

Report No. 2018-124  
March 2018

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial and Federal Single Audit**

**GADSDEN COUNTY  
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended  
June 30, 2017



Sherrill F. Norman, CPA  
Auditor General

## Board Members and Superintendent

During the 2016-17 fiscal year, Roger P. Milton served as Superintendent of the Gadsden County Schools from 11-22-16, Reginald C. James served as Superintendent before that date, and the following individuals served as School Board Members:

	<u>District No.</u>
Audrey D. Lewis from 11-22-16 <sup>a</sup>	1
Steve Scott, Vice Chair from 11-22-16	2
Isaac Simmons Jr., Chair from 11-22-16, Vice Chair through 11-21-16	3
Charlie D. Frost	4
Tyron D. Smith from 11-22-16	5
Roger P. Milton, Chair through 11-21-16	5

<sup>a</sup> Board Member position vacant through 11-21-16.

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 Cheryl B. Buchanan, 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](mailto:micahrodgers@aud.state.fl.us) or by telephone at (850) 412-2905.

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## SUMMARY

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### 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, with the exception of the aggregate discretely presented component units; and the school internal funds, which comprise a significant portion of the aggregate remaining fund information.

### SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

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.

#### Material Weakness

**Finding No. 2017-001:** The District did not always document appropriate monitoring of charter schools. In addition, one of the District's two charter schools terminated in July 2017 and did not provide an audit report of its 2016-17 fiscal year financial statements to the District for consideration in the audit of the District financial statements.

#### Significant Deficiencies

**Finding No. 2017-002:** District financial reporting procedures for pension expenses and related liabilities and capital assets need improvement.

**Finding No. 2017-003:** District accountability over school internal funds needs to be enhanced.

### SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Title I, Twenty-First Century, and Head Start programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

### AUDIT OBJECTIVES AND SCOPE

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;

- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on the District's major Federal programs;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2017-189.

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, 2017. 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
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We conducted our audit in accordance with auditing standards generally accepted in the United States of America; applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.



Sherrill F. Norman, CPA  
Auditor General

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2017, and the related notes to the financial statements. We were not engaged to audit the financial statements of the aggregate discretely presented component units. These financial statements 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 statements of the school internal funds, which represent 18 percent of the assets and 100 percent of the liabilities of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based solely on the report 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. Because of the matter described in the "Basis for Disclaimer of Opinion"

paragraph; however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component units. The financial statements of the school internal funds were 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.

Except for the matter described in the Basis of Disclaimer of Opinion paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and qualified audit opinions.

***Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units***

During the 2016-17 fiscal year, the Board sponsored two charter schools: Crossroad Academy Charter School and Galloway Academy Foreign Language Immersion Charter School (Galloway Academy Charter School). The financial statements of Galloway Academy Charter School have not been audited, and we were not engaged to audit these financial statements as part of our audit of the Gadsden County District School Board's basic financial statements. Although required to be included in the aggregate discretely presented component units on the accompanying basic financial statements, the District did not report Galloway Academy Charter School financial statement information because the information was not audited. In July 2017, the Commissioner of Education terminated the Galloway Academy Charter School and the Galloway Academy Charter School ceased operations.

***Disclaimer of Opinion on the Aggregate Discretely Presented Component Units***

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units of the Gadsden County District School Board. Accordingly, we do not express an opinion on these financial statements.

***Basis for Qualified Opinions on the Aggregate Remaining Fund Information***

Audits of the school and activity funds, commonly called the school internal funds, are performed by other auditors pursuant to State Board of Education Rule 6A-1.087, Florida Administrative Code. The auditors of the school internal funds reported that the District was unable to provide complete and sufficient documentary evidence to support the revenues at one school. As a result, the auditors qualified their opinion on the school internal funds.

### ***Qualified Opinion on the Aggregate Remaining Fund Information***

In our opinion, based on our audit and the report of other auditors, except for the possible effects of the matter described in the “Basis for Qualified Opinion on the Aggregate Remaining Fund Information” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining funds information of the Gadsden County District School Board, as of June 30, 2017, and the changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Gadsden County District School Board, as of June 30, 2017, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that **MANAGEMENT’S DISCUSSION AND ANALYSIS**, the **Budgetary Comparison Schedule – General and Major Special Revenue Funds**, **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **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 a report dated February 21, 2018, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
February 21, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2017. 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 2016-17 fiscal year are as follows:

- In total, net position decreased by \$3.6 million, or 8.2 percent for the 2016-17 fiscal year primarily due to an increase of \$8.2 million in the net pension liability.
- General revenues total \$53.2 million, or 88 percent of all revenues for the 2016-17 fiscal year, compared to \$51.6 million, or 87.6 percent for the 2015-16 fiscal year.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$1.9 million at June 30, 2017, or 4.2 percent of General Fund expenditures, as compared to \$2.9 million at June 30, 2016, or 6.7 percent of General Fund expenditures and \$1.7 million at June 30, 2015, or 3.9 percent of General Fund expenditures.
- During the current fiscal year, General Fund expenditures exceeded revenues by \$2.2 million. This may be compared to the 2015-16 fiscal year's result in which General Fund expenditures exceeded revenues by \$0.5 million and the 2014-15 fiscal year's results in which General Fund expenditures exceeded revenues by \$1.2 million.
- The total long-term debt decreased by \$1 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: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The District's component units consist of two charter schools. The Galloway Academy Foreign Language Immersion and the Crossroad Academy Charter Schools are legally separate organizations and component units of the Gadsden County District School Board that should be included in this report because they meet the criteria for inclusion provided by generally accepted account principles. Financial information for the Crossroad Academy Charter School is reported separately from the criteria for inclusion provided by primary government. No financial information was available to be reported for the other charter school at June 30, 2017.

### **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, and Special Revenue – Other Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

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

### **Notes to Financial Statements**

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

### **Other Information**

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

<b>GOVERNMENT-WIDE FINANCIAL ANALYSIS</b>
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As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2017, compared to net position as of June 30, 2016:

## Net Position, End of Year

	Governmental Activities	
	6-30-17	6-30-16
Current and Other Assets	\$ 8,323,018	\$ 8,472,857
Capital Assets	64,726,191	67,579,907
<b>Total Assets</b>	<b>73,049,209</b>	<b>76,052,764</b>
<b>Deferred Outflows of Resources</b>	<b>10,800,220</b>	<b>4,612,186</b>
Long-Term Liabilities	36,527,204	29,222,731
Other Liabilities	3,517,402	2,561,189
<b>Total Liabilities</b>	<b>40,044,606</b>	<b>31,783,920</b>
<b>Deferred Inflows of Resources</b>	<b>3,252,255</b>	<b>4,718,076</b>
Net Position:		
Net Investment in Capital Assets	61,779,909	63,683,275
Restricted	2,142,943	2,261,732
Unrestricted (Deficit)	(23,370,284)	(21,782,053)
<b>Total Net Position</b>	<b>\$ 40,552,568</b>	<b>\$ 44,162,954</b>

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

The 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, \$3.4 million in other postemployment benefit obligations, and \$27.9 million in net pension liability.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2017, and June 30, 2016, are as follows:

## Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-17	6-30-16
Program Revenues:		
Charges for Services	\$ 227,825	\$ 281,923
Operating Grants and Contributions	6,569,689	6,626,304
Capital Grants and Contributions	451,387	393,846
General Revenues:		
Property Taxes, Levied for Operational Purposes	7,693,589	7,994,793
Property Taxes, Levied for Capital Projects	2,179,186	2,148,936
Grants and Contributions Not Restricted to Specific Programs	41,486,264	40,493,362
Unrestricted Investment Earnings	47,233	15,740
Miscellaneous	1,761,862	989,793
<b>Total Revenues</b>	<b>60,417,035</b>	<b>58,944,697</b>
Functions/Program Expenses:		
Instruction	29,129,609	26,743,517
Student Support Services	2,914,629	2,766,714
Instructional Media Services	640,426	682,710
Instruction and Curriculum Development Services	2,262,545	1,968,140
Instructional Staff Training Services	1,682,735	958,126
Instruction-Related Technology	200,052	384,457
Board	434,975	604,403
General Administration	1,015,009	1,044,013
School Administration	3,669,153	3,212,472
Facilities Acquisition and Construction	377,972	434,503
Fiscal Services	452,375	496,746
Food Services	5,051,463	4,214,911
Central Services	485,070	522,081
Student Transportation Services	3,555,615	3,564,181
Operation of Plant	6,037,125	5,632,582
Maintenance of Plant	973,813	1,189,098
Administrative Technology Services	1,296,601	696,637
Community Services	303,475	75,452
Unallocated Interest on Long-Term Debt	120,590	151,401
Unallocated Depreciation Expense	3,407,738	2,913,719
Loss on Disposal of Capital Assets	16,451	-
<b>Total Functions/Program Expenses</b>	<b>64,027,421</b>	<b>58,255,863</b>
<b>Change in Net Position</b>	<b>(3,610,386)</b>	<b>688,834</b>
Net Position - Beginning	44,162,954	43,474,120
<b>Net Position - Ending</b>	<b>\$ 40,552,568</b>	<b>\$ 44,162,954</b>

The largest revenue source is the State of Florida (55.5 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. Other State revenues are primarily for meeting the requirements of the class size amendment.

