STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2019-162
March 2019

GADSDEN COUNTY
DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2018

Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2017-18 fiscal year, Roger P. Milton served as Superintendent of the Gadsden County Schools and the following individuals served as School Board Members:

	District No.
Audrey D. Lewis	1
Steve Scott, Chair from 11-21-17, Vice Chair through 11-20-17	2
Isaac Simmons Jr., Chair through 11-20-17	3
Charlie D. Frost	4
Tyron D. Smith, Vice Chair from 11-21-17	5

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

The team leader was Shirley Dong, CPA, and the audit was supervised by Edward A. Waller, CPA.

Please address inquiries regarding this report to Micah E. Rodgers, CPA, Audit Manager, by e-mail at micahrodgers@aud.state.fl.us or by telephone at (850) 412-2905.

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GADSDEN COUNTY DISTRICT SCHOOL BOARD

TABLE OF CONTENTS

	Page No.
SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	
Report on the Financial Statements	1
Other Reporting Required by *Government Auditing Standards*	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	11
Statement of Activities	12
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	21
Notes to Financial Statements	22
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General and Major Special Revenue Funds	50
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	52
Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan	52
Schedule of District Contributions – Florida Retirement System Pension Plan	52
Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan	53
Schedule of District Contributions – Health Insurance Subsidy Pension Plan	53
Notes to Required Supplementary Information	53
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	56
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*	58
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	61

GADSDEN COUNTY DISTRICT SCHOOL BOARD

TABLE OF CONTENTS (CONTINUED)

	Page No.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	64
ADDITIONAL MATTER	69
PRIOR AUDIT FOLLOW-UP	70
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	71
CORRECTIVE ACTION PLAN	72

SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the Gadsden County District School Board (District's) basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

Significant Deficiencies

Finding No. 2018-001: District procedures did not always provide for timely reconciliations of bank account cash balances to the general ledger account balances with reconciling items promptly identified, thoroughly investigated, adequately documented, and resolved.

Finding No. 2018-002: Eleven employees had full update access privileges to information technology applications or components that allowed them to perform incompatible functions or functions that were not necessary to perform their assigned job responsibilities.

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

Additional Matter

Finding AM 2018-001: District procedures did not always limit expenditures to budgeted amounts, contrary to State law and State Board of Education rules.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster and Special Education Cluster were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs except that the District did not materially comply with the Allowable Cost/Cost Principles requirement for the Child Nutrition Cluster. A noncompliance and control deficiency finding is summarized below.

Federal Awards Finding No. 2018-003: Contrary to Florida Department of Agriculture and Consumer Services requirements, the District overcharged indirect costs to the Child Nutrition Cluster by applying the unrestricted instead of the restricted indirect cost rate, resulting in questioned costs totaling $274,284.

AUDIT OBJECTIVES AND SCOPE

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on the District's major Federal programs;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs, and
- Taken corrective actions for findings included in our report No. 2018-124.

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards, as of and for the fiscal year ended June 30, 2018. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

AUDIT METHODOLOGY

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

AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Gadsden County District School Board, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statement of the school internal funds, which represents 24 percent of the assets and 100 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. The financial statements for the school internal funds and the discretely presented component unit were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those financial statements, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from

material misstatement. The financial statement of the school internal funds was not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Gadsden County District School Board, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note II. to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. This affects the comparability of amounts reported for the 2017-18 fiscal year with amounts reported for the 2016-17 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Budgetary Comparison Schedule – General and Major Special Revenue Funds**, **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers

it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 18, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

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

- The District's total net position decreased by $2.7 million, or 6.6 percent, and $0.9 million of this decrease is attributed to the restatement of beginning net position for the implementation of Governmental Accounting Standard Board (GASB) Statement No. 75 related to other postemployment benefit reporting.
- General revenues total $52.2 million, or 87.8 percent of all revenues in the 2017-18 fiscal year, as compared to $53.2 million, or 88 percent for the 2016-17 fiscal year.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals $1.4 million at June 30, 2018, or 3.1 percent of General Fund expenditures as compared to an unassigned fund balance of $1.9 million, or 4.2 percent of expenditures at June 30, 2017.
- During the current fiscal year, General Fund expenditures exceeded revenues by $1.7 million. This may be compared to the 2016-17 fiscal year's result in which General Fund expenditures exceeded revenues by $2.2 million and the 2015-16 fiscal year's results in which General Fund expenditures exceeded revenues by $0.5 million.
- The total long-term debt decreased by $0.9 million, primarily because of principal payments.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District's services, including its educational programs such as basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component unit – The District presents Crossroad Academy Charter School as a separate legal entity in this report. Although the school is a legally separate organization, it is considered a component unit for financial reporting purposes and is included in this report because the school meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.

Fund Financial Statements

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

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Food Service Fund, Special Revenue – Other Fund, and the Capital Projects – Local Capital Improvement Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position, End of Year

	Governmental Activities	
	6-30-18	**6-30-17**
Current and Other Assets	$ 5,399,507	$ 8,323,018
Capital Assets	62,759,067	64,726,191
Total Assets	68,158,574	73,049,209
Deferred Outflows of Resources	13,356,880	10,800,220
Long-Term Liabilities	39,310,966	36,527,204
Other Liabilities	243,318	3,517,402
Total Liabilities	39,554,284	40,044,606
Deferred Inflows of Resources	4,079,470	3,252,255
Net Position:		
Net Investment in Capital Assets	60,732,214	61,779,909
Restricted	3,076,068	2,142,943
Unrestricted (Deficit)	(25,926,582)	(23,370,284)
Total Net Position	$ 37,881,700	$ 40,552,568

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

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

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

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-18	6-30-17
Program Revenues:		
Charges for Services	$ 408,473	$ 227,825
Operating Grants and Contributions	6,372,346	6,569,689
Capital Grants and Contributions	477,463	451,387
General Revenues:		
Property Taxes, Levied for Operational Purposes	7,459,658	7,693,589
Property Taxes, Levied for Capital Projects	2,221,459	2,179,186
Grants and Contributions Not Restricted to Specific Programs	40,279,598	41,486,264
Unrestricted Investment Earnings	66,738	47,233
Miscellaneous	2,165,116	1,761,862
Total Revenues	59,450,851	60,417,035
Functions/Program Expenses:		
Instruction	28,098,822	29,129,609
Student Support Services	3,195,825	2,914,629
Instructional Media Services	636,780	640,426
Instruction and Curriculum Development Services	2,156,094	2,262,545
Instructional Staff Training Services	1,199,156	1,682,735
Instruction-Related Technology	226,002	200,052
Board	410,098	434,975
General Administration	742,520	1,015,009
School Administration	3,441,572	3,669,153
Facilities Acquisition and Construction	113,067	377,972
Fiscal Services	633,912	452,375
Food Services	4,862,827	5,051,463
Central Services	437,184	485,070
Student Transportation Services	4,522,645	3,555,615
Operation of Plant	5,619,995	6,037,125
Maintenance of Plant	1,240,438	973,813
Administrative Technology Services	878,480	1,296,601
Community Services	42,987	303,475
Unallocated Interest on Long-Term Debt	91,062	120,590
Unallocated Depreciation Expense	2,711,163	3,407,738
Loss on Disposal of Capital Assets	-	16,451
Total Functions/Program Expenses	61,260,629	64,027,421
Change in Net Position	(1,809,778)	(3,610,386)
Net Position - Beginning	40,552,568	44,162,954
Adjustment to Beginning Net Position (1)	(861,090)	-
Net Position - Beginning, as Restated	39,691,478	44,162,954
Net Position - Ending	$ 37,881,700	$ 40,552,568

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

The largest revenue source is the State of Florida (54.9 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP funding formula utilizes student enrollment data and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. Other State revenues are primarily for meeting the requirement of the class size amendment.

