.03	6,532,640.03	-
Transfers Out	201,366.62	(209,344.38)	(209,344.38)	-
Total Other Financing Sources (Uses)	3,205,673.62	6,323,295.65	6,323,295.65	-
Net Change in Fund Balances	402,733.24	(725,344.63)	(725,344.63)	-
Fund Balances, Beginning	2,000,000.00	2,866,386.25	2,866,386.25	-
Fund Balances, Ending	\$ 2,402,733.24	\$ 2,141,041.62	\$ 2,141,041.62	\$ 0.00

Special Revenue - Food Service Fund

Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ -	\$ -	\$ -	\$ -
4,247,891.00	4,470,925.90	4,470,925.90	-
68,632.00	71,450.00	71,450.00	-
-	-	-	-
150,000.00	43,695.35	43,695.35	-
-	979.71	979.71	-
150,000.00	44,675.06	44,675.06	-
4,466,523.00	4,587,050.96	4,587,050.96	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
4,466,523.00	4,501,606.12	4,501,606.12	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
4,466,523.00	4,501,606.12	4,501,606.12	-
-	85,444.84	85,444.84	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	85,444.84	85,444.84	-
250,000.00	2,132,114.88	2,132,114.88	-
\$ 250,000.00	\$ 2,217,559.72	\$ 2,217,559.72	\$ 0.00

(Continued)

**Budgetary Comparison Schedule
General and Major Special Revenue Funds (Continued)
For the Fiscal Year Ended June 30, 2023**

	Special Revenue - Other Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 800,000.00	\$ 3,227,505.03	\$ 3,227,505.03	\$ -
Federal Through State and Local	5,900,000.00	7,664,154.78	7,664,154.78	-
Total Revenues	6,700,000.00	10,891,659.81	10,891,659.81	-
Expenditures				
Current - Education:				
Instruction	3,323,587.11	5,856,806.43	5,856,806.43	-
Student Support Services	1,753,352.37	1,217,808.92	1,217,808.92	-
Instructional Media Services	40,818.89	-	-	-
Instruction and Curriculum Development Services	875,794.49	768,966.94	768,966.94	-
Instructional Staff Training Services	546,947.14	938,572.85	938,572.85	-
Instruction-Related Technology	-	353,659.05	353,659.05	-
Board	-	-	-	-
General Administration	42,000.00	30,007.25	30,007.25	-
School Administration	115,000.00	127,452.78	127,452.78	-
Fiscal Services	-	-	-	-
Food Services	2,500.00	-	-	-
Central Services	-	104,500.42	104,500.42	-
Student Transportation Services	-	2,388.08	2,388.08	-
Operation of Plant	-	22,969.65	22,969.65	-
Maintenance of Plant	-	185,634.94	185,634.94	-
Administrative Technology Services	-	-	-	-
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	349,419.78	349,419.78	-
Other Capital Outlay	-	463,655.01	463,655.01	-
Total Expenditures	6,700,000.00	10,421,842.10	10,421,842.10	-
Excess (Deficiency) of Revenues Over Expenditures	-	469,817.71	469,817.71	-
Other Financing Sources (Uses)				
Transfers Out	-	(469,817.71)	(469,817.71)	-
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning	-	-	-	-
Fund Balances, Ending	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Special Revenue - Federal Education Stabilization Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ -	\$ -	\$ -	\$ -
-	9,943,183.26	9,943,183.26	-
-	9,943,183.26	9,943,183.26	-
-	4,217,297.81	4,217,297.81	-
-	163,045.06	163,045.06	-
-	2,691.26	2,691.26	-
-	55,910.72	55,910.72	-
-	396,131.39	396,131.39	-
-	410,454.10	410,454.10	-
-	1,000.00	1,000.00	-
-	21,530.00	21,530.00	-
-	265,000.55	265,000.55	-
-	19,477.93	19,477.93	-
-	139,921.27	139,921.27	-
-	75,532.64	75,532.64	-
-	895,452.09	895,452.09	-
-	349,046.61	349,046.61	-
-	27,376.46	27,376.46	-
-	24,221.25	24,221.25	-
-	799,943.38	799,943.38	-
-	1,016,328.42	1,016,328.42	-
-	8,880,360.94	8,880,360.94	-
-	1,062,822.32	1,062,822.32	-
-	(1,062,822.32)	(1,062,822.32)	-
-	-	-	-
-	-	-	-
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service Cost	\$ 93,793	\$ 83,002	\$ 99,518	\$ 88,228	\$ 116,577	\$ 126,381
Interest	43,380	55,246	97,778	112,450	151,099	132,339
Differences Between Expected and Actual Experience	(570,514)	-	(581,001)	-	(386,656)	-
Changes of Assumptions or Other Inputs	(412,105)	53,191	(231,460)	80,026	(668,894)	(172,198)
Benefit Payments	(199,967)	(195,608)	(278,940)	(269,992)	(373,523)	(355,575)
Net Change in Total OPEB Liability	(1,045,413)	(4,169)	(894,105)	10,712	(1,161,397)	(269,053)
Total OPEB Liability - Beginning	2,265,568	2,269,737	3,163,842	3,153,130	4,314,527	4,583,580
Total OPEB Liability - Ending	\$ 1,220,155	\$ 2,265,568	\$ 2,269,737	\$ 3,163,842	\$ 3,153,130	\$ 4,314,527
Covered-Employee Payroll	\$ 20,073,205	\$ 20,135,655	\$ 19,549,180	\$ 23,296,209	\$ 22,617,579	\$ 23,752,855
Total OPEB Liability as a Percentage of Covered-Employee Payroll	6.08%	11.25%	11.61%	13.58%	13.94%	18.16%