Instruction expenses represent 45.5 percent of total governmental expenses in the 2016-17 fiscal year. Overall expenses increased by \$5.8 million, or 10 percent since the prior fiscal year. Some areas of increased spending noted were for Instruction, Instructional Staff Training Services, and Food Services, due mainly to salary increases for the 2016-17 fiscal year.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### **Governmental Funds**

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

The total fund balances of governmental funds decreased by \$1.1 during the fiscal year to \$4.1 million at June 30, 2017. Approximately 46.5 percent of this amount is unassigned fund balance (\$1.9 million), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable or restricted to indicate that it is 1) not in spendable form (\$0.2 million), or 2) restricted for particular purposes (\$2 million).

### **Major Governmental Funds**

The General Fund is the District's chief operating fund. At the end of the current fiscal year, assigned and unassigned fund balance is \$1.9 million, while the total fund balance is \$2 million. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is 4.4 percent of the total General Fund revenues, while total fund balance represents approximately 4.6 percent of total General Fund revenues.

Total fund balance decreased by \$1 million during the fiscal year primarily due to Board-approved salary increases for all employees.

The District accounts for the operations of the food service program in the Special Revenue – Food Service Fund, with a total fund balance of \$1.2 million. The total fund balance decreased \$0.1 million mainly because of indirect cost paid to the General Fund.

The Special Revenue – Other Fund is used by the District to account for resources of certain Federal grant programs and, for the 2016-17 fiscal year, had revenues and expenditures totaling \$9.7 million each, an increase of \$0.6 million over the 2015-2016 fiscal year. Activity in this fund increased due to

the implementation of additional Twenty-First Century projects, and the release of sequestered Title I funds. Because grant revenues attributed to the Federal grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

### GENERAL FUND BUDGETARY HIGHLIGHTS

There were no significant variances between the General Fund final amended budget and actual reported revenues or the General Fund final budgeted appropriations and the actual expenditures as disclosed in the other required supplementary information (RSI) to the financial statements.

### CAPITAL ASSETS AND LONG-TERM DEBT

#### **Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2017, is \$64.7 million (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; and motor vehicles. The total decrease in capital assets for the current fiscal year was approximately 4.2 percent.

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

#### **Long-Term Debt**

At June 30, 2017, the District has total long-term debt outstanding of \$2.9 million comprised of \$0.2 in installment-purchases payable; \$0.5 million for a note payable; and \$2.2 of bonds payable.

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

### 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.

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# **BASIC FINANCIAL STATEMENTS**

**Gadsden County District School Board  
Statement of Net Position  
June 30, 2017**

	<b>Primary Government Governmental Activities</b>	<b>Component Units (Unaudited)</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 5,124,849.76	\$ 3,861,702.00
Investments	6,452.79	-
Accounts Receivable	120,665.25	57,102.00
Due from Other Agencies	2,179,872.94	-
Notes Receivable	693,322.61	-
Prepaid Items	-	19,345.00
Inventories	197,854.91	-
Capital Assets:		
Nondepreciable Capital Assets	1,744,588.29	-
Depreciable Capital Assets, Net	62,981,602.44	3,751,855.00
<b>TOTAL ASSETS</b>	<b>73,049,208.99</b>	<b>7,690,004.00</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions	10,800,220.00	-
<b>LIABILITIES</b>		
Accrued Salaries and Benefits	1,045,323.30	284,405.00
Payroll Deductions and Withholdings	1,048,539.94	-
Accounts Payable	1,423,538.13	28,662.00
Due to Other Agencies	-	26,209.00
Accrued Interest Payable	-	44,423.00
Long-Term Liabilities:		
Portion Due Within One Year	1,659,830.46	69,916.00
Portion Due After One Year	34,867,373.70	1,764,293.00
<b>TOTAL LIABILITIES</b>	<b>40,044,605.53</b>	<b>2,217,908.00</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions	3,252,255.00	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	61,779,908.83	-
Restricted for:		
Debt Service	6,452.79	-
Capital Projects	945,184.69	-
Food Service	1,191,305.95	-
Unrestricted	(23,370,283.80)	5,472,096.00
<b>TOTAL NET POSITION</b>	<b>\$ 40,552,568.46</b>	<b>\$ 5,472,096.00</b>

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, 2017**

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities:</b>			
Instruction	\$ 29,129,608.64	\$ 33,948.97	\$ -
Student Support Services	2,914,628.73	-	-
Instructional Media Services	640,426.43	-	-
Instruction and Curriculum Development Services	2,262,544.61	-	-
Instructional Staff Training Services	1,682,735.11	-	-
Instruction-Related Technology	200,052.00	-	-
Board	434,974.55	-	-
General Administration	1,015,009.46	-	-
School Administration	3,669,152.63	-	-
Facilities Acquisition and Construction	377,971.71	-	-
Fiscal Services	452,375.42	-	-
Food Services	5,051,462.81	127,657.67	4,798,459.04
Central Services	485,070.27	-	-
Student Transportation Services	3,555,614.77	66,218.05	1,508,177.00
Operation of Plant	6,037,124.69	-	-
Maintenance of Plant	973,813.07	-	263,053.00
Administrative Technology Services	1,296,601.82	-	-
Community Services	303,474.87	-	-
Unallocated Interest on Long-Term Debt	120,590.01	-	-
Unallocated Depreciation Expense*	3,407,737.69	-	-
Loss on Disposal of Capital Assets	16,450.50	-	-
<b>Total Primary Government</b>	<b>\$ 64,027,419.79</b>	<b>\$ 227,824.69</b>	<b>\$ 6,569,689.04</b>
<b>Component Units</b>			
Charter Schools (Unaudited)	\$ 2,785,140.00	\$ 0.00	\$ 0.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

**Total General Revenues**

**Change in Net Position**

Net Position - Beginning

**Net Position - Ending**

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

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

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Capital Grants and Contributions</b>	<b>Primary Government Governmental Activities</b>	<b>Component Units (Unaudited)</b>
\$ -	\$ (29,095,659.67)	\$ -
-	(2,914,628.73)	-
-	(640,426.43)	-
-	(2,262,544.61)	-
-	(1,682,735.11)	-
-	(200,052.00)	-
-	(434,974.55)	-
-	(1,015,009.46)	-
-	(3,669,152.63)	-
233,319.74	(144,651.97)	-
-	(452,375.42)	-
-	(125,346.10)	-
-	(485,070.27)	-
-	(1,981,219.72)	-
-	(6,037,124.69)	-
-	(710,760.07)	-
-	(1,296,601.82)	-
-	(303,474.87)	-
218,067.56	97,477.55	-
-	(3,407,737.69)	-
-	(16,450.50)	-
<u>\$ 451,387.30</u>	<u>(56,778,518.76)</u>	<u>-</u>
<u>\$ 0.00</u>	<u>-</u>	<u>(2,785,140.00)</u>
	7,693,589.27	-
	2,179,185.90	-
	41,486,263.75	3,442,689.00
	47,232.46	-
	1,761,862.18	-
	<u>53,168,133.56</u>	<u>3,442,689.00</u>
	(3,610,385.20)	657,549.00
	<u>44,162,953.66</u>	<u>4,814,547.00</u>
	<u>\$ 40,552,568.46</u>	<u>\$ 5,472,096.00</u>

**Gadsden County District School Board  
Balance Sheet – Governmental Funds  
June 30, 2017**

	<u>General Fund</u>	<u>Special Revenue - Food Service Fund</u>	<u>Special Revenue - Other Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,153,069.57	\$ 1,029,548.70	\$ -
Investments	-	-	-
Accounts Receivable	120,665.25	-	-
Due from Other Funds	561,556.59	-	-
Due from Other Agencies	18,470.24	106,636.93	2,051,812.57
Notes Receivable	693,322.61	-	-
Inventories	58,816.78	139,038.13	-
<b>TOTAL ASSETS</b>	<u>\$ 4,605,901.04</u>	<u>\$ 1,275,223.76</u>	<u>\$ 2,051,812.57</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accrued Salaries and Benefits	\$ 857,409.69	\$ 47,402.35	\$ 140,511.26
Payroll Deductions and Withholdings	880,447.34	36,515.46	131,577.14
Accounts Payable	205,370.55	-	1,218,167.58
Due to Other Funds	-	-	561,556.59
<b>Total Liabilities</b>	<u>1,943,227.58</u>	<u>83,917.81</u>	<u>2,051,812.57</u>
Deferred Inflows of Resources:			
Unavailable Revenue - Notes Receivable	693,322.61	-	-
Fund Balances:			
Nonspendable:			
Inventories	58,816.78	139,038.13	-
Restricted for:			
Debt Service	-	-	-
Capital Projects	-	-	-
Food Service	-	1,052,267.82	-
Total Restricted Fund Balance	-	1,052,267.82	-
Unassigned Fund Balance	1,910,534.07	-	-
<b>Total Fund Balances</b>	<u>1,969,350.85</u>	<u>1,191,305.95</u>	<u>-</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 4,605,901.04</u>	<u>\$ 1,275,223.76</u>	<u>\$ 2,051,812.57</u>