Instruction expenses represent 45.9 percent of total governmental expenses in the 2017-18 fiscal year. Instruction expenses decreased by $1 million, or 3.5 percent, from the previous fiscal year due mainly from a reduction in staffing levels, resulting in a decrease in salaries and related benefits. Some areas of decreased spending noted were for Instruction, Food Services, and Operations of Plant due mainly to the closure and merging of schools during the 2017-18 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

The total fund balances of governmental funds increased by $0.4 million during the fiscal year to $4.5 million at June 30, 2018. Approximately 31.1 percent of this amount is unassigned fund balance ($1.4 million), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable or restricted to indicate that it is (1) not in spendable form ($0.4 million), or (2) restricted for particular purposes ($2.7 million).

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is $1.4 million, while the total fund balance is $2.7 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 3.3 percent of the total General Fund revenues, while total fund balance represents 6.5 percent of total General Fund revenues.

Total fund balance increased by $0.7 million during the fiscal year primarily due to the sale of properties of a closed elementary school.

The District accounts for the operations of the food service program in the Special Revenue – Food Service Fund, with a total fund balance of $0.9 million. The total fund balance decreased by $0.3 million mainly because of increased capital outlay expenditures.

The Special Revenue – Other Fund is used by the District to account for resources of certain Federal grant programs and, for the 2017-18 fiscal year, had revenues and expenditures totaling $9.5 million each, a decrease of $0.2 million from the 2016-17 fiscal year mainly due to the decrease in the Title I

grant expenditures. Because grant revenues attributed to the Federal grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of $0.4 million, a decrease of $0.1 million from the 2016-17 fiscal year due to the increase in transfers to the General Fund. The entire fund balance is restricted for the acquisition, construction, and maintenance of capital assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2018, amounts to $62.8 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. The total decrease in capital assets for the current fiscal year was approximately 3 percent.

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

Long-Term Debt

At June 30, 2018, the District has total long-term debt outstanding of $2 million comprised of $0.2 million for a note payable and $1.8 million of bonds payable.

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

OTHER MATTERS OF SIGNIFICANCE

The District's enrollment trend continues to decline which decreases funding available for District operations and will continue to negatively impact the fiscal condition of the District. The District will continue plans to increase efforts to reduce expenses and begin building reserves to offset the reductions in funding.

REQUESTS FOR INFORMATION

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

Gadsden County District School Board
Statement of Net Position
June 30, 2018

	Primary Government	
	Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	$ 2,425,905.76	$ 4,118,024.00
Investments	2,501.13	-
Accounts Receivable	685,001.33	121,445.00
Due from Other Agencies	1,204,530.85	-
Notes Receivable	671,460.61	-
Prepaid Items	-	29,510.00
Inventories	410,106.99	-
Capital Assets:		
Nondepreciable Capital Assets	1,704,688.29	391,655.00
Depreciable Capital Assets, Net	61,054,378.55	3,496,101.00
TOTAL ASSETS	68,158,573.51	8,156,735.00
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	373,523.00	-
Pensions	12,983,357.00	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	13,356,880.00	-
LIABILITIES		
Payroll Deductions and Withholdings	11,608.05	-
Accounts Payable	231,710.31	347,546.00
Accrued Interest Payable	-	42,730.00
Long-Term Liabilities:		
Portion Due Within 1 Year	1,526,321.96	72,888.00
Portion Due After 1 Year	37,784,643.54	1,691,405.00
TOTAL LIABILITIES	39,554,283.86	2,154,569.00
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	152,405.00	-
Pensions	3,927,065.00	-
TOTAL DEFERRED INFLOWS OF RESOURCES	4,079,470.00	-
NET POSITION		
Net Investment in Capital Assets	60,732,213.79	-
Restricted for:		
State Required Carryover Programs	571,438.01	-
Debt Service	2,501.68	-
Capital Projects	1,605,506.11	-
Food Service	896,622.18	-
Unrestricted	(25,926,582.12)	6,002,166.00
TOTAL NET POSITION	$ 37,881,699.65	$ 6,002,166.00

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, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary Government			
Governmental Activities:			
Instruction	$ 28,098,821.84	$ 214,203.95	$ -
Student Support Services	3,195,825.22	-	-
Instructional Media Services	636,780.28	-	-
Instruction and Curriculum Development Services	2,156,094.13	-	-
Instructional Staff Training Services	1,199,155.70	-	-
Instruction-Related Technology	226,002.12	-	-
Board	410,097.62	-	-
General Administration	742,519.80	-	-
School Administration	3,441,572.47	-	-
Facilities Acquisition and Construction	113,067.05	-	-
Fiscal Services	633,911.56	-	-
Food Services	4,862,826.89	132,032.44	4,714,539.08
Central Services	437,183.87	-	-
Student Transportation Services	4,522,645.55	62,236.25	1,546,677.00
Operation of Plant	5,619,994.75	-	-
Maintenance of Plant	1,240,438.38	-	111,130.00
Administrative Technology Services	878,479.68	-	-
Community Services	42,987.35	-	-
Unallocated Interest on Long-Term Debt	91,062.32	-	-
Unallocated Depreciation Expense*	2,711,162.44	-	-
Total Primary Government	$ 61,260,629.02	$ 408,472.64	$ 6,372,346.08
Component Unit			
Crossroad Academy Charter School	$ 3,142,063.00	$ 0.00	$ 0.00
General Revenues:			
Taxes:			
Property Taxes, Levied for Operational Purposes			
Property Taxes, Levied for Capital Projects			
Grants and Contributions Not Restricted to Specific Programs			
Unrestricted Investment Earnings			
Miscellaneous			
Total General Revenues			
Change in Net Position			
Net Position - Beginning			
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.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Component Unit
$ -	$ (27,884,617.89)	$ -
-	(3,195,825.22)	-
-	(636,780.28)	-
-	(2,156,094.13)	-
-	(1,199,155.70)	-
-	(226,002.12)	-
-	(410,097.62)	-
-	(742,519.80)	-
-	(3,441,572.47)	-
266,533.98	153,466.93	-
-	(633,911.56)	-
-	(16,255.37)	-
-	(437,183.87)	-
-	(2,913,732.30)	-
-	(5,619,994.75)	-
-	(1,129,308.38)	-
-	(878,479.68)	-
-	(42,987.35)	-
210,929.59	119,867.27	-
-	(2,711,162.44)	-
$ 477,463.57	(54,002,346.73)	-
$ 0.00	-	(3,142,063.00)
	7,459,658.25	-
	2,221,458.68	-
	40,279,597.53	3,672,133.00
	66,737.87	-
	2,165,115.59	-
	52,192,567.92	3,672,133.00
	(1,809,778.81)	530,070.00
	40,552,568.46	5,472,096.00
	(861,090.00)	-
	39,691,478.46	5,472,096.00
	$ 37,881,699.65	$ 6,002,166.00

Gadsden County District School Board
Balance Sheet – Governmental Funds
June 30, 2018

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund
ASSETS			
Cash and Cash Equivalents	$ 345,252.38	$ 810,737.05	$ -
Investments	-	-	-
Accounts Receivable	672,128.29	12,873.04	-
Due from Other Funds	1,688,656.82	5,422.00	-
Due from Other Agencies	4,473.53	116,813.24	1,081,983.17
Notes Receivable	671,460.61	-	-
Inventories	58,816.78	351,290.21	-
TOTAL ASSETS	$ 3,440,788.41	$ 1,297,135.54	$ 1,081,983.17
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Payroll Deductions and Withholdings	$ 4,150.95	$ 2,868.59	$ 4,588.51
Accounts Payable	82,555.12	-	149,155.19
Due to Other Funds	-	397,644.77	928,239.47
Total Liabilities	86,706.07	400,513.36	1,081,983.17
Deferred Inflows of Resources:			
Unavailable Revenue - Notes Receivable	671,460.61	-	-
Fund Balances:			
Nonspendable:			
Inventories	58,816.78	351,290.21	-
Restricted for:			
State Required Carryover Programs	571,438.01	-	-
Debt Service	-	-	-
Capital Projects	702,524.00	-	-
Food Service	-	545,331.97	-
Total Restricted Fund Balance	1,273,962.01	545,331.97	-
Unassigned Fund Balance	1,349,842.94	-	-
Total Fund Balances	2,682,621.73	896,622.18	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 3,440,788.41	$ 1,297,135.54	$ 1,081,983.17