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

Fiscal Year Ending June 30	District's Proportion of the FRS Net Pension Liability	District's Proportionate of the FRS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered Payroll	FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2013	0.086175321%	\$ 14,834,608	\$ 31,821,650	46.62%	88.54%
2014	0.081729998%	4,986,732	30,277,610	16.47%	96.09%
2015	0.076705428%	9,907,535	29,143,950	34.00%	92.00%
2016	0.068199373%	17,220,397	28,331,182	60.78%	84.88%
2017	0.069450826%	20,543,088	30,088,901	68.27%	83.89%
2018	0.067095864%	20,209,622	28,887,377	69.96%	84.26%
2019	0.064187084%	22,105,138	28,591,014	77.31%	82.61%
2020	0.059774998%	25,907,365	28,175,341	91.95%	78.85%
2021	0.060512229%	4,571,011	27,542,054	16.60%	96.40%
2022	0.059429987%	22,112,731	27,866,488	79.35%	82.89%

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

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

Fiscal Year Ending June 30	Contractually Required FRS Contribution	FRS Contributions in Relation to the Contractually Required Contribution	FRS Contribution Deficiency (Excess)	District's Covered Payroll	FRS Contributions as a Percentage of Covered Payroll
2014	\$ 1,790,234	\$ (1,790,234)	\$ -	\$ 30,277,610	5.91%
2015	1,870,143	(1,870,143)	-	29,143,950	6.42%
2016	1,663,150	(1,663,150)	-	28,331,182	5.87%
2017	1,807,976	(1,807,976)	-	30,088,901	6.01%
2018	1,912,178	(1,912,178)	-	28,887,377	6.62%
2019	1,990,263	(1,990,263)	-	28,591,014	6.96%
2020	1,986,058	(1,986,058)	-	28,175,341	7.05%
2021	2,305,254	(2,305,254)	-	27,542,054	8.37%
2022	2,535,986	(2,535,986)	-	27,866,488	9.10%
2023	2,510,154	(2,510,154)	-	26,917,145	9.33%

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

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

Fiscal Year Ending June 30	District's Proportion of the HIS Net Pension Liability	District's Proportionate Share of the HIS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2013	0.109538012%	\$ 9,536,724	\$ 31,821,650	29.97%	1.78%
2014	0.101781025%	9,516,774	30,277,610	31.43%	0.99%
2015	0.096010715%	9,791,583	29,143,950	33.60%	0.50%
2016	0.091667405%	10,683,456	28,331,182	37.71%	0.97%
2017	0.094243971%	10,077,001	30,088,901	33.49%	1.64%
2018	0.088090966%	9,323,648	28,887,377	32.28%	2.15%
2019	0.085416384%	9,557,239	28,591,014	33.43%	2.63%
2020	0.080958502%	9,884,901	28,175,341	35.08%	3.00%
2021	0.077649739%	9,524,908	27,542,054	34.58%	3.56%
2022	0.076048770%	8,054,779	27,866,488	28.90%	4.81%

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

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

Fiscal Year Ending June 30	Contractually Required HIS Contribution	HIS Contributions in Relation to the Contractually Required Contribution	HIS Contribution Deficiency (Excess)	District's Covered Payroll	HIS Contributions as a Percentage of Covered Payroll
2014	\$ 348,668	\$ (348,668)	\$ -	\$ 30,277,610	1.15%
2015	367,013	(367,013)	-	29,143,950	1.26%
2016	469,854	(469,854)	-	28,331,182	1.66%
2017	498,766	(498,766)	-	30,088,901	1.66%
2018	477,720	(477,720)	-	28,887,377	1.65%
2019	474,309	(474,309)	-	28,591,014	1.66%
2020	466,526	(466,526)	-	28,175,341	1.66%
2021	456,426	(456,426)	-	27,542,054	1.66%
2022	460,159	(460,159)	-	27,866,488	1.65%
2023	440,258	(440,258)	-	26,917,145	1.64%

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

1. Budgetary Basis of Accounting

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

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

2. 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, 2023, total OPEB liability decreased from the prior fiscal year as a result of changes to assumptions as discussed below:

- The discount rate was changed from 1.92 percent as of the beginning of the measurement period to 3.69 percent as of June 30, 2022.
- The expected claims costs and premiums were updated to reflect recent information provided for this valuation.
- The healthcare cost trend assumption was revised.
- The medical coverage acceptance rate assumption was revised from 40 percent to 30 percent.

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

Changes of Assumptions. In 2022, the long-term expected rate of return was decreased from 6.8 percent to 6.7 percent.

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

Changes of Assumptions. In 2022, the municipal bond rate used to determine total pension liability was increased from 2.16 percent to 3.54 percent and the election assumption for vested terminated members was updated from 20 percent to 50 percent to reflect recent experience.