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

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 942,231.49	\$ 5,124,849.76
6,452.79	6,452.79
-	120,665.25
-	561,556.59
2,953.20	2,179,872.94
-	693,322.61
-	197,854.91
<u>\$ 951,637.48</u>	<u>\$ 8,884,574.85</u>
\$ -	\$ 1,045,323.30
-	1,048,539.94
-	1,423,538.13
-	561,556.59
<u>-</u>	<u>4,078,957.96</u>
-	693,322.61
-	197,854.91
6,452.79	6,452.79
945,184.69	945,184.69
-	1,052,267.82
<u>951,637.48</u>	<u>2,003,905.30</u>
-	1,910,534.07
<u>951,637.48</u>	<u>4,112,294.28</u>
<u>\$ 951,637.48</u>	<u>\$ 8,884,574.85</u>

**Gadsden County District School Board  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2017**

**Total Fund Balances - Governmental Funds** \$ 4,112,294.28

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. 64,726,190.73

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. 693,322.61

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:

Installment-Purchases Payable	\$	(218,565.83)	
Note Payable		(542,542.90)	
Bonds Payable		(2,185,173.17)	
Compensated Absences Payable		(2,310,154.26)	
Other Postemployment Benefits Payable		(3,366,915.00)	
Net Pension Liability		<u>(27,903,853.00)</u>	(36,527,204.16)

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	\$	10,800,220.00	
Deferred Inflows Related to Pensions		<u>(3,252,255.00)</u>	<u>7,547,965.00</u>

**Net Position - Governmental Activities** \$ 40,552,568.46

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

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**Gadsden County District School Board  
Statement of Revenues, Expenditures, and Changes in  
Fund Balances – Governmental Funds  
For the Fiscal Year Ended June 30, 2017**

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 75,107.09	\$ -	\$ 2,107,877.89
Federal Through State and Local	589,553.36	4,721,676.04	7,544,408.04
State	32,751,137.22	76,783.00	-
Local:			
Property Taxes	7,693,589.27	-	-
Charges for Services - Food Service	-	127,657.67	-
Miscellaneous	1,824,749.84	-	-
Total Local Revenues	9,518,339.11	127,657.67	-
<b>Total Revenues</b>	<b>42,934,136.78</b>	<b>4,926,116.71</b>	<b>9,652,285.93</b>
<b>Expenditures</b>			
Current - Education:			
Instruction	23,792,465.78	-	4,985,269.34
Student Support Services	1,899,894.63	-	968,794.70
Instructional Media Services	624,476.20	-	6,693.90
Instruction and Curriculum Development Services	1,080,440.74	-	1,150,106.14
Instructional Staff Training Services	246,038.63	-	1,424,446.64
Instruction-Related Technology	147,411.74	-	51,975.00
Board	431,975.11	-	-
General Administration	702,882.30	-	303,527.29
School Administration	3,570,861.37	-	34,507.60
Facilities Acquisition and Construction	81,673.27	-	-
Fiscal Services	444,564.51	-	605.75
Food Services	41,330.59	5,025,017.20	100.54
Central Services	341,703.60	-	136,102.58
Student Transportation Services	3,083,244.90	-	360,979.05
Operation of Plant	5,890,859.51	-	93,311.86
Maintenance of Plant	957,473.64	-	4,841.61
Administrative Technology Services	1,287,808.96	-	425.02
Community Services	241,497.91	-	56,100.32
Fixed Capital Outlay:			
Other Capital Outlay	204,265.08	44,670.74	74,498.59
Debt Service:			
Principal	50,349.75	-	-
Interest and Fiscal Charges	6,400.09	-	-
<b>Total Expenditures</b>	<b>45,127,618.31</b>	<b>5,069,687.94</b>	<b>9,652,285.93</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(2,193,481.53)</b>	<b>(143,571.23)</b>	<b>-</b>
<b>Other Financing Sources (Uses)</b>			
Transfers In	1,705,511.89	7,200.00	-
Sale of Capital Assets	18,204.00	-	-
Transfers Out	(481,032.08)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,242,683.81</b>	<b>7,200.00</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(950,797.72)</b>	<b>(136,371.23)</b>	<b>-</b>
Fund Balances, Beginning	2,920,148.57	1,327,677.18	-
<b>Fund Balances, Ending</b>	<b>\$ 1,969,350.85</b>	<b>\$ 1,191,305.95</b>	<b>\$ 0.00</b>

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

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 2,182,984.98
-	12,855,637.44
714,860.07	33,542,780.29
2,179,185.90	9,872,775.17
-	127,657.67
53.74	1,824,803.58
<u>2,179,239.64</u>	<u>11,825,236.42</u>
<u>2,894,099.71</u>	<u>60,406,639.13</u>
-	28,777,735.12
-	2,868,689.33
-	631,170.10
-	2,230,546.88
-	1,670,485.27
-	199,386.74
-	431,975.11
-	1,006,409.59
-	3,605,368.97
294,757.76	376,431.03
-	445,170.26
-	5,066,448.33
-	477,806.18
-	3,444,223.95
23,781.05	6,007,952.42
-	962,315.25
-	1,288,233.98
-	297,598.23
312,107.60	635,542.01
900,000.44	950,350.19
114,189.92	120,590.01
<u>1,644,836.77</u>	<u>61,494,428.95</u>
<u>1,249,262.94</u>	<u>(1,087,789.82)</u>
845,555.74	2,558,267.63
-	18,204.00
<u>(2,077,235.55)</u>	<u>(2,558,267.63)</u>
<u>(1,231,679.81)</u>	<u>18,204.00</u>
17,583.13	(1,069,585.82)
<u>934,054.35</u>	<u>5,181,880.10</u>
\$ <u>951,637.48</u>	\$ <u>4,112,294.28</u>

**Gadsden County District School Board  
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the Statement of Activities  
For the Fiscal Year Ended June 30, 2017**

**Net Change in Fund Balances - Governmental Funds** \$ (1,069,585.82)

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. (2,837,266.08)

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. (16,450.50)

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		269,670.19	
Note Principal Repayments		349,498.34	
Bond Principal Repayments		331,181.66	950,350.19

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. (27,513.68)

Governmental funds report deferred inflows of resources related to unavailable capital outlay and debt service revenue. The prior year deferred inflows of resources are reported as revenue in the governmental funds in the current year but were recognized as revenue in the government-wide statements in the prior year. (8,952.76)

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. (53,933.55)

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net decrease in the other postemployment benefits liability for the current fiscal year. 3,845.00

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		1,807,976.00	
HIS Pension Contribution		498,766.00	
FRS Pension Expense		(2,192,643.00)	
HIS Pension Expense		(664,977.00)	(550,878.00)

**Change in Net Position - Governmental Activities** \$ (3,610,385.20)

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, 2017**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 208,864.34
<b>TOTAL ASSETS</b>	<u>\$ 208,864.34</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 41,764.59
Internal Accounts Payable	<u>167,099.75</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 208,864.34</u>

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

# **NOTES TO FINANCIAL STATEMENTS**

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

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. The primary government is reported separately from certain legally separate component units 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 units should be included within the District's reporting entity.

**Discretely Presented Component Units.** The component units' columns in the government-wide financial statements should include the financial data of the District's component units. A separate column is used to emphasize that they are legally separate from the District.

The District's charter schools, Galloway Academy Foreign Language Immersion Charter School, a division of Reach One Teach One, Inc., and Crossroad Academy Charter School, a division of Community and Economic Development Organization of Gadsden County, Inc., are separate

not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter schools operate under a charter approved by their sponsor, the Gadsden County District School Board. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charter, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools 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 audited financial statements of the Crossroad Academy Charter School for the fiscal year ended June 30, 2017. The audit report is filed in the District's administrative offices at 35 Martin Luther King, Jr., Boulevard, Quincy, Florida 32351. However, no audited financial statements were prepared for the Galloway Academy Foreign Language Immersion Charter School, and no financial information for this charter school is included in the District's financial statements.

### **C. Basis of Presentation: Government-Wide Financial Statements**

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

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

### **D. Basis of Presentation: Fund Financial Statements**

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental 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.

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 schools are 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. 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 approximates the first-in, first-out basis for purchased foods and nonfood inventories, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

### **4. Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not

reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value at the date of donation.

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

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

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 a future period and so will not be recognized as an outflow of resources (expense) until then. The District only has one item that qualifies for reporting in this category. The item, deferred outflows of resources related to pensions, is discussed in a subsequent note.