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
$ 719,375.01	$ 550,541.32	$ 2,425,905.76
-	2,501.13	2,501.13
-	-	685,001.33
-	-	1,694,078.82
1,260.91	-	1,204,530.85
-	-	671,460.61
-	-	410,106.99
$ 720,635.92	$ 553,042.45	$ 7,093,585.49
$ -	$ -	$ 11,608.05
-	-	231,710.31
368,194.58	-	1,694,078.82
368,194.58	-	1,937,397.18
-	-	671,460.61
-	-	410,106.99
-	-	571,438.01
-	2,501.68	2,501.68
352,441.34	550,540.77	1,605,506.11
-	-	545,331.97
352,441.34	553,042.45	2,724,777.77
-	-	1,349,842.94
352,441.34	553,042.45	4,484,727.70
$ 720,635.92	$ 553,042.45	$ 7,093,585.49

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Gadsden County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Total Fund Balances - Governmental Funds		$ 4,484,727.70
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		62,759,066.84
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.		671,460.61
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Note Payable	$ (183,331.85)	
Bonds Payable	(1,843,521.20)	
Compensated Absences Payable	(2,349,496.45)	
Other Postemployment Benefits Payable	(4,314,527.00)	
Net Pension Liability	(30,620,089.00)	(39,310,965.50)
The deferred outflows of resources and deferred inflows of resources related to other postemployment benefits are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows Related to OPEB	$ 373,523.00	
Deferred Inflows Related to OPEB	(152,405.00)	221,118.00
The deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows Related to Pensions	$ 12,983,357.00	
Deferred Inflows Related to Pensions	(3,927,065.00)	9,056,292.00
Net Position - Governmental Activities		$ 37,881,699.65

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

Gadsden County District School Board
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 32,546.74	$ -	$ 2,221,201.06
Federal Through State and Local	336,837.22	4,640,185.08	7,268,677.90
State	31,971,382.91	74,354.00	-
Local:			
Property Taxes	7,459,658.25	-	-
Charges for Services - Food Service	-	132,032.44	-
Miscellaneous	1,680,756.26	-	-
Total Local Revenues	9,140,414.51	132,032.44	-
Total Revenues	41,481,181.38	4,846,571.52	9,489,878.96
Expenditures			
Current - Education:			
Instruction	22,185,633.20	-	5,369,575.76
Student Support Services	1,875,351.52	-	1,257,774.02
Instructional Media Services	612,809.31	-	11,667.11
Instruction and Curriculum Development Services	1,025,310.69	-	1,088,387.71
Instructional Staff Training Services	453,307.99	-	722,738.61
Instruction-Related Technology	159,390.40	-	62,396.00
Board	402,320.86	-	-
General Administration	686,420.87	-	41,885.50
School Administration	3,347,827.55	-	26,621.72
Facilities Acquisition and Construction	82,862.79	-	-
Fiscal Services	621,627.99	-	-
Food Services	12,060.90	4,762,282.62	1,109.39
Central Services	335,326.33	-	93,432.25
Student Transportation Services	3,455,138.33	-	516,103.09
Operation of Plant	5,424,628.55	-	89,590.60
Maintenance of Plant	1,216,797.20	-	-
Administrative Technology Services	858,502.78	-	3,284.05
Community Services	12,328.86	-	29,773.74
Fixed Capital Outlay:			
Facilities Acquisition and Construction	23,212.51	-	-
Other Capital Outlay	393,200.07	378,972.67	175,539.41
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	43,184,058.70	5,141,255.29	9,489,878.96
Excess (Deficiency) of Revenues Over Expenditures	(1,702,877.32)	(294,683.77)	-
Other Financing Sources (Uses)			
Transfers In	1,709,348.85	-	-
Sale of Capital Assets	714,550.00	-	-
Loss Recoveries	193,615.42	-	-
Transfers Out	(201,366.07)	-	-
Total Other Financing Sources (Uses)	2,416,148.20	-	-
Net Change in Fund Balances	713,270.88	(294,683.77)	-
Fund Balances, Beginning	1,969,350.85	1,191,305.95	-
Fund Balances, Ending	$ 2,682,621.73	$ 896,622.18	$ 0.00

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 2,253,747.80
-	-	12,245,700.20
-	584,222.27	32,629,959.18
2,221,458.68	-	9,681,116.93
-	-	132,032.44
101.13	-	1,680,857.39
2,221,559.81	-	11,494,006.76
2,221,559.81	584,222.27	58,623,413.94
-	-	27,555,208.96
-	-	3,133,125.54
-	-	624,476.42
-	-	2,113,698.40
-	-	1,176,046.60
-	-	221,786.40
-	-	402,320.86
-	-	728,306.37
-	-	3,374,449.27
27,985.74	-	110,848.53
-	-	621,627.99
-	-	4,775,452.91
-	-	428,758.58
-	-	3,971,241.42
-	-	5,514,219.15
-	-	1,216,797.20
-	-	861,786.83
-	-	42,102.60
124,249.08	181,227.00	328,688.59
-	-	947,712.15
-	919,428.85	919,428.85
-	91,062.32	91,062.32
152,234.82	1,191,718.17	59,159,145.94
2,069,324.99	(607,495.90)	(535,732.00)
-	795,371.18	2,504,720.03
-	-	714,550.00
-	-	193,615.42
(2,192,223.96)	(111,130.00)	(2,504,720.03)
(2,192,223.96)	684,241.18	908,165.42
(122,898.97)	76,745.28	372,433.42
475,340.31	476,297.17	4,112,294.28
$ 352,441.34	$ 553,042.45	$ 4,484,727.70

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, 2018

Net Change in Fund Balances - Governmental Funds		$ 372,433.42
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year.		(1,908,256.74)
The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets.		(18,967.15)
Sale of a nondepreciable asset is recognized in governmental funds as revenue. However, in the statement of net position it is a reduction of an asset. This is the cost basis of the asset.		(39,900.00)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments in the current fiscal year.		
Installment-Purchases Principal Repayments	$ 218,565.83	
Note Principal Repayments	359,211.05	
Bond Principal Repayments	341,651.97	919,428.85
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.		(21,862.00)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year.		(39,342.19)
Governmental funds report District OPEB contributions as expenditures. However, in the statement of activities, the cost of OPEB benefits earned net of employee contributions, as determined through an actuarial valuation, is reported as an OPEB expense.		
Decrease in OPEB Liability	$ 269,053.00	
Increase in Deferred Outflows of Resources - OPEB	17,948.00	
Increase in Deferred Inflows of Resources - OPEB	(152,405.00)	134,596.00
Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.		
FRS Pension Contribution	$ 1,912,178.00	
HIS Pension Contribution	477,720.00	
FRS Pension Expense	(3,018,780.00)	
HIS Pension Expense	(579,027.00)	(1,207,909.00)
Change in Net Position - Governmental Activities		$ (1,809,778.81)

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

Gadsden County District School Board
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds
June 30, 2018

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 170,785.16
LIABILITIES	
Internal Accounts Payable	$ 170,785.16

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

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

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

B. Reporting Entity

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

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

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

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

Section 1002.33, Florida Statutes. The charter school operates under a charter approved by its sponsor, the Gadsden County District School Board. The charter school is considered to be a component unit of the District because the District is financially accountable for the charter school as the District established the charter school by approval of the charter, which is tantamount to the initial appointment of the charter school, and there is the potential for the charter school to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter school is a public school and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the charter school's audited financial statements for the fiscal year ended June 30, 2018. 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 financial resources of the District's food service program.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, new and replacement equipment, motor vehicle purchases, and debt service payments related to capital projects.