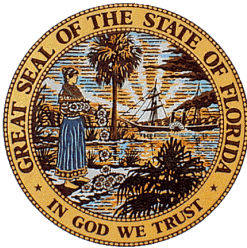
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Gadsden County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal Assistance Listing Number	Pass - Through Entity Identifying Number	Total Expenditures
Clustered			
Child Nutrition Cluster			
United States Department of Agriculture:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	23002	\$ 1,158,353.82
National School Lunch Program	10.555	23001, 23003	3,125,852.86
Summer Food Service Program for Children	10.559	22007, 23006	71,333.26
Fresh Fruit and Vegetable Program	10.582	23004	115,385.96
Total Child Nutrition Cluster			<u>4,470,925.90</u>
Student Financial Assistance Cluster			
United States Department of Education:			
Federal Pell Grant Program	84.063	N/A	<u>103,694.83</u>
Special Education Cluster			
United States Department of Education:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	2,259,380.16
COVID-19 Special Education - Grants to States	COVID-19, 84.027	263	137,908.46
Total Special Education - Grants to States	84.027		<u>2,397,288.62</u>
Special Education - Preschool Grants	84.173	267	112,270.43
Total Special Education Cluster			<u>2,509,559.05</u>
TRIO Cluster:			
United States Department of Education:			
Florida State University:			
TRIO Upward Bound	84.047	None	<u>9,355.69</u>
Head Start Cluster			
United States Department of Health and Human Services:			
Head Start	93.600	N/A	2,184,281.22
COVID-19 Head Start	COVID-19, 93.600	N/A	339,926.00
Total Head Start Cluster			<u>2,524,207.22</u>
Not Clustered			
United States Department of Defense			
Army Junior Reserve Officers Training Corps	12.UNK	N/A	<u>25,780.95</u>
United States Department of Education			
School Safety National Activities	84.184	N/A	703,297.81
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 226	3,758,992.08
Career and Technical Education - Basic Grants to States	84.048	161	173,682.81
Twenty-First Century Community Learning Centers	84.287	244	444.86
Rural Education	84.358	110	95,741.65
English Language Acquisition State Grants	84.365	102	57,648.34
Supporting Effective Instruction State Grants	84.367	224	155,815.43
Student Support and Academic Enrichment Program	84.424	241	20,407.08
Education Stabilization Fund:	84.425		
Governor's Emergency Education Relief Fund	COVID-19, 84.425C	128	13,160.80
Elementary and Secondary School Emergency Relief Fund	COVID-19, 84.425D	124	4,018,892.50
American Rescue Plan - Elementary and Secondary School			
Emergency Relief Fund	COVID-19, 84.425U	121	5,469,078.01
Total Education Stabilization Fund	84.425		<u>9,501,131.31</u>
Hurricane Education Recovery	84.938	105	1,230,220.60
Total United States Department of Education			<u>15,697,381.97</u>
Total Expenditures of Federal Awards			<u>\$ 25,340,905.61</u>

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, 2023. 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 \$137,950.23 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.



Sherrill F. Norman, CPA
Auditor General

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Gadsden County District School Board as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 27, 2024, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a qualified opinion on the aggregate remaining fund information because the District had not obtained a school internal funds audit as of May 2024 as described in Finding No. 2023-001. In addition, our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Financial Statement Finding No. 2023-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Financial Statement Finding Nos. 2023-002, 2023-003, and 2023-004 to be significant deficiencies.

Report on Compliance and Other Matters

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

District's Response to Findings

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

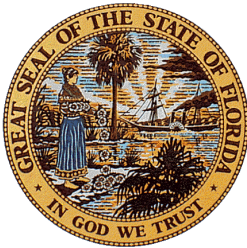
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
June 27, 2024



Sherrill F. Norman, CPA
Auditor General

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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Gadsden County District School Board's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2023. The District's major Federal programs are identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Qualified Opinions on the Education Stabilization Fund and Hurricane Education Recovery Program

In our opinion, except for the noncompliance described in the ***Basis for Qualified and Unmodified Opinions*** section of our report, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Education Stabilization Fund and Hurricane Education Recovery Program for the fiscal year ended June 30, 2023.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the other major Federal program identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** for the fiscal year ended June 30, 2023.

Basis for Qualified and Unmodified Opinions

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

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

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

Matters Giving Rise to Qualified Opinions on the Education Stabilization Fund and Hurricane Education Recovery Program

As described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**, the District did not comply with requirements regarding the Education Stabilization Fund, as described in Federal Award Finding No. 2023-005 for Special Tests and Provisions; and the Hurricane Education Recovery Program, as described in Federal Award Finding No. 2023-006 for Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major Federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Federal Award Finding No. 2023-007. Our opinion on the major Federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Federal Award Finding Nos. 2023-005 and 2023-006 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Federal Award Finding No. 2023-007 to be a significant deficiency.

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

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

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
June 27, 2024

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified, except for the qualified opinion on the aggregate remaining fund information.

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major Federal programs:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? Yes

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

Unmodified for the Title I program, and qualified for the Education Stabilization Fund (ALN 84.425) and Hurricane Education Recovery program (ALN 84.938)

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes

Identification of major Federal programs:

Assistance Listing Numbers:

84.010

84.425

84.938

Name of Federal Program or Cluster:

Title I Grants to Local Educational Agencies

Education Stabilization Fund

Hurricane Education Recovery

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

MATERIAL WEAKNESS

SCHOOL INTERNAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT

Finding Number	2023-001
Opinion Units	Aggregate Remaining Fund Information and Discretely Presented Component Unit (DPCU)
Financial Statements Account Titles	Various
Fund Name	Custodial Funds
Adjustment Amounts	Not Applicable
Statistically Valid Sample	Not Applicable
Prior Year Finding	Auditor General Report No. 2023-181, Finding 2022-001
Finding	District financial reporting procedures could be improved to ensure that the required audit reports of the District school internal funds and DPCU are timely issued and considered in completing the District financial statements and related audit.
Criteria	Chapter 8 – School Internal Funds, Financial and Program Cost Accounting and Reporting for Florida Schools (Red Book) requires an annual audit of the District school internal funds, which are an integral part of the District financial reporting entity. School internal funds provide an accounting for various school club and class activities and are to be reported in the District financial statements as fiduciary funds in the custodial funds statement of fiduciary net position and statement of changes in fiduciary net position. In addition, accounting principles generally accepted in the United States (GAAP) provide certain requirements for inclusion of DPCUs as part of the District financial statements and, according to those requirements, the Crossroad Academy Charter School, a division of Community and Economic Development Organization of Gadsden County, Inc. (Charter School) is the only District DPCU. Pursuant to State Board of Education (SBE) Rule 6A-1.0071, Florida Administrative Code, the District annual financial report (AFR), including the financial statements, must be submitted to the Florida Department of Education (FDOE) by September 11 of each year.
Condition	The District AFR presented to us for audit included unaudited school internal funds information and omitted presentation of DPCU financial activities. (District financial reporting is further discussed in Finding No. 2023-002.) On February 9, 2024, the DCPU financial audit report was issued, and the District accepted audit adjustments to properly present the information on the District financial statements. However, as of May 2024, the 2022-23 fiscal year audit of the school internal funds remained unissued.
Cause	The District had not established effective procedures to require and ensure timely completion of the 2022-23 fiscal year school internal funds and DPCU financial audit reports. The Board contracted with an audit firm to conduct the audit of the school internal funds; however, the contract lacked a required report issue date

and the report issuance was delayed because, according to District personnel, they did not timely respond to audit requests.

In addition, the Charter School contracted to obtain an audit; however, District procedures were not in place to ensure that the contract specified a required audit report issue date that would allow consideration of the audit before the AFR due date.

Effect

Without audit reports opining on the fair presentation of the school internal funds and DPCU financial information, the District's ability to properly and timely complete the District financial statements is limited, and financial statement users have limited assurance regarding the accuracy of that information on the District financial statements. Timely issued school internal funds and DPCU audit reports would also provide ample opportunity for the audit results to be considered during the District financial statements audit.

As of June 30, 2023, District records indicated that the financial activities of the:

- School internal funds represent 21 percent, 0 percent, 21 percent, 4 percent, and 0 percent, respectively, of the assets, liabilities, net position and fund balance, revenues and additions, and expenditures of the aggregate remaining fund information reported on the District financial statements.
- Charter School should represent 100 percent of the assets, liabilities, revenues, expenditures, and net position of the DPCU information that should be reported on the District financial statements.

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

Recommendation

The District should establish procedures to ensure that school internal funds and the DPCU audit reports are timely issued. Such procedures should ensure audit contracts specify audit report issue dates and District efforts are sufficient to provide ample opportunity for the audit results to be considered during the preparation of the District financial statements and related audit.

District Response

The District confirms the audit finding and will implement policies and procedures, as well as staff training, to ensure future submissions are accurate and timely.

SIGNIFICANT DEFICIENCIES

FINANCIAL REPORTING

Finding Number	2023-002
Opinion Units	Not Applicable
Financial Statements Account Titles	Not Applicable
Fund Names	Not Applicable
Adjustment Amounts	Schedule of Expenditures of Federal Awards (SEFA) additions totaling \$1,230,221 for the Hurricane Education Recovery Program
Statistically Valid Sample	Not Applicable

Prior Year Finding

Auditor General Report No. 2023-181, Finding AM 2022-001

Finding

Certain information was not properly presented in the AFR and the AFR was not timely submitted to the FDOE.

Criteria

SBE Rule 6A-1.0071, Florida Administrative Code, and related instructions from the FDOE prescribe the exhibits and schedules that should be prepared as part of the District AFR and required the AFR for the 2022-23 fiscal year be submitted to the FDOE by September 11, 2023. The AFR is to include, for example:

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

According to Section 1010.01, Florida Statutes, SBE rules incorporate the requirements of law and GAAP.

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

Condition

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

- In September 2022, the District contracted with a consultant to assist with the preparation of the District AFR.
- On November 27, 2023, 77 days after the required reporting date, the District electronically submitted to the FDOE an incomplete AFR that omitted, for example, the required notes to the financial statements, management's discussion and analysis, and SEFA.
- On December 19, 2023, 99 days after the required reporting date, Board meeting minutes documented that the Board approved the District AFR; however, Board records did not identify the components of the AFR that were approved.
- The Board-approved AFR, including the required components except the SEFA, was provided to us on February 15, 2024, after we made several requests to District personnel.
- On February 27, 2024, the FDOE sent a letter to the Superintendent confirming that the AFR (without the SEFA) had been received but noted that the AFR was submitted late and did not comply with SBE Rule 6A-1.0071(3), Florida Administrative Code, and Section 1001.51(12)(b), Florida Statutes.
- On March 22, 2024, the District made the SEFA available to us for audit.

Our SEFA audit procedures disclosed that, although the District incurred Federal Hurricane Education Recovery Program expenditures totaling \$1,230,221, the Program and related expenditures were omitted from the SEFA. Other financial

statement misreported amounts are discussed in Finding Nos. 2023-003 and 2023-004.

Cause

The Board-approved consultant contract for AFR preparation did not establish an AFR completion date to provide for timely submittal of the AFR to the FDOE. In addition, due to lack of training, the SEFA preparer omitted the Hurricane Education Recovery Program and related expenditures from the SEFA. Moreover, the District had not established effective verification procedures to detect and timely correct AFR errors.