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 two types of items that qualify for reporting in this category. The first item, deferred inflows of resources related to pensions, is reported in the government-wide statement of net position and discussed in a subsequent note. 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, 2017.

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

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

### **1. Program Revenues**

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

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

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the FDOE under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the FDOE. The FDOE performs certain edit checks on the reported number of FTE and related data and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of 5 months following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal years. 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 2016 tax levy on September 6, 2016. 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. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

### A. Cash Deposits with Financial Institutions

**Custodial Credit Risk-Deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to the District. The District does not have a policy for custodial credit risk. All 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, 2017, are reported as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	39 Day Average	\$ 3,689,938.22
Debt Service Accounts	6 Months	6,452.79
<b>Total Investments</b>		<b>\$ 3,696,391.01</b>

Note: (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, 2017, 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 SBA’s Florida PRIME, or any other 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 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, 2017, the District’s remaining notes receivable balance was \$693,322.61.

## D. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,744,588.29	\$ -	\$ -	\$ 1,744,588.29
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,927,751.29	320,698.40	-	5,248,449.69
Buildings and Fixed Equipment	97,308,674.42	-	-	97,308,674.42
Furniture, Fixtures, and Equipment	5,813,173.95	303,843.61	489,432.34	5,627,585.22
Motor Vehicles	7,714,369.29	11,000.00	95,454.00	7,629,915.29
Total Capital Assets Being Depreciated	115,763,968.95	635,542.01	584,886.34	115,814,624.62
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	3,574,757.91	133,793.02	-	3,708,550.93
Buildings and Fixed Equipment	36,052,583.40	2,090,960.67	-	38,143,544.07
Furniture, Fixtures, and Equipment	4,566,271.94	1,182,984.00	472,981.84	5,276,274.10
Motor Vehicles	5,735,036.68	65,070.40	95,454.00	5,704,653.08
Total Accumulated Depreciation	49,928,649.93	3,472,808.09	568,435.84	52,833,022.18
Total Capital Assets Being Depreciated, Net	65,835,319.02	(2,837,266.08)	16,450.50	62,981,602.44
Governmental Activities Capital Assets, Net	\$ 67,579,907.31	\$ (2,837,266.08)	\$ 16,450.50	\$ 64,726,190.73

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 65,070.40
Unallocated	3,407,737.69
Total Depreciation Expense - Governmental Activities	<u>\$ 3,472,808.09</u>

## E. Retirement Plans

### 1. FRS – Defined Benefit Pension Plans

#### General Information about the FRS

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

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

The District's FRS and HIS pension expense totaled \$2,857,620 for the fiscal year ended June 30, 2017.

### **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.

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

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

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

<b><u>Class, Initial Enrollment, and Retirement Age/Years of Service</u></b>	<b><u>Percent Value</u></b>
<b>Regular members initially enrolled before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<b>Regular members initially enrolled on or after July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<b>Elected County Officers</b>	<b>3.00</b>

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the FRS 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 2016-17 fiscal year were as follows:

<b><u>Class</u></b>	<b><u>Percent of Gross Salary</u></b>	
	<b><u>Employee</u></b>	<b><u>Employer (1)</u></b>
FRS, Regular	3.00	7.52
FRS, Elected County Officers	3.00	42.47
DROP – Applicable to Members from All of the Above Classes	0.00	12.99
FRS, Reemployed Retiree	(2)	(2)

Notes: (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 \$1,807,976 for the fiscal year ended June 30, 2017.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2017, the District reported a liability of \$17,220,397 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 0.068199373 percent, which was a decrease of 0.008506055 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized the Plan pension expense of \$2,192,643. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,318,526	\$ 160,334
Change of assumptions	1,041,782	-
Net difference between projected and actual earnings on FRS pension plan investments	4,451,262	-
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	-	1,946,808
District FRS contributions subsequent to the measurement date	1,807,976	-
<b>Total</b>	<u>\$ 8,619,546</u>	<u>\$ 2,107,142</u>

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$1,807,976, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2018	\$ 483,073
2019	483,073
2020	2,218,451
2021	1,466,627
2022	42,379
Thereafter	10,825
<b>Total</b>	<u>\$ 4,704,428</u>

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
Investment rate of return	7.60 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, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.0%	3.0%	1.7%
Fixed Income	18%	4.7%	4.6%	4.6%
Global Equity	53%	8.1%	6.8%	17.2%
Real Estate (Property)	10%	6.4%	5.8%	12.0%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	11.1%
<b>Total</b>	<u>100%</u>			
Assumed inflation - Mean			2.6%	1.9%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.6 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 2016 valuation was updated from 7.65 percent to 7.6 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 7.6 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 (6.6 percent) or 1 percentage point higher (8.6 percent) than the current rate:

	<b>1% Decrease (6.6%)</b>	<b>Current Discount Rate (7.6%)</b>	<b>1% Increase (8.6%)</b>
District's proportionate share of the net pension liability	\$ 31,703,913	\$ 17,220,397	\$ 5,164,779

*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, 2017, 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, 2017, 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 \$498,766 for the fiscal year ended June 30, 2017.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2017, the District reported a net pension liability of \$10,683,456 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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 0.091667405 percent, which was a decrease of 0.00434331 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized the HIS Plan pension expense of \$664,977. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 24,333
Change of assumptions	1,676,506	-
Net difference between projected and actual earnings on HIS pension plan investments	5,402	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	-	1,120,780
District contributions subsequent to the measurement date	498,766	-
<b>Total</b>	<u>\$ 2,180,674</u>	<u>\$ 1,145,113</u>

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$498,766, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2018	\$ 74,136
2019	74,136
2020	73,108
2021	72,614
2022	107,833
Thereafter	134,968
<b>Total</b>	<u>\$ 536,795</u>

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	2.85 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 2.85 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 used in the 2016 valuation was updated from 3.8 percent to 2.85 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 2.85 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.85 percent) or 1 percentage point higher (3.85 percent) than the current rate:

	<b>1% Decrease (1.85%)</b>	<b>Current Discount Rate (2.85%)</b>	<b>1% Increase (3.85%)</b>
District's proportionate share of the net pension liability	\$ 12,256,352	\$ 10,683,456	\$ 9,378,039

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 of Florida 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 2016-17 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2017, 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 \$156,395.73 for the fiscal year ended June 30, 2017.

## **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. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical and prescription drug coverage. 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 those of active employee healthcare costs. Pursuant to Section 112.0801, Florida Statutes, the

District contributes \$30 per month towards single health insurance coverage for former employees who retired prior to May 2, 2001. The benefits provided under this defined plan are provided for a fixed number of years determined at the time of retirement based on the number of years worked for the District and may be amended by Board action. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

**Funding Policy.** Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2016-17 fiscal year, 174 retirees received other postemployment benefits. The District provided required contributions of \$355,575 toward the annual OPEB cost, net of retiree contributions totaling \$475,756, which represents 2.1 percent of covered payroll.

**Annual OPEB Cost and Net OPEB Obligation.** The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the OPEB Plan, and changes in the District's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for 1 year)	\$ 109,975
Amortization of Unfunded Actuarial Accrued Liability	<u>489,880</u>
Annual Required Contribution	599,855
Interest on Net OPEB Obligation	126,404
Adjustment to Annual Required Contribution	<u>(374,529)</u>
Annual OPEB Cost (Expense)	351,730
Contribution Toward the OPEB Cost	<u>(355,575)</u>
Decrease in Net OPEB Obligation	(3,845)
Net OPEB Obligation, Beginning of Year	<u>3,370,760</u>
Net OPEB Obligation, End of Year	<u>\$ 3,366,915</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2017, and the 2 preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014-15	\$ 388,038	107.0%	\$ 3,372,479
2015-16	410,684	100.4%	3,370,760
2016-17	351,730	101.1%	3,366,915

**Funded Status and Funding Progress.** As of October 1, 2016, the most recent valuation date, the actuarial accrued liability for benefits was \$4,328,505, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$4,328,505 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$23,105,998, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 18.7 percent.

Actuarial valuations of an ongoing OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress immediately following the notes to financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, the actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The District's OPEB actuarial valuation as of October 1, 2016, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2017, and to estimate the District's 2016-17 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.75 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3.75 percent per year, projected salary increases of 3.7 to 7.8 percent, and an annual healthcare cost trend rate of 7.25 percent initially beginning October 1, 2016, declining over a 23-year period to the ultimate rate of 4.78 beginning October 1, 2040. The investment rate of return and projected salary increases include a general price inflation of 2.5 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a 9-year period. The remaining amortization period at June 30, 2017, was 9 years.