Additionally, the District reports the following fiduciary fund type:

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

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

E. Measurement Focus and Basis of Accounting

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

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

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

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

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

F. Budgetary Information

Excess of Expenditures and Transfers Out Over Appropriations in Individual Funds.

For the fiscal year ended June 30, 2018, expenditures exceeded appropriations by function (the legal level of budgetary control) for the following individual funds:

	Expenditures		
Fund/Activity	**Budget**	**Actual**	**Variance**
General:			
Current - Education:			
Instruction	$ 22,173,505.56	$ 22,185,633.20	$ (12,127.64)
Student Support Services	1,875,326.52	1,875,351.52	(25.00)
Instruction and Curriculum Development Services	1,024,122.69	1,025,310.69	(1,188.00)
Instructional Staff Training Services	452,273.99	453,307.99	(1,034.00)
Instruction-Related Technology	159,190.10	159,390.40	(200.30)
Board	377,816.94	402,320.86	(24,503.92)
General Administration	653,003.87	686,420.87	(33,417.00)
Central Services	308,601.52	335,326.33	(26,724.81)
Administrative Technology Services	854,214.58	858,502.78	(4,288.20)
Other Financing Use:			
Transfers Out	(201,186.08)	(201,366.07)	(179.99)
Special Revenue:			
Food Service:			
Food Services	4,241,692.31	4,762,282.62	(520,590.31)

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

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

1. Cash and Cash Equivalents

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

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

2. Investments

Investments consist of amounts placed in the SBA debt service accounts for investment of debt service moneys and amounts placed with the SBA for participation in the Florida PRIME

investment pool created by Section 218.405, Florida Statutes. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

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

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

3. Inventories

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

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than $750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value at the date of donation.

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

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

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

5. Pensions

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida

Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

6. Long-Term Liabilities

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

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

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

7. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position and the governmental funds balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The deferred inflows of resources related to pensions and OPEB are discussed in subsequent notes. The remaining item, unavailable revenues from a notes receivable, is reported in the governmental funds balance sheet and is deferred and will be recognized as an inflow of resources in the period that it becomes available.

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2018.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The 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.

H. Revenues and Expenditures/Expenses

1. Program Revenues

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

identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. State Revenue Sources

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

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE.

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

3. District Property Taxes

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

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

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

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

procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Gadsden County Tax Collector at fiscal year end but not yet remitted to the District.

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

4. Federal Revenue Sources

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

5. Compensated Absences

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

II. ACCOUNTING CHANGE

Governmental Accounting Standards Board Statement No. 75. The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. This Statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statement for the OPEB that they provide; and requires more extensive note disclosures and supplementary information about a government's OPEB liability. The beginning net position of the District was decreased by $861,090 due to implementation of GASB Statement No. 75. The District's total OPEB liability and related deferred outflows of resources reported at June 30, 2017, increased by $1,216,665 and $355,575, respectively, as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75, and beginning balances for deferred inflows of resources were not restated.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk. 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, 2018, are reported as follows:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	30 Day Average	$ 1,604,095.24
Debt Service Accounts	6 Months	2,501.13
Total Investments		$ 1,606,596.37

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

Fair Value Measurement

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

Interest Rate Risk

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

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

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

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

Credit Risk

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

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

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

C. Notes Receivables

The District sold Chattahoochee High School, Havana North Side High School, and Greensboro Elementary School each to a separate not-for-profit corporation, and as part of the sales agreement, the District issued and held interest bearing notes receivable in the amount of the sales price. The first note was for $500,000, bearing interest at 1 percent per annum, payable in monthly installments of $2,299.47 until paid-in-full with the first installment received February 1, 2011. The second note was for $205,000, bearing interest at 1 percent per annum, payable in monthly installments of $948.78 until paid-in-full with the first installment received July 1, 2012. The third note was for $220,000, bearing interest at 1 percent per annum, payable in monthly installments of $1,011.77 until paid-in-full with the first installment due January 1, 2013. At June 30, 2018, the District's remaining notes receivable balance was $671,460.61.

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	$ 1,744,588.29	$ -	$ 39,900.00	$ 1,704,688.29
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	5,248,449.69	433,804.84		5,682,254.53
Buildings and Fixed Equipment	97,308,674.42	92,430.64	224,273.55	97,176,831.51
Furniture, Fixtures, and Equipment	5,627,585.22	510,663.63	661,819.58	5,476,429.27
Motor Vehicles	7,629,915.29	76,771.68	468,178.00	7,238,508.97
Audio Visual Materials and Computer Software	-	162,729.95	-	162,729.95
Total Capital Assets Being Depreciated	115,814,624.62	1,276,400.74	1,354,271.13	115,736,754.23
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	3,708,550.93	133,793.02	-	3,842,343.95
Buildings and Fixed Equipment	38,143,544.07	2,090,960.67	205,306.40	40,029,198.34
Furniture, Fixtures, and Equipment	5,276,274.10	453,862.76	661,819.58	5,068,317.28
Motor Vehicles	5,704,653.08	473,495.04	468,178.00	5,709,970.12
Audio Visual Materials and Computer Software	-	32,545.99	-	32,545.99
Total Accumulated Depreciation	52,833,022.18	3,184,657.48	1,335,303.98	54,682,375.68
Total Capital Assets Being Depreciated, Net	62,981,602.44	(1,908,256.74)	18,967.15	61,054,378.55
Governmental Activities Capital Assets, Net	$ 64,726,190.73	$ (1,908,256.74)	$ 58,867.15	$ 62,759,066.84

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	$ 473,495.04
Unallocated	2,711,162.44
Total Depreciation Expense - Governmental Activities	$ 3,184,657.48

E. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

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

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

The District's FRS and HIS pension expense totaled $3,597,807 for the fiscal year ended June 30, 2018.

FRS Pension Plan

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

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

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

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

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is

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

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

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

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

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

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.
(2) Contribution rates are dependent upon retirement class in which reemployed.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a liability of $20,543,088 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's proportionate share of the net pension liability was based on the District's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was 0.069450826 percent, which was an increase of 0.001251453 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized the Plan pension expense of $3,018,780. 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	$ 1,885,361	$ 113,798
Change of Assumptions	6,903,928	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	509,109
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	163,640	1,513,706
District FRS Contributions Subsequent to the Measurement Date	1,912,178	-
Total	$ 10,865,107	$ 2,136,613

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

Fiscal Year Ending June 30	Amount
2019	$ 663,124
2020	2,430,346
2021	1,663,165
2022	210,516
2023	1,324,376
Thereafter	524,789
Total	$ 6,816,316

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

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

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

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

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

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

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

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.1 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.1 percent) or 1 percentage point higher (8.1 percent) than the current rate:

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

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

HIS Pension Plan

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

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

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a net pension liability of $10,077,001 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, and update procedures were used to determine liabilities as of July 1, 2017. The District's proportionate share of the net pension

liability was based on the District's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was 0.094243971 percent, which was an increase of 0.002576566 from its proportionate share measured as of June 30, 2016.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 20,982
Change of Assumptions	1,416,480	871,369
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	5,588 -	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	218,462	898,101
District HIS Contributions Subsequent to the Measurement Date	477,720	-
Total	$ 2,118,250	$ 1,790,452

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling $477,720, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ (22,308)
2020	(23,365)
2021	(23,873)
2022	10,226
2023	12,502
Thereafter	(103,104)
Total	$ (149,922)

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

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

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

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

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

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

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
District's Proportionate Share of the Net Pension Liability	$ 11,499,192	$ 10,077,001	$ 8,892,393

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

2. FRS – Defined Contribution Pension Plan

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

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

approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2017-18 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Elected County Officers	11.34

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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

The District's Investment Plan pension expense totaled $193,144 for the fiscal year ended June 30, 2018.

F. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District that provides OPEB for all employees who satisfy the District's retirement eligibility provisions. Pursuant to Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical and prescription drug coverage. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare

costs are generally greater than active employee healthcare costs. The OPEB Plan contribution requirements and benefit terms of the District and the OPEB Plan members are established and may be amended through action from the Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

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

Employees Covered by Benefit Terms. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	174
Active Employees	646
Total	820

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

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	Salary increase rates used for Regular Class members in the July 1, 2016, actuarial valuation of the FRS; 3.7 percent – 7.8 percent, including inflation.
Discount Rate	3.56 percent
Retirement Age	Retirement rates used for Regular Class members in the July 1, 2016, actuarial valuation of the FRS. They are based on the results of a Statewide experience study covering the period 2008 through 2013.
Mortality	Mortality tables used for Regular Class members in the July 1, 2016, actuarial valuation of the FRS. They are based on the results of a Statewide experience study covering the period 2008 through 2013.
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend rates starting at 7.25 percent and gradually trending to an ultimate rate of 4.24 percent plus 0.54 percent increase for excise tax.
Aging Factors	Based on the 2013 SOA Study "Health Care Costs – From Birth to Death."
Expenses	Administrative expenses are included in the per capita health costs.

The discount rate used to measure the total OPEB liability was 3.56 percent. For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA rating as of the measurement date. For the purpose of the OPEB Plan actuarial roll-forward, the municipal bond rate of 3.56 percent was based on the daily rate of Fidelity's "20-Bond GO 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, 2016, actuarial valuation of the FRS 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, 2016, actuarial valuation of the FRS 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.

	Amount
Balance at June 30, 2017, as Restated	$ 4,583,580
Changes for the year:	
Service Cost	126,381
Interest	132,339
Changes of Assumptions or Other Inputs	(172,198)
Benefit Payments	(355,575)
Net Changes	(269,053)
Balance at June 30, 2018	$ 4,314,527

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

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

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB Liability	$ 4,585,660	$ 4,314,527	$ 4,057,150

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

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

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of Assumptions or Other Inputs	$ -	$ 152,405
Benefits Paid Subsequent to the Measurement Date	373,523	-
Total	$ 373,523	$ 152,405

The amount reported as deferred outflows of resources related to OPEB, totaling $373,523, resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2019. The amount reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ (19,793)
2020	(19,793)
2021	(19,793)
2022	(19,793)
2023	(19,793)
Thereafter	(53,440)
Total	$ (152,405)

G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Workers' compensation, automobile liability, general liability, building and contents, boiler and machinery, errors and omissions, and employee health and hospitalization, life and dental coverage are being provided through purchase 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. Note Payable

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

Note Description	Amount Outstanding	Interest Rate (Percent)	Annual Maturity To
Section 1011.14, Florida Statutes, Note: Havana Middle School Addition	$ 183,331.85	2.76	2019

The District entered into a note totaling $1,725,000 in October 2013 as allowed under the provisions of Section 1011.14, Florida Statutes, which authorizes district school boards to create obligations for a period of 1 year. This obligation is allowed in anticipation of budgeted revenues accruing on a current basis, without pledging the credit of the District or requiring future levy of

taxes for certain purposes. This obligation may be extended from year to year, with the consent of the lender, for a period not to exceed 4 years, for a total of 5 years, including the initial year of the note. This obligation was undertaken to finance the construction of a classroom wing at Havana Magnet School (formerly known as Havana Middle School Addition project).

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

Fiscal Year Ending June 30	Total	Principal	Interest
2019	$ 185,861.83	$ 183,331.85	$ 2,529.98

2. Bonds Payable

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2009A, Refunding	$ 20,000.00	5	2019
Series 2014B, Refunding	47,000.00	2 - 5	2020
Sales Tax Revenue Bonds:			
Series 2013	1,776,521.20	3.28	2029
Total Bonds Payable	$ 1,843,521.20		

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

State School Bonds

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

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

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

The District has pledged a total of $2,114,349.52 of sales tax revenues in connections with the District Sales Tax Bonds, Series 2013, described above. During the 2017-18 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 86.4 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

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

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

3. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Installment-Purchases Payable	$ 218,565.83	$ -	$ 218,565.83	$ -	$ -
Note Payable	542,542.90	-	359,211.05	183,331.85	183,331.85
Bonds Payable	2,185,173.17	-	341,651.97	1,843,521.20	187,270.12
Compensated Absences Payable	2,310,154.26	442,040.99	402,698.80	2,349,496.45	511,085.99
Other Postemployment Benefits Payable (1)	4,583,580.00	258,720.00	527,773.00	4,314,527.00	373,523.00
Net Pension Liability	27,903,853.00	17,443,522.00	14,727,286.00	30,620,089.00	271,111.00
Total Governmental Activities	$37,743,869.16	$ 18,144,282.99	$ 16,577,186.65	$ 39,310,965.50	$ 1,526,321.96

(1) OPEB payable beginning balance adjusted for adoption of GASB Statement No. 75, as described in Note II.

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.G.10., fund balances may be classified as follows:

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

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

J. Interfund Receivables and Payables

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

	Interfund	
Funds	**Receivables**	**Payables**
Major:		
General	$ 1,688,656.82	$ -
Special Revenue:		
Food Service	5,422.00	397,644.77
Other	-	928,239.47
Capital Projects:		
Local Capital Improvement	-	368,194.58
Total	$ 1,694,078.82	$ 1,694,078.82

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

K. Revenues

1. Schedule of State Revenue Sources

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

Source	**Amount**
Florida Education Finance Program	$ 24,451,832.00
Categorical Educational Program - Class Size Reduction	5,311,184.00
Voluntary Prekindergarten Program	626,033.35
Workforce Development Program	346,242.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	291,865.27
School Recognition	234,338.00
Gross Receipts Tax (Public Education Capital Outlay)	181,227.00
Charter School Capital Outlay	111,130.00
Food Service Supplement	74,354.00
Miscellaneous	1,001,753.56
Total	$ 32,629,959.18

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

2. Property Taxes

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

	Millages	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required Local Effort	4.289	$ 6,525,425.29
Basic Discretionary Local Effort	0.748	1,138,031.74
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,282,149.20
Total	6.537	$ 9,945,606.23

L. Interfund Transfers

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

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

The transfers to the General Fund were for maintenance and property casualty insurance premiums paid from the General Fund and reimbursed with the Capital Projects – Local Capital Improvement Fund and for charter school capital outlay from the nonmajor capital projects fund. The transfers to the nonmajor governmental funds were to pay the current year debt service payment on the note issued for the Havana Magnet School (formerly known as the Havana Middle School Addition project), the installment-purchases payable for school buses, and the sales tax revenue bonds payable.

Budgetary Comparison Schedule
General and Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2018