Effect

The untimely submittal of the AFR decreases the relevance and usefulness of financial reporting and is not in compliance with SBE rules.

Reporting errors may cause financial statement users to misunderstand the District's financial activities and incorrectly assess the District's financial position. Additionally, without adequate procedures to accurately report Federal program activity in the accounting records, and related expenditures on the SEFA, the risk increases that major Federal programs may not be identified and audited, and costs associated with those programs may be subject to disallowance by grantors.

We extended our procedures to determine the information omitted from the SEFA and District personnel accepted the adjustments to the SEFA. As a result, the Hurricane Education Recovery Program became a major Federal program and was subjected to our Federal audit procedures. However, our audit procedures cannot substitute for management's responsibility to implement adequate controls over SEFA preparation.

Recommendation

The District should improve procedures to ensure that the AFR, including information required to be reported on the SEFA, is properly and timely completed and submitted to the FDOE. Such improvements should include a provision in the consultant contract to establish an AFR completion date that provides for timely submittal of the AFR to FDOE. In addition, individuals responsible for preparing AFR information, and those responsible for verifying that information, should be properly trained to ensure the accuracy, completeness, and timely submittal of the AFR to the FDOE.

District Response

The District confirms the audit finding and will implement policies and procedures, as well as staff training, to ensure future submissions are accurate and timely.

BANK ACCOUNT RECONCILIATIONS

Finding Number

2023-003

Opinion Units

Major Funds – General and Capital Projects – Other (CPO) Funds; and Aggregate Remaining Fund Information (ARFI)

**Financial Statements
Account Title**

Cash and Cash Equivalents and Various Expenditures

Fund Name

General Fund, CPO Fund, and ARFI

Adjustment Amounts

General Fund: Decreased Cash and Cash Equivalents (\$993,956 – credit) and Increased Expenditures (\$993,956 – debit).

CPO Fund: Decreased Cash and Cash Equivalents (\$277,433 – credit) and Increased Expenditures (\$277,433 – debit).

ARFI: Decreased Cash and Cash Equivalents (\$114,012 – credit) and Increased Expenditures (\$114,012 – debit).

Statistically Valid Sample

Not Applicable

Prior Year Finding	Auditor General Report No. 2023-181, Finding 2022-002
Finding	Bank account reconciliations were not always properly and timely completed, resulting in cash and cash equivalent errors on the financial statements.
Criteria	Section 1010.01(5), Florida Statutes, requires each school district to establish and maintain internal controls designed to, among other things, detect fraud, ensure reliability of financial records and reports, and safeguard assets. Effective internal controls require that reconciliations of bank account balances to general ledger account balances be performed on a timely, routine basis. Properly and timely prepared bank account reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts, promptly detect and correct unrecorded and improperly recorded cash transactions or bank errors, and provide for the efficient and economic management of cash resources.
Condition	During the 2022-23 fiscal year, the District maintained seven bank accounts. As of June 30, 2023, the District's adjusted general ledger cash account balances and financial statement cash account balances totaled \$17,543,677 and \$17,278,198, respectively, while the bank account statement balances totaled \$18,270,898. On November 19, 2023, District personnel completed bank account reconciliations for the 2022-23 fiscal year for three accounts. However, as of April 2024, District personnel still had not completed bank account reconciliations for the remaining four bank accounts with bank account statement balances totaling \$11,387,749 as of June 30, 2023. We extended our procedures to determine the adjustments necessary to ensure that cash and cash equivalents account balances were materially correct at June 30, 2023, and District personnel accepted the adjustments. However, our procedures cannot substitute for the District's responsibility to establish appropriate controls over cash and cash equivalents.
Cause	District personnel indicated that, due to staff shortages, errors and omissions occurred in preparing and recording accounting entries. Consequently, District accounting records were inaccurate and bank account reconciliations were not always prepared accurately and timely.
Effect	Absent effective procedures for the proper and 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 and for financial statement errors to exist. Additionally, without such procedures, the reliability of the general ledger financial information throughout the year and the Board's ability to effectively monitor the District's financial position is diminished.
Recommendation	The District should enhance procedures to ensure that that cash balances are properly recorded and reported. Such procedures should ensure that reconciliations of bank account cash balances to the general ledger account balances are timely performed and that reconciling items are promptly identified, thoroughly investigated, adequately documented, and resolved.
District Response	The District confirms the audit finding. Vacant positions have been filled and the District will implement staff cross-training to ensure coverage of duties. The District will also implement policies and procedures based on best practices and adherence to GAAP standards.