## G. Other Significant Commitments

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

The following is a schedule of encumbrances at June 30, 2017:

<u>Major Funds</u>		
<u>Special Revenue - Food Service</u>	<u>Special Revenue - Other</u>	<u>Total Governmental Funds</u>
\$ 58,816.78	\$ 169,401.21	\$ 228,217.99

## H. Risk Management Programs

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

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

### I. Long-Term Liabilities

#### 1. Installment-Purchase Payable

The classes and amounts of property being acquired under Installment purchases are as follows:

	<u>Asset Balances</u>
Disaster Recovery Equipment	\$ 163,835
Buses	1,074,867
<b>Total</b>	<u>\$ 1,238,702</u>

Future minimum installment-purchase payments and the present value of the minimum installment-purchase payments as of June 30 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	<u>\$ 222,281.45</u>	<u>\$ 218,565.83</u>	<u>\$ 3,715.62</u>

The stated interest rate is 3.58 percent for the disaster recovery equipment and 1.7 percent for the buses.

## 2. Note Payable

Note payable at June 30, 2017, are as follows:

<u>Note Description</u>	<u>Amount Outstanding</u>	<u>Interest Rate (Percent)</u>	<u>Annual Maturity To</u>
Section 1011.14, Florida Statutes, Note: Havana Middle School Addition	<u>\$ 542,542.90</u>	2.76	2018

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:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 371,723.66	\$ 359,211.05	\$ 12,512.61
2019	<u>185,861.83</u>	<u>183,331.85</u>	<u>2,529.98</u>
<b>Total</b>	<u>\$ 557,585.49</u>	<u>\$ 542,542.90</u>	<u>\$ 15,042.59</u>

## 3. Bonds Payable

Bonds payable at June 30, 2017, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2009A, Refunding	\$ 25,000.00	5	2019
Series 2014B, Refunding	244,000.00	2 - 5	2020
Sales Tax Revenue Bonds:			
Series 2013	<u>1,916,173.17</u>	3.28	2028
<b>Total Bonds Payable</b>	<u>\$ 2,185,173.17</u>		

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

### **State School Bonds**

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

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

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

The District has pledged a total of \$2,315,716.14 of sales tax revenues in connections with the District Sales Tax Bonds, Series 2013, described above. During the 2016-17 fiscal year, the District recognized sales tax revenues totaling \$223,250 and expended \$201,366.63 (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, 2017, are as follows:

<b><u>Fiscal Year Ending June 30</u></b>	<b><u>Total</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
State School Bonds:			
2018	\$ 214,730.00	\$ 202,000.00	\$ 12,730.00
2019	45,630.00	43,000.00	2,630.00
2020	24,480.00	24,000.00	480.00
Total State School Bonds	284,840.00	269,000.00	15,840.00
Sales Tax Revenue Bonds:			
2018	201,366.62	139,651.97	61,714.65
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
2023-2027	1,006,833.10	877,772.26	129,060.84
2028-2029	302,049.93	292,406.99	9,642.94
Total Sales Tax Revenue Bonds	2,315,716.14	1,916,173.17	399,542.97
<b>Total</b>	<b>\$ 2,600,556.14</b>	<b>\$ 2,185,173.17</b>	<b>\$ 415,382.97</b>

#### 4. 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
<b>GOVERNMENTAL ACTIVITIES</b>					
Installment-Purchases Payable	\$ 488,236.02	\$ -	\$ 269,670.19	\$ 218,565.83	\$ 218,565.83
Note Payable	892,041.24	-	349,498.34	542,542.90	359,211.05
Bonds Payable	2,516,354.83	-	331,181.66	2,185,173.17	341,651.97
Compensated Absences Payable	2,256,220.71	653,933.28	599,999.73	2,310,154.26	432,401.61
Other Postemployment Benefits Payable	3,370,760.00	351,730.00	355,575.00	3,366,915.00	-
Net Pension Liability	19,699,118.00	16,069,175.00	7,864,440.00	27,903,853.00	308,000.00
<b>Total Governmental Activities</b>	<b>\$29,222,730.80</b>	<b>\$17,074,838.28</b>	<b>\$ 9,770,364.92</b>	<b>\$36,527,204.16</b>	<b>\$ 1,659,830.46</b>

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

#### J. Fund Balance Reporting

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

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

#### K. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 561,556.59	\$ -
Special Revenue:		
Other	-	561,556.59
<b>Total</b>	<b>\$ 561,556.59</b>	<b>\$ 561,556.59</b>

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

## L. Revenues

### 1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2016-17 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 25,288,785.00
Categorical Educational Program - Class Size Reduction	5,541,488.00
Voluntary Prekindergarten Program	543,421.72
Workforce Development Program	385,322.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	287,048.70
School Recognition	285,353.00
Gross Receipts Tax (Public Education Capital Outlay)	263,053.00
Charter School Capital Outlay	159,909.00
Food Service Supplement	76,783.00
Miscellaneous	711,616.87
<b>Total</b>	<b>\$ 33,542,780.29</b>

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

### 2. Property Taxes

The following is a summary of millages and taxes levied on the 2016 tax roll for the 2016-17 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<b>General Fund</b>		
Nonvoted School Tax:		
Required Local Effort	4.531	\$ 6,771,535
Basic Discretionary Local Effort	0.748	1,117,879
<b>Capital Projects - Local Capital Improvement Fund</b>		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,241,735
<b>Total</b>	<b>6.779</b>	<b>\$ 10,131,149</b>

## M. Interfund Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 1,705,511.89	\$ 481,032.08
Special Revenue:		
Food Service	7,200.00	-
Nonmajor Governmental	845,555.74	2,077,235.55
<b>Total</b>	<b>\$ 2,558,267.63</b>	<b>\$ 2,558,267.63</b>

Transfers to the General Fund were for maintenance and property casualty insurance premiums paid from the General Fund and reimbursed with nonmajor capital projects funds. The balance of the nonmajor governmental funds transfers 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). Transfers to the Special Revenue – Food Service Fund was to reimburse the fund for costs incurred for the General Fund.

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## OTHER REQUIRED SUPPLEMENTARY INFORMATION

### Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2017

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 133,011.69	\$ 75,107.09	\$ 75,107.09	\$ -
Federal Through State and Local State	250,000.00 32,602,939.86	589,533.36 32,751,137.22	589,553.36 32,751,137.22	20.00 -
Local:				
Property Taxes	8,608,441.00	7,693,589.27	7,693,589.27	-
Charges for Services - Food Service	-	-	-	-
Miscellaneous	-	1,815,387.15	1,824,749.84	9,362.69
Total Local Revenues	8,608,441.00	9,508,976.42	9,518,339.11	9,362.69
<b>Total Revenues</b>	41,594,392.55	42,924,754.09	42,934,136.78	9,382.69
<b>Expenditures</b>				
Instruction	24,849,612.87	23,798,945.79	23,792,465.78	6,480.01
Student Support Services	1,858,823.82	1,899,894.63	1,899,894.63	-
Instructional Media Services	615,114.44	626,752.59	624,476.20	2,276.39
Instruction and Curriculum Development Services	951,697.93	1,080,440.74	1,080,440.74	-
Instructional Staff Training Services	214,883.94	246,038.63	246,038.63	-
Instruction-Related Technology Board	223,035.85 450,531.89	153,108.74 431,975.11	147,411.74 431,975.11	5,697.00 -
General Administration	695,620.46	702,882.30	702,882.30	-
School Administration	3,318,709.26	3,570,861.37	3,570,861.37	-
Facilities Acquisition and Construction	205,625.52	81,673.27	81,673.27	-
Fiscal Services	526,923.79	555,167.76	444,564.51	110,603.25
Food Services	27,381.56	41,330.59	41,330.59	-
Central Services	399,691.50	341,703.60	341,703.60	-
Student Transportation Services	2,950,772.85	3,083,244.90	3,083,244.90	-
Operation of Plant	3,939,528.87	5,974,779.55	5,890,859.51	83,920.04
Maintenance of Plant	1,190,103.40	957,473.64	957,473.64	-
Administrative Technology Services	1,648,961.80	1,287,808.96	1,287,808.96	-
Community Services	24,671.43	241,497.91	241,497.91	-
Fixed Capital Outlay:				
Other Capital Outlay	-	204,265.08	204,265.08	-
Debt Service:				
Principal	-	50,349.75	50,349.75	-
Interest and Fiscal Charges	-	6,400.09	6,400.09	-
<b>Total Expenditures</b>	44,091,691.18	45,336,595.00	45,127,618.31	208,976.69
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(2,497,298.63)	(2,411,840.91)	(2,193,481.53)	218,359.38
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,300,000.00	1,692,086.89	1,705,511.89	13,425.00
Sale of Capital Assets	25,000.00	18,204.00	18,204.00	-
Transfers Out	-	(481,032.08)	(481,032.08)	-
<b>Total Other Financing Sources (Uses)</b>	1,325,000.00	1,229,258.81	1,242,683.81	13,425.00
<b>Net Change in Fund Balances</b>	(1,172,298.63)	(1,182,582.10)	(950,797.72)	231,784.38
Fund Balances, Beginning	3,252,018.25	2,730,667.33	2,920,148.57	189,481.24
<b>Fund Balances, Ending</b>	\$ 2,079,719.62	\$ 1,548,085.23	\$ 1,969,350.85	\$ 421,265.62