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 75,107.09	$ 32,546.74	$ 32,546.74	$ -
Federal Through State and Local	301,388.02	336,837.22	336,837.22	-
State	31,748,179.59	31,971,382.61	31,971,382.91	0.30
Local:				
Property Taxes	7,353,853.00	7,459,658.25	7,459,658.25	-
Charges for Services - Food Service	-	-	-	-
Miscellaneous	1,517,000.00	1,690,137.66	1,680,756.26	(9,381.40)
Total Local Revenues	8,870,853.00	9,149,795.91	9,140,414.51	(9,381.40)
Total Revenues	40,995,527.70	41,490,562.48	41,481,181.38	(9,381.10)
Expenditures				
Current - Education:				
Instruction	21,519,249.00	22,173,505.56	22,185,633.20	(12,127.64)
Student Support Services	1,943,230.93	1,875,326.52	1,875,351.52	(25.00)
Instructional Media Services	643,816.99	612,809.31	612,809.31	-
Instruction and Curriculum Development Services	1,089,042.01	1,024,122.69	1,025,310.69	(1,188.00)
Instructional Staff Training Services	476,154.93	452,273.99	453,307.99	(1,034.00)
Instruction-Related Technology	183,336.67	159,190.10	159,390.40	(200.30)
Board	312,826.44	377,816.94	402,320.86	(24,503.92)
General Administration	531,041.67	653,003.87	686,420.87	(33,417.00)
School Administration	3,306,188.29	3,349,327.55	3,347,827.55	1,500.00
Facilities Acquisition and Construction	132,634.40	82,862.79	82,862.79	-
Fiscal Services	600,085.46	621,627.99	621,627.99	-
Food Services	572.98	12,060.90	12,060.90	-
Central Services	269,510.58	308,601.52	335,326.33	(26,724.81)
Student Transportation Services	2,714,595.39	3,455,138.33	3,455,138.33	-
Operation of Plant	5,977,831.21	5,424,628.55	5,424,628.55	-
Maintenance of Plant	1,121,391.49	1,231,713.04	1,216,797.20	14,915.84
Administrative Technology Services	1,499,330.24	854,214.58	858,502.78	(4,288.20)
Community Services	14,213.71	12,328.86	12,328.86	-
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	23,212.51	23,212.51	-
Other Capital Outlay	-	393,200.07	393,200.07	-
Total Expenditures	42,335,052.39	43,096,965.67	43,184,058.70	(87,093.03)
Deficiency of Revenues Over Expenditures	(1,339,524.69)	(1,606,403.19)	(1,702,877.32)	(96,474.13)
Other Financing Sources (Uses)				
Transfers In	1,406,382.00	1,598,218.85	1,709,348.85	111,130.00
Sale of Capital Assets	9,000.00	723,165.42	714,550.00	(8,615.42)
Loss Recoveries	-	185,000.00	193,615.42	8,615.42
Transfers Out	(201,366.62)	(201,186.08)	(201,366.07)	(179.99)
Total Other Financing Sources	1,214,015.38	2,305,198.19	2,416,148.20	110,950.01
Net Change in Fund Balances	(125,509.31)	698,795.00	713,270.88	14,475.88
Fund Balances, Beginning	2,159,250.30	1,969,350.82	1,969,350.85	0.03
Fund Balances, Ending	$ 2,033,740.99	$ 2,668,145.82	$ 2,682,621.73	$ 14,475.91

Special Revenue - Food Service Fund				Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ -	$ -	$ -	$ -	$ 2,070,498.69	$ 2,221,201.06	$ 2,221,201.06	$ -
3,955,097.00	4,030,980.02	4,640,185.08	609,205.06	6,252,799.94	7,268,677.90	7,268,677.90	-
76,783.00	76,783.00	74,354.00	(2,429.00)	-	-	-	-
-	-	-	-	-	-	-	-
127,658.00	127,658.00	132,032.44	4,374.44	-	-	-	-
-	-	-	-	-	-	-	-
127,658.00	127,658.00	132,032.44	4,374.44	-	-	-	-
4,159,538.00	4,235,421.02	4,846,571.52	611,150.50	8,323,298.63	9,489,878.96	9,489,878.96	-
-	-	-	-	4,509,232.32	5,369,575.76	5,369,575.76	-
-	-	-	-	1,040,576.94	1,257,774.02	1,257,774.02	-
-	-	-	-	21,599.62	11,667.11	11,667.11	-
-	-	-	-	869,533.79	1,088,387.71	1,088,387.71	-
-	-	-	-	650,227.59	722,738.61	722,738.61	-
-	-	-	-	58,531.87	62,396.00	62,396.00	-
-	-	-	-	-	-	-	-
-	-	-	-	354,661.57	41,885.50	41,885.50	-
-	-	-	-	32,587.32	26,621.72	26,621.72	-
-	-	-	-	232,231.30	-	-	-
-	-	-	-	-	-	-	-
3,995,053.85	4,241,692.31	4,762,282.62	(520,590.31)	-	1,109.39	1,109.39	-
-	-	-	-	132,953.03	93,432.25	93,432.25	-
-	-	-	-	267,203.93	516,103.09	516,103.09	-
-	-	-	-	92,430.36	89,590.60	89,590.60	-
-	-	-	-	2,618.25	-	-	-
-	-	-	-	5,910.66	3,284.05	3,284.05	-
-	-	-	-	53,000.08	29,773.74	29,773.74	-
-	-	-	-	-	-	-	-
500,000.00	378,972.67	378,972.67	-	-	175,539.41	175,539.41	-
4,495,053.85	4,620,664.98	5,141,255.29	(520,590.31)	8,323,298.63	9,489,878.96	9,489,878.96	-
(335,515.85)	(385,243.96)	(294,683.77)	90,560.19	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(335,515.85)	(385,243.96)	(294,683.77)	90,560.19	-	-	-	-
1,237,206.85	1,237,206.85	1,191,305.95	(45,900.90)	-	-	-	-
$ 901,691.00	$ 851,962.89	$ 896,622.18	$ 44,659.29	$ 0.00	$ 0.00	$ 0.00	$ 0.00

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

	2018
Total OPEB Liability	
Service Cost	$ 126,381
Interest	132,339
Changes of Assumptions or Other Inputs	(172,198)
Benefit Payments	(355,575)
Net Change in Total OPEB Liability	(269,053)
Total OPEB Liability - Beginning, as Restated	4,583,580
Total OPEB Liability - Ending	$ 4,314,527
Covered-Employee Payroll	$ 23,752,855
Total OPEB Liability as a Percentage of Covered-Employee Payroll	18.16%

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

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

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

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

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

(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)

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

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

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

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

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

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

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

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of Assumptions. The discount rate used to determine total OPEB liability was increased from 2.92 percent in 2016 to 3.56 percent in 2017.

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

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

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

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

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Gadsden County District School Board
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Clustered				
Child Nutrition Cluster:				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	18002	$ -	$ 1,201,260.94
National School Lunch Program	10.555	18001, 18003	-	3,097,853.13
Summer Food Service Program for Children	10.559	17006, 17007, 18006, 18007	-	223,739.42
Total Child Nutrition Cluster			-	4,522,853.49
Student Financial Assistance Cluster:				
United States Department of Education:				
Federal Pell Grant Program	84.063	N/A	-	39,225.40
Special Education Cluster:				
United States Department of Education:				
Special Education - Grants to States:	84.027			
Florida Department of Education		263	-	1,830,439.26
Leon County District School Board		None	-	22,753.80
Total Special Education - Grants to States	84.027		-	1,853,193.06
Special Education - Preschool Grants:				
Florida Department of Education	84.173	267	-	53,270.60
Total Special Education Cluster			-	1,906,463.66
TRIO Cluster:				
United States Department of Education:				
Florida State University:				
TRIO - Upward Bound	84.047	None	-	1,203.00
Not Clustered				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
Fresh Fruit and Vegetable Program	10.582	18004	-	117,331.59
United States Department of Defense:				
Army Junior Reserve Officers Training Corps	12.UNK	N/A	-	32,546.74
United States Department of Education:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 226	121,444.71	2,301,670.21
Career and Technical Education - Basic Grants to States	84.048	161	-	167,321.92
Education for Homeless Children and Youth	84.196	127	-	65,000.00
Twenty-First Century Community Learning Centers	84.287	244	-	2,320,564.39
Rural Education	84.358	110	-	64,083.02
English Language Acquisition State Grants	84.365	102	-	99,182.74
Supporting Effective Instruction State Grants	84.367	224	-	310,460.38
Student Support and Academic Enrichment Program	84.424	241	-	32,185.68
Total United States Department of Education			121,444.71	5,360,468.34
United States Department of Health and Human Services:				
Head Start	93.600	N/A	-	2,183,721.56
Corporaton for National and Community Service:				
Tallahassee Community College:				
AmeriCorps	94.006	None	-	15,456.90
Total Expenditures of Federal Awards			$ 121,444.71	$ 14,179,270.68

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, 2018. 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 $288,503.16 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(5) Head Start. Expenditures include $881,852.98 for grant number/program year 04CH4687/04 and $1,301,868.58 for grant number/program year 04CH4687/05.