ACCOUNTING ENTRIES

Finding Number	2023-004
Opinion Units	Major Funds: General Fund, Special Revenue – Other (SRO) Fund, and Special Revenue – Federal Education Stabilization (SRFES) Fund
Financial Statements Account Title	Various
Fund Name	General, SRO, and SRFES Funds
Adjustment Amounts	For example: General Fund: Increased Cash and Cash Equivalents by \$1,532,640 (debit) and Other Financing Sources for the same amount (credit). SRO Fund: Decreased Unearned revenue (debit) and Cash and Cash Equivalents (credit) by \$469,818 and Increased Federal Through State and Local Revenues (credit) and Other Financing Uses (debit) by the same amounts. SRFES Fund: Decreased Unearned revenue (debit) and Cash and Cash Equivalents (credit) by \$1,062,822 and Increased Federal Through State and Local Revenues (credit) and Other Financing Uses (debit) by the same amounts.
Statistically Valid Sample	Not Applicable
Prior Year Finding	Not Applicable
Finding	District controls over accounting entries made to the accounting records and other adjustments made during the preparation of the financial statements need improvement.
Criteria	Accounting entries during the preparation of the financial statements are made as necessary to revise general ledger balances for asset, liability, revenue, and expenditure and expense accounts. Effective internal controls require that the accounting entries are appropriately documented and independently verified of record to provide reasonable assurance that recorded transactions are appropriate, and that errors or fraud, should they occur, are timely detected and resolved.
Condition	As part of our evaluation of the District's 116 accounting entries totaling \$17 million, we requested for examination District records supporting 26 selected accounting entries totaling \$15.9 million. However, District records were not provided to support the basis for the entries or to demonstrate that the entries had been independently verified of record. Moreover, one of the selected entries was made to agree Federal through State and local revenues to Federal grant expenditures. However, we found that the entry inaccurately increased unearned revenue and cash accounts by \$1,532,640 and decreased Federal through State and local revenues accounts. Before the entry, the revenues accounts were accurate and the proper entry should have been to reimburse the General Fund for payments made on behalf of the SRO and SRFES Funds. We extended our procedures to determine the adjustments necessary to ensure that the effects of the incorrect accounting entries were corrected on the financial statements at June 30, 2023, and District personnel accepted the adjustments. However, our procedures cannot substitute for the District's responsibility to establish appropriate controls over accounting entries.
Cause	District personnel stated that the District consultant created and recorded many of the accounting entries without the full understanding or involvement of District

personnel. Additionally, due to a District staff shortage and because staff lacked appropriate knowledge of the accounting entry process, District controls did not demonstrate independent verification of these entries.

Effect	Several account balances and transactions on the District financial statements were misstated because of inaccurate accounting entries. Absent adequate controls, including documented, independent verification of accounting entries, there is an increased risk that errors or fraud could occur without timely detection.
Recommendation	District procedures should be enhanced to ensure that accounting entries are accurately recorded and that District records support the basis for, and demonstrate independent verification of, each accounting entry. Such enhancements should include contracting with consultants who possess the expertise to properly prepare accounting entries and appropriate training for District personnel to understand the accounting entry process.
District Response	The District confirms the audit finding. Vacant positions have been filled and the District will implement staff cross-training to ensure coverage of duties. The District will also implement policies and procedures based on best practices and adherence to GAAP standards.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF EDUCATION

Finding Number	2023-005
Assistance Listing Number	84.425D
Program Title	Education Stabilization (ES) Fund – Elementary and Secondary School Emergency Relief Fund
Compliance Requirement	Special Tests and Provisions
Pass-Through Entity	Florida Department of Education (FDOE)
Federal Grant/Contract Number and Grant Year	S425D100052 – 2023
Statistically Valid Sample	No
Finding Type	Opinion Qualification, Noncompliance, and Material Weakness
Questioned Costs	\$677,890
Prior Year Finding	Not Applicable
Finding	District controls did not always ensure compliance with the Davis-Bacon Act for construction projects exceeding \$2,000 and financed by the ES Fund, resulting in questioned costs totaling \$677,890.
Criteria	The ES Fund provides Federal funds for school facility repairs and improvements. Title 29, Section 5.5, Code of Federal Regulations (Davis-Bacon Act), requires the District to include prevailing wage rate clauses in any construction contract exceeding \$2,000 that is financed either wholly or in part by Federal funds and ensure that contractors pay workers the prevailing wage rates established by the United States Department of Labor. This includes a requirement for the contractor to submit to the District weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified

payrolls). The United States Department of Labor established “prevailing wages” by geographic area and interprets the Davis-Bacon Act to apply to construction, alteration, or repair of a public building or public work.

Condition	For the 2022-23 fiscal year, the District expended ES Fund moneys totaling \$9,501,131, including \$677,890 for five contracts (each exceeding \$2,000) related to heating, ventilation, and air-conditioning replacement, gym flooring replacement, and door replacements. The purchase orders, requests for proposals, and contracts for those services did not contain clauses that required compliance with the Davis-Bacon Act provisions and the contractors did not submit required weekly certified payrolls to the District.
Cause	District personnel indicated that they were not aware that the Davis-Bacon Act applied to these Federally funded projects and, therefore, did not include the appropriate wage rate clauses in the applicable procurement documents.
Effect	Absent the required contract clauses and weekly certified payrolls, there is an increased risk that construction contractors paid with Federal moneys will not pay workers the prevailing wage rates established by the United States Department of Labor. Although we requested, the District did not provide certified payrolls from the contractors demonstrating that the prevailing wage rates were paid for the services, resulting in questioned costs totaling \$677,890.
Recommendation	The District should enhance procedures to ensure compliance with all Davis-Bacon Act requirements. Such enhancements should ensure that applicable Federally funded facility contracts require submittal of weekly certified payrolls and that District personnel verify the payrolls were received. In addition, the District should document to the FDOE the allowability of the questioned costs or contact the FDOE regarding necessary corrective action.
District Response	The District confirms the audit finding and will implement policies and procedures, as well as staff training, to ensure compliance with provisions of the Davis-Bacon Act.