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)
\$ -	\$ -	\$ -	\$ -	\$ 2,070,821.09	\$ 2,107,877.89	\$ 2,107,877.89	\$ -
4,498,955.76	4,767,576.94	4,721,676.04	(45,900.90)	7,408,522.34	7,544,408.04	7,544,408.04	-
39,296.00	76,783.00	76,783.00	-	-	-	-	-
-	-	-	-	-	-	-	-
492,559.49	127,657.67	127,657.67	-	-	-	-	-
-	-	-	-	-	-	-	-
492,559.49	127,657.67	127,657.67	-	-	-	-	-
5,030,811.25	4,972,017.61	4,926,116.71	(45,900.90)	9,479,343.43	9,652,285.93	9,652,285.93	-
-	-	-	-	3,661,563.05	4,985,269.34	4,985,269.34	-
-	-	-	-	1,098,451.39	968,794.70	968,794.70	-
-	-	-	-	26,291.09	6,693.90	6,693.90	-
-	-	-	-	1,221,184.64	1,150,106.14	1,150,106.14	-
-	-	-	-	1,432,824.72	1,424,446.64	1,424,446.64	-
-	-	-	-	122,510.87	51,975.00	51,975.00	-
-	-	-	-	-	-	-	-
-	-	-	-	323,651.13	303,527.29	303,527.29	-
-	-	-	-	33,959.30	34,507.60	34,507.60	-
-	-	-	-	233,924.75	-	-	-
-	-	-	-	-	605.75	605.75	-
5,506,190.55	5,070,918.10	5,025,017.20	45,900.90	14,237.68	100.54	100.54	-
-	-	-	-	247,625.69	136,102.58	136,102.58	-
-	-	-	-	599,829.11	360,979.05	360,979.05	-
-	-	-	-	131,589.81	93,311.86	93,311.86	-
-	-	-	-	5,206.45	4,841.61	4,841.61	-
-	-	-	-	34,293.26	425.02	425.02	-
-	-	-	-	54,229.00	56,100.32	56,100.32	-
-	44,670.74	44,670.74	-	-	74,498.59	74,498.59	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,506,190.55	5,115,588.84	5,069,687.94	45,900.90	9,241,371.94	9,652,285.93	9,652,285.93	-
(475,379.30)	(143,571.23)	(143,571.23)	-	237,971.49	-	-	-
-	-	7,200.00	7,200.00	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	7,200.00	7,200.00	-	-	-	-
(475,379.30)	(143,571.23)	(136,371.23)	7,200.00	237,971.49	-	-	-
1,306,483.05	1,327,677.18	1,327,677.18	-	-	-	-	-
831,103.75	1,184,105.95	1,191,305.95	7,200.00	\$ 237,971.49	\$ 0.00	\$ 0.00	\$ 0.00

**Schedule of Funding Progress –  
Other Postemployment Benefits Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (1) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b-a)/c]</b>
10/01/12	\$ -	\$ 6,352,975	\$ 6,352,975	0.0%	\$ 24,755,820	25.7%
10/01/14	-	4,833,685	4,833,685	0.0%	23,458,889	20.6%
10/01/16	-	4,328,505	4,328,505	0.0%	23,105,998	18.7%

Note: (1) The District's OPEB actuarial valuation used the Individual Entry Age Normal Cost method to estimate the actuarial accrued liability.

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

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
District's proportion of the FRS net pension liability	0.068199373%	0.076705428%	0.081729998%	0.086175321%
District's proportionate share of the FRS net pension liability	\$ 17,220,397	\$ 9,907,535	\$ 4,986,732	\$ 14,834,608
District's covered payroll	\$ 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	60.78%	34.00%	16.47%	46.62%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%	88.54%

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

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

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required FRS contribution	\$ 1,807,976	\$ 1,663,150	\$ 1,870,143	\$ 1,790,234
FRS contributions in relation to the contractually required contribution	(1,807,976)	(1,663,150)	(1,870,143)	(1,790,234)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 30,088,901	\$ 28,331,182	\$ 29,143,950	\$ 30,277,610
FRS contributions as a percentage of covered payroll	6.01%	5.87%	6.42%	5.91%

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the HIS net pension liability	0.091667405%	0.096010715%	0.101781025%	0.109538012%
District's proportionate share of the HIS net pension liability	\$ 10,683,456	\$ 9,791,583	\$ 9,516,774	\$ 9,536,724
District's covered payroll	\$ 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	37.71%	33.60%	31.43%	29.97%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%	1.78%

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 498,766	\$ 469,854	\$ 367,013	\$ 348,668
HIS contributions in relation to the contractually required contribution	(498,766)	(469,854)	(367,013)	(348,668)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 30,088,901	\$ 28,331,182	\$ 29,143,950	\$ 30,277,610
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.26%	1.15%

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**1. Budgetary Basis of Accounting**

The Board follows procedures established by State statutes 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 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 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 7.65 percent to 7.6 percent, and the active member mortality assumption was updated.

**3. 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 decreased from 3.8 percent to 2.85 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, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
<b>Clustered</b>				
<b>Child Nutrition Cluster:</b>				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	17002	\$ -	\$ 1,176,978.00
National School Lunch Program	10.555	17001, 17003	-	3,054,330.86
Summer Food Service Program for Children	10.559	16006, 16007 17006, 17007	-	333,796.32
<b>Total Child Nutrition Cluster</b>			-	4,565,105.18
<b>Special Education Cluster:</b>				
United States Department of Education:				
Special Education - Grants to States:				
Florida Department of Education	84.027	263	-	1,407,450.25
University of South Florida		None	-	2,065.00
Florida Gulf Coast University		None	-	30,395.16
Total Special Education - Grants to States	84.027		-	1,439,910.41
Special Education - Preschool Grants:				
Florida Department of Education	84.173	267	-	83,647.00
<b>Total Special Education Cluster</b>			-	1,523,557.41
<b>TRIO Cluster:</b>				
United States Department of Education:				
Florida Agricultural and Mechanical University:				
TRIO - Talent Search	84.044	None	-	2,544.88
Florida State University:				
TRIO - Upward Bound	84.047	None	-	34,325.00
<b>Total TRIO Cluster</b>			-	36,869.88
<b>Not Clustered</b>				
<b>United States Department of Agriculture:</b>				
Florida Department of Agriculture and Consumer Services:				
Child Nutrition Discretionary Grants Limited Availability	10.579	None	-	15,520.86
Fresh Fruit and Vegetable Program	10.582	17004	-	141,050.00
<b>Total United States Department of Agriculture</b>			-	156,570.86
<b>United States Department of Defense:</b>				
Army Junior Reserve Officers Training Corps	12.UNK	N/A	-	75,107.00
<b>Total United States Department of Defense</b>			-	75,107.00
<b>United States Department of Education:</b>				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 226	131,252.20	3,298,099.53
Career and Technical Education - Basic Grants to States	84.048	161	-	176,184.40
Education for Homeless Children and Youth	84.196	127	-	65,000.00
English Language Acquisition State Grants	84.365	102	-	107,824.96
Mathematics and Science Partnerships	84.366	235	-	180,141.83
Improving Teacher Quality State Grants	84.367	224	-	476,204.98
Twenty-First Century Community Learning Centers:				
Florida Department of Education		244	-	1,621,552.94
Tallahassee Community College		None	-	6,457.50
Total Twenty-First Century Community Learning Centers	84.287		-	1,628,010.44
<b>Total United States Department of Education</b>			131,252.20	5,931,466.14

(Continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
<b>United States Department of Health and Human Services:</b>				
University of South Florida:				
Temporary Assistance for Needy Families	93.558	None		128,302.15
Head Start	93.600	N/A	-	2,107,877.89
Total United States Department of Health and Human Services:			-	2,236,180.04
<b>Corporaton for National and Community Service:</b>				
Tallahassee Community College:				
AmeriCorps	94.006	None	-	288,165.34
<b>Total Expenditures of Federal Awards</b>			\$ 131,252.20	\$ 14,813,021.85

The notes below are an integral part of this schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Gadsden County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2017. 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 \$396,976.32 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (5) Head Start. Expenditures include \$848,836.04 for grant number/program year 04CH4687/03 and \$1,259,041.85 for grant number/program year 04CH4687/04.



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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

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

We have audited, in accordance with 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, 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, 2017, and the related notes to the financial statements. We were not engaged to audit the financial statements of the aggregate discretely presented component units. These financial statements collectively comprise the District's basic financial statements, and we have issued our report thereon dated February 21, 2018, 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 an opinion modification due to incomplete and insufficient documentary evidence to support reported revenues at one school. In addition, we disclaimed an opinion on the aggregate discretely presented component units as described in our report on the District's financial statements. The financial statements of the school internal funds were 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.

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Financial Statement Finding No. 2017-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider certain deficiencies described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Financial Statement Finding Nos. 2017-002 and 2017-003 to be significant deficiencies.