AUDITOR GENERAL
STATE OF FLORIDA

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 18, 2019, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the District's financial statements. For the discretely presented component unit, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statement of the school internal funds was not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or

detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Financial Statement Finding Nos. 2018-001 and 2018-002, that we consider to be significant deficiencies.

Compliance and Other Matters

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

We identified a certain additional matter finding which is described on pages 69 and 70.

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** Financial Statement Finding Nos. 2018-001 and 2018-002 and in the **CORRECTIVE ACTION PLAN**. The District's response to the additional matter finding identified in our audit is described on page 70 in Finding AM 2018-001. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 18, 2019

AUDITOR GENERAL
STATE OF FLORIDA

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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

We have audited the Gadsden County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2018. The District's major Federal programs are identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for major Federal programs. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on the Child Nutrition Cluster

As described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**, the District did not comply with requirements regarding the Child Nutrition Cluster, CFDA Nos. 10.553, 10.555, and 10.559, as described in Federal Awards Finding No. 2018-003 for Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on the Child Nutrition Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the fiscal year ended June 30, 2018.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 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, 2018.

Other Matters

The District's response to the noncompliance finding identified in our audit is described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** Federal Awards Finding No. 2018-003 and in the **CORRECTIVE ACTION PLAN**. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a

reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Federal Finding No. 2018-003 that we consider to be a material weakness.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** Federal Awards Finding No. 2018-003 and in the **CORRECTIVE ACTION PLAN**. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 18, 2019

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
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major Federal programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major Federal programs:	Unmodified for the Special Education Cluster and qualified for the Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559).
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Identification of major Federal programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.027 and 84.173	Special Education Cluster
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

BANK ACCOUNT RECONCILIATIONS

Finding Number	**2018-001**
Opinion Units	Governmental Activities, Major Funds: General Fund, Special Revenue – Food Service Fund, and Capital Projects – Local Capital Improvement Fund, and Aggregate Remaining Fund Information
Financial Statements Account Titles	Cash
Fund Names	General Fund, Special Revenue – Food Service Fund, Capital Projects – Local Capital Improvement Fund, and Other Governmental Funds
Adjustment Amounts	None
Prior Year Finding	Not Applicable

Finding

District procedures did not always provide for timely bank account reconciliations.

Criteria

Effective internal controls require that reconciliations of bank account balances to general ledger account balances be performed on a timely, routine basis.

Properly prepared bank account reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts, promptly detect and correct unrecorded and improperly recorded cash transactions or bank errors and provide for the efficient and economic management of cash resources.

Condition

During the 2017-18 fiscal year, the District maintained eight bank accounts and District personnel indicated that they relied on online activity reports to monitor cash balances and cash needs. At June 30, 2018, the District's adjusted general ledger cash account balances and financial statement cash account balances each totaled $2,427,844, while the bank account statement cash balances totaled $4,843,940. However, as of January 2019, the December 2017 through June 2018 bank account reconciliations had not been completed for three bank accounts with bank statement cash balances totaling $1,551,971 at June 30, 2018, and the June 30, 2018, bank account reconciliation had not been completed for another bank account with a bank statement cash balance of $612,034 at June 30, 2018.

As part of our audit procedures, we examined District records and determined that the financial statement reported cash account balances were materially correct at June 30, 2018. However, our procedures cannot substitute for management's responsibility to implement adequate controls over the bank account reconciliation process.

Cause

District personnel indicated that, due to Business and Finance Department personnel turnover and implementation of a new accounting system, bank account reconciliations were not always prepared.

Effect

Absent effective procedures for the timely preparation of bank account reconciliations, there is an increased risk that any cash transaction errors or fraud that may occur will not be timely detected. Additionally, without such procedures, the reliability of the general ledger financial information throughout the year and the Board's ability to effectively monitor the District's financial position is diminished.

Recommendation

The District should enhance procedures to ensure that reconciliations of bank account cash balances to the general ledger account balances are timely

performed with reconciling items promptly identified, thoroughly investigated, adequately documented, and resolved.

District Response

The District will enhance its procedures to ensure that reconciliations of bank account cash balances to the general ledger account balances are timely performed with reconciling items promptly identified. As part of the process, the District will investigate differences and provide documentation supporting the resolution.

INFORMATION TECHNOLOGY ACCESS PRIVILEGES

Finding Number	**2018-002**
Opinion Units	Not Applicable
Financial Statements Account Titles	Not Applicable
Fund Names	Not Applicable
Adjustment Amounts	Not Applicable
Prior Year Finding	Not Applicable

Finding

Eleven employees had full update access privileges to information technology (IT) applications or components that allowed them to perform incompatible functions or functions that were not necessary to perform their assigned job responsibilities.

Criteria

Access controls are intended to protest District data and IT resources from unauthorized disclosure, modification, or destruction. Effective access controls include granting IT users access to IT resources based on a demonstrated need to view, add, modify, or delete data and restrict employees from performing functions incompatible or inconsistent with their assigned job responsibilities.

In addition, periodic evaluations of assigned IT access privileges are necessary to ensure that employees can only access those IT resources that are necessary to perform their assigned job responsibilities and that assigned access privileges enforce an appropriate separation of incompatible duties.

Condition

The District implemented a new accounting system in October 2017 composed of finance and human resource (HR) applications, as well as a product setup component that allows for the technical configuration and system administration of both applications. The District finance application includes, for example, the ability to create and edit vendor information, create and post journal entries, and process payment transactions. The District HR application includes, for example, the ability to add new employees, adjust pay rates, edit leave balances, and process payroll transactions. The product setup component includes, for example, the ability to add modify, or delete data; create IT user accounts; and assign IT user access privileges to the District applications and setup component.

As part of our audit, we examined District records supporting the IT access privileges granted to 67 IT users during the 2017-18 fiscal year to the District applications and setup component. We found that 11 employees, including the Finance Director, the Budget Director, the Cash Manager, an administrative technology coordinator, and 7 other employees had full update access privileges to both the finance and HR applications as well as the product setup component that allowed them to perform functions incompatible or inconsistent with their assigned job responsibilities. For example, with these privileges, the individuals could perform the incompatible functions of processing transactions and modifying the data underlying the transactions.

Cause

District personnel indicated that they received limited training on the new accounting system as it was being implemented and full update access privileges were given to the 11 employees to minimize the daily obstacles associated with

	implementation and to provide back-up personnel to continue with critical District operations uninterruptedly in the absence of key personnel.
Effect	The existence of inappropriate or unnecessary IT access privileges increases the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur and not be timely detected. Our examination of District records supporting selected transactions indicated those transactions were properly supported; however, our procedures cannot substitute for management's responsibility to establish and maintain an adequate system of internal control.
Recommendation	District management should ensure that assigned IT access privileges restrict employees from performing functions incompatible or inconsistent with their assigned job responsibilities. Such efforts should include appropriate training to educate employees how to effectively assign access privileges based on employee job responsibilities.
District Response	The District shall ensure that IT access to software be restricted to employees performing functions consistent with their assigned job responsibilities.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF AGRICULTURE

Finding Number	**2018-003**
CFDA Number	10.553, 10.555, and 10,559
Program Title	**Child Nutrition Cluster (CNC)**
Compliance Requirement	Allowable Costs/Cost Principles – Indirect Costs
Pass-Through Entity	Florida Department of Agriculture and Consumer Services (FDACS)
Federal Grant/Contract Number and Grant Year	Contract # 18143 - 2018
Statistically Valid Sample	No
Finding Type	Opinion Qualification, Noncompliance, and Material Weakness
Questioned Costs	$274,284
Prior Year Finding	Not Applicable

Finding	Contrary to the FDACS requirement, the District overcharged indirect costs to the CNC by applying the unrestricted instead of the restricted indirect cost rate, resulting in questioned costs totaling $274,284.
Criteria	Title 2, Part 200, Code of Federal Regulations, provides principles for determining allowable costs, including indirect costs that may be allocated to a Federal program. Indirect costs are costs that are incurred for a common or joint purpose, are not readily identified with a particular final cost objective without effort disproportionate to the results achieved and are calculated by multiplying allowed costs by an approved indirect cost rate. In addition, FDACS Rule 5P-2.002(h), Florida Administrative Code, provides that the district school board shall have the responsibility to limit the amount of funds recovered annually for food service indirect costs to the district's approved restricted indirect cost rate.
Condition	For the 2017-18 fiscal year, the District charged $371,686 for indirect costs to the CNC by applying the unrestricted indirect cost rate to the Special Revenue - Food Service Fund total expenditures less the expenditures for capital outlay, replacement of equipment, and costs of food supplies. While the expenditures were allowed cost objectives to which the indirect costs can be incurred, the District incorrectly used the unrestricted indirect cost rate of 20.53 percent instead

of the restricted indirect cost rate of 5.38 percent in the calculation of the indirect costs recovery, contrary to the FDACS requirement. As a result, the District overcharged the CNC for indirect costs of $274,284, which represents questioned costs subject to disallowance by the FDACS.