U.S. DEPARTMENT OF EDUCATION

Finding Number	2023-006
Assistance Listing Number	84.938
Program Title	Hurricane Education Recovery
Compliance Requirement	Allowable Costs/Cost Principles
Pass-Through Entity	Florida Department of Education (FDOE)
Federal Grant/Contract Number and Grant Year	S938A200007 – 2020
Statistically Valid Sample	No
Finding Type	Opinion Qualification, Noncompliance, and Material Weakness
Questioned Costs	\$325,202
Prior Year Finding	Not Applicable
Finding	District controls did not always ensure compliance with Federal regulations by properly expending Federal Hurricane Education Recovery Program funds, resulting in questioned costs totaling \$325,202.

Criteria	Title 2, Section 200.403(a), CFR, requires that allowable costs under Federal awards must be necessary and reasonable for the performance of the Federal award. In addition, Public Law 109-148 established the Hurricane Education Recovery Program and specifies in Section 102(e)(3)(A) that funding may not be used for construction or major renovations of school buildings.
Condition	During the 2022-23 fiscal year, District Hurricane Education Recovery Program expenditures totaled \$1,230,221, and included four payments totaling \$325,202 for construction or major renovation of school facilities. Specifically, a payment for \$199,500 was made for the roof replacement of a District building, and three additional payments, totaling \$125,702, were made for architectural and engineering services related to the construction of the new Gadsden County K-8 School. Additionally, the approved grant application only included temporary repairs to the roof, including tarping and cleanup of water damage and did not include any architectural or engineering services.
Cause	Due to staff turnover and the subsequent reassignment of duties, the District grant director lacked Hurricane Education Recovery Program experience. In response to our inquiry, District staff indicated that the Program expenditures were allowable for District site and facilities that were not damaged before the hurricane. Notwithstanding, District staff did not provide documentation from the grantor supporting allowability and the expenditures are explicitly unallowed by the Public Law.
Effect	Absent effective procedures to ensure that grant funds are expended only for allowable uses, there is an increased risk that funds will be misused. Since District records did not support the allowability of these costs, the District incurred questioned costs totaling \$325,202.
Recommendation	The District should help ensure that Hurricane Education Recovery Program expenditures are only for allowable purposes by providing appropriate training for the Program grant director. In addition, the District should document to the FDOE the allowability of the questioned costs or contact the FDOE regarding necessary corrective action.
District Response	The District confirms the audit finding and will implement policies and procedures, as well as staff training, to ensure compliance with the Federal Hurricane Education Recovery Program.

U.S. DEPARTMENT OF EDUCATION

Finding Number	2023-007
Assistance Listing Number	84.425D
Program Title	Education Stabilization (ES) Fund – Elementary and Secondary School Emergency Relief (ESSER) Fund
Compliance Requirement	Equipment and Real Property Management
Pass-Through Entity	Florida Department of Education (FDOE)
Federal Grant/Contract Number and Grant Year	S425D200052 – 2023
Statistically Valid Sample	No
Finding Type	Noncompliance and Significant Deficiency
Questioned Costs	\$213,936

Prior Year Finding	Auditor General Report No. 2023-181, Finding 2022-005
Finding	District property records did not demonstrate compliance with Federal regulations by identifying the location of certain equipment funded by the ES Fund, resulting in questioned costs totaling \$213,936.
Criteria	Title 2, Section 200.313(d)(1), Code of Federal Regulations, requires that property records for equipment be maintained that include various details, such as a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property. Title 2, Section 200.313(a), CFR, defines equipment as tangible property, including information technology systems, having a useful life of one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization threshold established by District. According to Board Policy 7.77 – <i>Inventories and Property Records</i>, the Superintendent or designee must maintain an adequate and accurate record of all tangible personal property of the District. All equipment must be listed that has a value or cost of \$1,000 or more.
Condition	During the 2022-23 fiscal year, District ES Fund expenditures totaled \$9,501,131, including \$213,936 expended for capitalized equipment with a value or cost of \$1,000 or more. As part of our audit, we requested for examination District records supporting the 14 items with costs exceeding the District \$1,000 capitalization threshold and totaling \$213,936. However, no records were provided to identify the equipment serial number, source of funding, condition, location, or otherwise properly account for the 14 items.
Cause	District personnel indicated that the missing property information was an oversight as the employee responsible for recording property items was not timely provided with the appropriate acquisition information.
Effect	Without effective accountability over Federal equipment, including the maintenance of appropriate property records, there is an increased risk that the equipment may be used for unauthorized purposes or not be readily located or identified as missing. Absent the required detailed property records, the ES Fund equipment acquisitions totaling \$213,936 represent questioned costs.
Recommendation	The District should conduct a thorough investigation of the ESSER Fund capital outlay expenditures to identify equipment acquisitions with costs exceeding the District \$1,000 capitalization threshold, locate the applicable items, and prepare and maintain appropriate property records for those items. In addition, the District should restore to the FDOE the questioned costs related to any unlocated items and contact applicable law enforcement agencies regarding other necessary actions to help recover unlocated equipment.
District Response	The District confirms the audit finding and will implement policies and procedures, as well as staff training, to ensure compliance with the ES Fund.