### **Compliance and Other Matters**

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

### **District's Response to Findings**

The District's responses to the findings identified in our audit are included as District Response in Financial Statement Finding Nos. 2017-001, 2017-002, and 2017-003 and in the **CORRECTIVE ACTION PLAN**. 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 the responses.

## Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
February 21, 2018



Sherrill F. Norman, CPA  
Auditor General

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

### Report on Compliance for Each Major Federal Program

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, 2017. The District's major Federal programs are identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

### *Management's Responsibility*

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

### *Auditor's Responsibility*

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

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

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2017.

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

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

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

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

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
February 21, 2018

# **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

## **SECTION I – SUMMARY OF AUDITOR’S RESULTS**

### **Financial Statements**

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

Unmodified, except for the disclaimer of opinion on the aggregate discretely presented component units and qualified opinion on the aggregate remaining fund information.

Internal control over financial reporting:

Material weakness(es) identified?

Yes

Significant deficiency(ies) identified?

Yes

Noncompliance material to financial statements noted?

No

### **Federal Awards**

Internal control over major Federal programs:

Material weakness(es) identified?

No

Significant deficiency(ies) identified?

None reported

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

Unmodified

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

No

Identification of major Federal programs:

CFDA Numbers:

84.010

Name of Federal Program or Cluster:

Title I Grants to Local Educational Agencies

84.287

Twenty-First Century Community Learning Centers

93.600

Head Start

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low risk auditee?

No

## SECTION II – FINANCIAL STATEMENT FINDINGS

### MATERIAL WEAKNESS

#### Audit – Discretely Presented Component Unit

<b>Finding Number</b>	<b>2017-001</b>
<b>Opinion Unit</b>	Aggregate Discretely Presented Component Units
<b>Financial Statements</b>	
<b>Account Titles</b>	Various
<b>Fund Name</b>	Not Applicable
<b>Adjustment Amounts</b>	Not Applicable
<b>Statistically Valid Sample</b>	Not Applicable
<b>Prior Year Finding</b>	Not Applicable
<b>Finding</b>	<p>District efforts to monitor financial activities of charter schools could be improved to ensure that:</p> <ul style="list-style-type: none"><li>• Required expedited review procedures are implemented by prompt notifications to charter school governing boards and the Commissioner of Education (COE) when charter schools do not effectively comply with the financial reporting requirements.</li><li>• Corrective action plans are developed with charter schools subject to expedited reviews, timely submitted to the COE as required, and appropriately monitored.</li><li>• Required audit reports of charter schools are completed for consideration in the audit of the District financial statements.</li></ul>
<b>Criteria</b>	<p>Each charter school, pursuant to Section 1002.33(9)(g), Florida Statutes, must provide periodic (e.g., monthly) financial statement summary sheets (reports) to its sponsor. State Board of Education Rule 6A-1.0081(1)(a), Florida Administrative Code, requires charter schools to provide notes to the reports, if applicable, to include other information material to the reports. Material is defined as when the magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.</p> <p>Pursuant to Section 1002.345(1)(a)2., Florida Statutes, a charter school is subject to an expedited review by its sponsor if any one of four specified conditions occurs, including failure to comply with the reporting requirements pursuant to Section 1002.33(9)(g), Florida Statutes. The expedited review procedures require the sponsor:</p> <ul style="list-style-type: none"><li>• Pursuant to Section 1002.345(1)(b), Florida Statutes, to notify the charter school governing board and the COE within 7 business days after the condition occurs.</li><li>• Pursuant to Section 1002.345(1)(c), Florida Statutes, along with the charter school governing board, to develop a corrective action plan and file the plan with the COE within 30 business days after the notification pursuant to Section 1002.345(1)(b), Florida Statutes. If the governing board and the sponsor are unable to agree on a corrective action plan, the COE must determine the components of the plan.</li></ul> <p>In addition, generally accepted accounting principles (GAAP) provide certain requirements for inclusion of discretely presented component units (DPCUs) as part of the District financial statements. The COE provided guidance directing school districts to report charter schools as DPCUs of school district reporting</p>

entities, unless the charter schools were reported as component units of other governmental entities in accordance with GAAP.

Pursuant to Section 218.39(1)(e), Florida Statutes, each charter school is required to provide for an annual financial audit. To promote compliance with the statutory audit requirement, District charter agreements require charter schools to obtain annual financial audits.

## Condition

During the 2016-17 fiscal year, the District sponsored the Crossroad Academy Charter School and the Galloway Academy Foreign Language Immersion Charter School. For the Crossroad Academy Charter School, District records evidenced District monitoring of the school during the 2016-17 fiscal year, a 2016-17 fiscal year audit report for the school, and that financial information from the school's audit report was reported in the District financial statements. However, we identified certain deficiencies and noncompliance associated with District monitoring of the Galloway Academy Foreign Language Immersion Charter School (charter school). Our discussions with District personnel and examination of District records disclosed that:

- The charter school audited financial statements reported revenues totaling \$632,124 for the 2015-16 fiscal year and, at June 30, 2016, a deficit unrestricted net asset balance of \$74,191. For the period July 2016 through December 2016, the District received monthly financial reports from the charter school.
- The District routinely received Florida Education Finance Program (FEFP) funds from the COE based on the number of charter school students and routinely remitted funds to the charter school. According to District records, on February 24, 2017, District personnel identified an apparent \$119,353 FEFP revenue overstatement on the January 2017 charter school financial report because the revenue reported did not agree with the revenue amount remitted by the District to the charter school. Consequently, the net equity reported on the January 2017 report (a deficit \$6,554) was also overstated by \$119,353. However, contrary to SBE rules, the financial report excluded notes to clarify the basis for the overstatement and, therefore, the reporting requirement of Section 1002.33(9)(g), Florida Statutes, was not effectively met.
- According to District records, District personnel e-mailed charter school personnel on February 24, 2017, to determine whether the charter school overstated revenue reported on the January 2017 report and followed up with them on March 10, 2017, and March 24, 2017. While charter school personnel indicated that they would research the concern, no clarification was provided as of March 26, 2017.
- After identification of the apparent \$119,353 revenue overstatement, the District did not invoke the expedited review process outlined in Section 1002.345(1)(b), Florida Statutes, by contacting the charter school governing board and the COE within 7 days of identifying the overstatement.
- On March 27, 2017, District personnel confirmed with charter school personnel that the January 2017 monthly financial report was overstated by \$119,353 and requested that charter school personnel correct the overstatement on the monthly financial reports. Correction of the February 2017 revenue amount would have resulted in a corrected net equity deficit of \$126,479. However, although we requested, District records did not evidence that the District made any recommendations or took any action to help remedy the charter school's financial decline.
- Although District personnel requested charter school personnel to correct the overstatement, the charter school continued to overstate revenues

on monthly financial reports. On April 14, 2017, 49 days after the District first identified the apparent overstatement, District personnel officially notified the charter school governing board about the \$119,353 overstatement; however, the District did not notify the COE on that date.

- On May 31, 2017, the District Superintendent sent a letter to the COE pursuant to 1002.345(1)(b), Florida Statutes, indicating that the District believed there was evidence of a deteriorating financial condition identified in the charter school's monthly financial reports as the corrected revenue amount resulted in a significant deficit financial position that would not be remedied by future anticipated revenue. However, the District and the charter school governing board did not develop a corrective action plan and file the plan with the COE within 30 business days after the required notification or request that the COE develop a plan.
- In July 2017, pursuant to Section 1002.33(9)(n)3., Florida Statutes, the COE terminated the charter school for receiving two consecutive F grades for the 2015-16 and 2016-17 fiscal years.
- In August 2017, the District e-mailed the former charter school representatives requesting a financial audit of the former charter school. According to District personnel, the audit was not provided.

**Cause**

Neither Board policies nor District procedures had been established to ensure compliance with the required expedited review procedures. In addition, although we requested, District records were not provided to evidence any efforts to ensure that the charter school had executed a contract with a certified public accountant to ensure that the financial audit would be completed for the 2016-17 fiscal year. District records also did not document a cost-benefit analysis assessing whether it would be in the District's best interest to pay for the audit and attain an independent assessment of the charter school's public funds and assets.

**Effect**

Failure to promptly comply with required expedited review procedures increases the risk that charters schools may not take the necessary actions to continue operations. In addition, the lack of financial audits of charter schools increases the risk that charter schools may not properly revert applicable public funds and assets to the District.

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

**Recommendation**

The District should establish policies and procedures to ensure compliance with the required expedited review procedures. Such policies and procedures should address:

- Prompt notifications to the charter school governing board and the COE when charter schools do not effectively comply with the financial reporting requirements.
- As appropriate, prompt development of corrective action plans with the charter school governing board and timely submission of the plans to the COE.
- Timely review of charter school contracts with certified public accountants (auditors) and District communications with those auditors to ensure timely completion of charter school financial audit reports. District personnel should also ensure that those reports are available for appropriate consideration by auditors of the District financial statements.