Cause

In response to our inquiries, District personnel referenced the *USDA Indirect Costs Guidance for State Agencies and School Food Authorities* (*Guidance*) as the legislation authorizing the School Meal Programs, which allows the District to charge the school food service program at the unrestricted rate. Notwithstanding this response, the *Guidance* also provides that where a non-Federal entity (i.e., the District) only receives funds as a subrecipient, the pass-through entity will be responsible for negotiating and monitoring the subrecipient's indirect costs. As the FDACS is the pass-through entity, the FDACS is responsible for negotiating the District's indirect costs and, pursuant to FDACS rules, the amount of funds recovered annually for food service costs is limited to the District's approved restricted indirect cost rate.

Effect

Without applying the restricted indirect cost rate to the CNC, the indirect cost overcharges totaling $274,284 represent questioned costs.

Recommendation

The District should enhance procedures to ensure that the indirect cost recovery is calculated with the restricted indirect cost rate and limited to the allowable amount. In addition, the District should provide documentation to the FDACS supporting the allowability of the questioned costs totaling $274,284 or restore this amount to the Special Revenue – Food Service Fund.

District Response

The District shall enhance its procedures to ensure that the indirect cost recovery for School Food Service is calculated in accordance with the regulations from the FDACS and comply with any guidance provided by FDACS regarding this issue.

ADDITIONAL MATTER

BUDGETARY CONTROLS

Finding Number	**AM 2018-001**
Opinion Units	Major Funds: General Fund, Special Revenue – Food Service Fund, and Special Revenue – Other Fund.
Financial Statements Account Titles	Not Applicable
Fund Names	General Fund, Special Revenue – Food Service Fund, and Special Revenue – Other Fund.
Adjustment Amounts	Not Applicable
Prior Year Finding	Not Applicable

Finding

District procedures did not always limit expenditures to budgeted amounts, contrary to State law and State Board of Education rules.

Criteria

In governmental funds, nonspendable, restricted, and committed accounts are used to indicate the portion of fund balance that is limited for specific purposes and not available for general appropriations by the Board, while the total remaining fund balance (i.e., assigned and unassigned fund balance accounts) is designed to serve as a measure of net current financial resources available for general appropriation by the Board. The assigned and unassigned portions of fund balance represent the amount that may be used with the most flexibility for emergencies and unforeseen situations.

Section 1011.051, Florida Statutes, requires the District to maintain a General Fund ending fund balance that is sufficient to address normal contingencies. If at any time the portion of the General Fund's total ending fund balance classified as assigned and unassigned fund balance in the District's approved operating budget as a percentage of General Fund total revenue (i.e., financial condition ratio) is projected to fall below 3 percent during the fiscal year, the Superintendent must provide written notification to the Board and the Florida Department of Education (FDOE).

Section 1011.05, Florida Statutes, provides that the official budget shall not be altered, amended, or exceeded except as authorized.

State Board of Education (SBE) Rule 6a-1.007(2), Florida Administrative Code, provides that no expenditure shall be authorized or obligation incurred that is in excess of budgetary appropriation and require that the Board approve amendments to the budget whenever the function amounts are changed from the original budget. The process for adopting and amending the budget provides the District a mechanism to plan a level of expenditures to meet its obligations while remaining within available financial resources.

Condition

As of June 30, 2018, the District reported a total of $2,052,367 for General Fund assigned and unassigned fund balance, which represents a financial condition ratio of 4.95 percent. In addition, for the 2017-18 fiscal year, General Fund expenditures totaled $43,184,059 for 20 functional expenditure categories. However, our examination of District records disclosed that the District overexpended 9 of these categories by $25 to $33,417, or a total of $103,509. In addition, at June 30, 2018, the District reported budgetary overexpenditures totaling $520,590 in one function for the Special Revenue – Food Service Fund.

Cause	District budgetary monitoring controls were not sufficient to ensure that expenditures were limited to established budget amounts or to promote compliance with State law and SBE rules. District personnel indicated that the budget overexpenditures occurred mainly because their efforts were focused on implementing the new accounting system.
Effect	While the District financial condition ratio at June 30, 2018, was not below 3 percent and did not require the Superintendent to notify the Board and the FDOE, appropriate monitoring and amending the budget to meet changing financial circumstances would reduce the risk for expenditures to exceed available resources.
Recommendation	The District should enhance budgetary procedures to ensure that expenditures are limited to budgeted amounts as required by State law and SBE rules.
District Response	The District shall enhance its budgetary procedures to ensure that expenditures are limited to budgeted amounts pursurant to all applicable laws and rules.
District Contact and Telephone Number:	Bonnie Wood, (850) 627-9651

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for the financial statement audit findings included in our report No. 2018-124.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

THE SCHOOL BOARD OF GADSDEN COUNTY

35 Martin Luther King, Jr. Blvd
Quincy, Florida 32351
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Roger P. Milton
Superintendent
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"Putting Children First"

Audit Report No. (Finding No.)	Program/Area	Brief Description	Status	Comments
2014-171 (1) 2015-164 (1), (2), and (3) 2016-156 (1) 2017-189 (2016-001) 2018-124 (2017-002)	Financial Reporting	District financial reporting procedures continue to need improvement to ensure financial statement account balances and transactions are properly reported.	Fully corrected.	
2018-124 (2017-001)	Audit - Discretely Present Component Unit	District efforts to monitor financial activities of charter schools could be improved.	Fully corrected.	
2018-124 (2017-003)	School Internal Funds	District accountability over school internal funds needs improvement.	Fully corrected.	

Audrey Lewis DISTRICT NO. 1 HAVANA, FL 32333 MIDWAY, FL 32343

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

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

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

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

"The Gadsden County School District does not discriminate against any person on the basis of sex (including transgender status, gender nonconforming, and gender identity), marital status, sexual orientation, race, religion, ethnicity, national origin, age, color, pregnancy, disability, or genetic information."

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Roger P. Milton
Superintendent
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"Putting Children First"

March 18, 2019

Gadsden County District School Board
Management's Corrective Action Plans
For the Fiscal Year Ended June 30, 2018

Finding Number:	*2018-001.*
Planned Corrective Action:	The District converted to new payroll and financial software in October, 2017, and is working to learn how to operate the systems. The District is devoting personnel and resources to making the essential reconciliations timely and accurate.
Anticipated Completion Date:	June 30, 2019
Responsible Contact Person:	Bonnie Wood
Finding Number:	*2018-002.*
Planned Corrective Action:	The District converted to new software in October, 2017, and is working to learn how to operate the systems. The District's Information Technology Department is restricting functions for the designated employees to be compatible with their respective functions.
Anticipated Completion Date:	April 30, 2019
Responsible Contact Person:	Darlean Youmans
Finding Number:	*2018-003.*
Planned Corrective Action:	The District will be working with the Florida Department of Agriculture and Consumer Services Department to clarify the indirect rate applicable for the School Food Service Program and adhere to its guidance.
Anticipated Completion Date:	April 30, 2019
Responsible Contact Person:	Bonnie Wood

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