PRIOR AUDIT FOLLOW-UP – ADDITIONAL MATTERS

The District had taken corrective actions for the additional matters included in our report No. 2023-181, except as discussed in Finding No. 2023-002.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



THE SCHOOL BOARD OF GADSDEN COUNTY

Educating Every Student Today, Making Gadsden Stronger Tomorrow

Elijah Key, Superintendent of Schools

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

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

www.GadsdenSchools.org

<u>Audit Report (Findings No.)</u>	<u>Program/Area</u>	<u>Brief Description</u>	<u>Status</u>	<u>Comments</u>
2023-181 (2022-001)	School Internal Funds and Aggregate Discretely Presented Component Unit	District procedures did not ensure the audit reports of the District's school internal funds and discretely presented component unit are promptly issued and considered in completing the District's financial statements.	Partially corrected	District updated and implemented procedures for all internal funds to be reconciled and closed by July 10th and sent to the District office by July 20th to the internal accounts auditors July 25th of each year. There are Monthly trainings for office managers. Corrective action will be taken in the next fiscal year.
2023-181 (2022-002)	Bank Reconciliations	District procedures did not always provide for timely bank account reconciliations or allow for posting correction to the general ledger cash accounts.	Partially Corrected	District procedures have been updated to reflect that all revenues are input into skyward by the 5th of each and bank reconciliations are completed by the 10th of each month and verified by Director of Finance by the 15th of month to ensure that any corrections are done timely. The Director of Finance is training the Assistant Finance Director on bank reconciliations and the Account Clerk on the cash Receipts to ensure timely reconciliations. Corrective action will be taken in the next fiscal year.
2023-181 (2022-003)	Information Technology (IT) Access Privileges	Two employees had full updates access privileges to the IT application or components which allowed them to perform to function incompatible with their assigned job responsibilities.	Fully Corrected	Corrective Action Taken
2023-181 (2022-004)	Emergency Connectivity Fund (A1.N 32.009)	The District did not comply with Federal regulations by maintaining inventory records to identify the location of equipment, resulting in questioned costs totaling \$132,527.	Fully Corrected	Corrective Action Taken. The grantor did not require restoration of questioned costs.
2023-181 (2022-005)	Education Stabilization Fund (84.425D)	The District did not always comply with Federal regulations by maintaining inventory records to identify the location of equipment, resulting in questioned costs totaling \$1,565,006.14.	Partially Corrected	The District has updated its procedures to ensure that all records are maintained and updated for accountability. Corrective action will be taken in the next fiscal year. The grantor did not require restoration of questioned costs.

Cathy Johnson
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Steve Scott
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Charlie Frost
DISTRICT NO. 4
GREINA, FL 32332
QUINCY, FL 32352

Karema Dudley
DISTRICT NO. 5
QUINCY, FL 32351

CORRECTIVE ACTION PLAN



THE SCHOOL BOARD OF GADSDEN COUNTY

Educating Every Student Today, Making Gadsden Stronger Tomorrow

Elijah Key, Superintendent of Schools

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June 26, 2024

Gadsden County District School Board Management's Corrective Action Plans For the Fiscal Year Ended June 30, 2023

Finding Number:	2023-001
Planned Corrective Action:	The District confirms the audit finding and will implement policies and procedures, as well as staff training, to ensure future submissions are accurate and timely.
Anticipated Completion Date:	October 1, 2024
Responsible Contact Person:	Marleni Bruner, Director of Finance Jaelen Jackson, Assistant Director of Finance
Finding Number:	2023-002
Planned Corrective Action:	The District confirms the audit finding and will implement policies and procedures, as well as staff training, to ensure future submissions are accurate and timely.
Anticipated Completion Date:	October 1, 2024
Responsible Contact Person:	Marleni Bruner, Director of Finance Jaelen Jackson, Assistant Director of Finance
Finding Number:	2023-003
Planned Corrective Action:	The District confirms the audit finding. Vacant positions have been filled and the District will implement staff cross-training to ensure coverage of duties. The District will also implement policies and procedures based on best practices and adherence to GAAP standards.
Anticipated Completion Date:	October 1, 2024
Responsible Contact Person:	Marleni Bruner, Director of Finance Jaelen Jackson, Assistant Director of Finance
Finding Number:	2023-004
Planned Corrective Action:	The District confirms the audit finding. Vacant positions have been filled and the District will implement staff cross-training to ensure coverage of duties. The District will also implement policies and procedures based on best practices and adherence to GAAP standards.
Anticipated Completion Date:	October 1, 2024
Responsible Contact Person:	Marleni Bruner, Director of Finance Jaelen Jackson, Assistant Director of Finance

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

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

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

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

Karema Dudley
DISTRICT NO. 5
QUINCY, FL 32351



THE SCHOOL BOARD OF GADSDEN COUNTY

Educating Every Student Today, Making Gadsden Stronger Tomorrow

Elijah Key, Superintendent of Schools

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

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

www.GadsdenSchools.org

Federal Award Finding Number:	2023-005
Planned Corrective Action:	The District confirms the audit finding and will implement policies and procedures, as well as staff training, to ensure compliance with provisions of the Davis-Bacon Act.
Anticipated Completion Date:	October 1, 2024
Responsible Contact Person:	Marleni Bruner, Director of Finance Jaelen Jackson, Assistant Director of Finance
Federal Award Finding Number:	2023-006
Planned Corrective Action:	The District confirms the audit finding and will implement policies and procedures, as well as staff training, to ensure compliance with the Federal Hurricane Education Recovery Program.
Anticipated Completion Date:	October 1, 2024
Responsible Contact Person:	Marleni Bruner, Director of Finance Jaelen Jackson, Assistant Director of Finance
Federal Award Finding Number:	2023-007
Planned Corrective Action:	The District confirms the audit finding and will implement policies and procedures, as well as staff training, to ensure compliance with the ES fund.
Anticipated Completion Date:	October 1, 2024
Responsible Contact Person:	Matthew Byrant, Director of Facilities

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