For charter schools that do not obtain financial audits, a cost-benefit analysis assessing whether it would be in the District's best interest to pay for the financial audit and attain an independent assessment of the charter school's public funds and assets. The policies and procedures should also address District personnel use of such an assessment, if obtained, to further determine whether the charter school properly reverted applicable public funds and assets to the District.

**District Response**

The District will consider every option available to ensure compliance with state statutes and provide the optimal education opportunities for the youth of Gadsden County. Due to the legal nature of these recommendations, general counsel for the school board was consulted who recommended caution in enacting policies and procedures directly affecting charter schools. General counsel advised the District that it must still comply with the provisions of Chapter 120 of the Florida Statutes as well as administrative rulings pertaining to home rule powers.

**SIGNIFICANT DEFICIENCIES**

**Financial Reporting**

<b>Finding Number</b>	<b>2017-002</b>
<b>Opinion Unit</b>	Governmental Activities
<b>Financial Statements Account Title</b>	Government-wide Financial Statements: Depreciable Capital Assets, Net; Deferred Outflows of Resources – Pensions; Deferred Inflows of Resources – Pensions; and various other functional expenses.
<b>Fund Name</b>	Not Applicable
<b>Adjustment Amounts</b>	Government-wide financial statements: Additions of \$5,968,888 and \$6,090,439 for Deferred Outflows of Resources – Pensions and Deferred Inflows of Resources – Pensions, respectively, and reductions to Depreciable Capital Assets, Net, of \$892,276 and various offsetting net debit entries to functional expenses totaling \$1,013,827.
<b>Statistically Valid Sample</b>	Not Applicable
<b>Prior Year Finding</b>	Auditor General Report No. 2017-189, Finding 2016-001
<b>Finding</b>	District financial reporting procedures continue to need improvement to ensure financial statement account balances and transactions are properly reported.
<b>Criteria</b>	<p>State Board of Education Rule 6A-1.0071, Florida Administrative Code, and related instructions from the Florida Department of Education prescribe the exhibits and schedules that should be prepared as part of the District's annual financial report (AFR).</p> <p>Section 1010.01, Florida Statutes, requires that these exhibits and schedules be prepared in accordance with generally accepted accounting principles (GAAP). GAAP require that contributions made subsequent to the measurement date of the collective net pension liability and before the end of the employer's reporting period (June 30, 2017) should be reported as deferred outflows of resources related to pensions.</p>
<b>Condition</b>	<p>On the government-wide financial statements, the District under reported Deferred Outflows of Resources – Pensions and Deferred Inflows of Resources – Pensions by \$5,968,888 and \$6,090,439, respectively, and, as a result of these misstatements, understated various offsetting net debit entries to functional expenses totaling \$121,551.</p> <p>Also on the government-wide financial statements, the District over reported Depreciable Capital Assets, Net, by \$892,276 and, as a result of this</p>

misstatement, understated various net debit entries to functional expenses totaling \$892,276.

**Cause**

On the government-wide financial statements, the District under reported Deferred Outflows of Resources – Pension and Deferred Inflows of Resources – Pensions because the District did not consider the Florida Retirement System (FRS) and Health Insurance Subsidy (HIS) Pension Plan contributions subsequent to the measurement date and did not properly report the net difference between projected and actual earnings on FRS and HIS investments. District personnel indicated that the reporting errors were primarily due to using the incorrect information in making the year-end adjustments for pensions.

Also, on the government-wide financial statements, the District over reported Depreciable Capital Assets, Net, because the District relied on subsidiary records to support the furniture, fixtures, and equipment balance although these records included items that were approved by the Board for surplus at June 30, 2017. District personnel indicated that the subsidiary ledger was not verified to ensure that all furniture, fixtures, and equipment deletions had been removed from the subsidiary ledger.

**Effect**

Reporting errors such as these may cause financial statement users to misunderstand District financial activities and incorrectly assess the District financial position.

We extended our audit procedures to determine the adjustments necessary to ensure District financial statement amounts were properly reported, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management’s responsibility to implement adequate controls over financial reporting.

**Recommendation**

The District should improve procedures to ensure that financial statement account balances and transactions are properly reported.

**District Response**

The District concurs with the finding and is working to improve procedures to ensure that financial statement account balances and transactions are properly reported.

**School Internal Funds**

**Finding Number**  
**Opinion Unit**  
**Financial Statements**  
**Account Title(s)**  
**Fund Name**  
**Adjustment Amounts**  
**Statistically Valid Sample**  
**Prior Year Finding**

**2017-003**  
Aggregate Remaining Fund Information (ARFI)  
Various  
Agency Funds  
Not Applicable  
Not Applicable  
Not Applicable

**Finding**

District accountability over school internal funds needs improvement.

**Criteria**

Chapter 8 – School Internal Funds, *Financial and Program Cost Accounting and Reporting for Florida Schools* (Red Book), requires an annual audit of school internal funds.

**Condition**

School internal funds provide for an accounting of various school club and class activities and are reported as Agency Funds on the District financial statements. The financial activities of the school internal funds represent 18 percent of the

assets and 100 percent of the liabilities of the District aggregate remaining fund information.

The District contracted with a certified public accounting firm (auditors) to audit the school internal funds for the 2016-17 fiscal year and the auditors released an audit report, dated December 7, 2017, on the school internal fund financial statements. However, the auditors issued a qualified opinion on the school internal funds because they were unable to determine that the amount of revenues reported for Gadsden Technical Institute (GTI), 1 of the District's 13 schools, was accurate. The District reported a cash balance and internal accounts payable of \$39,132 each for GTI at June 30, 2017, which represented 3 percent and 19 percent of the ARFI reported assets and liabilities, respectively.

<b>Cause</b>	The school internal funds auditors were not presented with the number of students attending classes at GTI during the 2016-17 fiscal year or with auditable accounts receivable records pertaining to student attendance. As a result, the auditors issued an opinion qualification.
<b>Effect</b>	Professional auditing standards require that when other auditors report on a significant portion of the entity's financial statements, and the report discloses an opinion qualification, appropriate disclosures (qualifications) should be made in the auditor's report. Therefore, our report on the District financial statements includes a modification of opinion to that effect.
<b>Recommendation</b>	The District should enhance procedures to ensure adequate records are maintained for all school internal fund transactions.
<b>District Response</b>	The District concurs with the finding and is working collaboratively with the school to establish sustainable procedures and processes that will provide necessary data for auditing the internal funds at GTI.

## SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters are reported.

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

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The District had taken corrective actions for the financial statement audit findings included in our report No. 2017-189, except as discussed in Finding No. 2017-002.

# SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



*"Putting Children First"*

## THE SCHOOL BOARD OF GADSDEN COUNTY

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

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

Audit Report No. (Finding No.)	Program/Area	Brief Description	Status	Comments
2014-171 (1) 2015-164 (1), (2), and (3) 2016-156 (1) 2017-189 (2016-001)	Financial Reporting	District financial reporting procedures continue to need improvement to ensure financial statement account balances and transactions and expenditures listed on the Schedule of Expenditures of Federal Awards are properly reported.	Partially Corrected.	District will continue to improve accounting practices including SEFA.
2017-189 (2016-002)	Cash and Cash Equivalent Account Reconciliations	District procedures did not effectively provide for proper reconciliations of cash and cash equivalent account statement balances, timely adjustments to the general ledger, and appropriate supervisory review and approval of account reconciliations.	Corrected	
2017-189 (2016-003)	Journal Entries	Controls over journal entries need improvement.	Corrected	
2017-189 (2016-004)	Electronic Funds Transfers	District electronic funds transfers (EFT) agreements did not provide for an appropriate separation of duties.	Corrected	

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

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

**Isaac Simmons, Jr.**  
 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

# CORRECTIVE ACTION PLAN

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

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February 21, 2018

### Gadsden County District School Board Management's Corrective Action Plans For the Fiscal Year Ended June 30, 2017

Finding Number: 2017-001.  
Planned Corrective Action: The District will consider every available legal option to ensure compliance with the required review processes to monitor financial activities of charter schools. The District will continue to monitor the existing charter school within the district.  
Anticipated Completion Date: 9/30/17  
Responsible Contact Person: Bonnie Wood

Finding Number: 2017-002.  
Planned Corrective Action: The District is converting to the financial and payroll modules of Skyward software during the 2018-2019 fiscal year as a participant in the Panhandle Area Educational Consortium. The District is securing outside sources for reviewing and recommending improvements to the presentation of its financial documents.  
Anticipated Completion Date: 6/30/18  
Responsible Contact Person: Bonnie Wood

Finding Number: 2017-003.  
Planned Corrective Action: The District is fully involved in establishing procedures at GTI that will track correctly students by program and funding sources. Data have been developed that record the needed number of students completing classes with auditable accounts receivable records. The District is involved with the training of personnel at the school in order to ensure that the processes are sustainable.  
Anticipated Completion Date: 6/30/18  
Responsible Contact Person: Bonnie Wood

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