

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

**JEFFERSON COUNTY
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended
June 30, 2021



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2020-21 fiscal year, Eydie Tricquet served as Superintendent of the Jefferson County Schools from November 17, 2020, Marianne Arbulu served as Superintendent before that date, and the following individuals served as School Board Members:

	<u>District No.</u>
Gladys Roann-Watson, Vice Chair from 11-17-20	1
Sandra Saunders	2
Shirley Washington	3
Bill Brumfield, Chair through 11-16-20	4
Charles Boland, Chair from 11-17-20, Vice Chair through 11-16-20	5

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

The team leader was James H. Tubbs, and the audit was supervised by Kenneth C. Danley, CPA.

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

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JEFFERSON COUNTY DISTRICT SCHOOL BOARD
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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

Significant Deficiencies

Finding No. 2021-001: District financial reporting procedures need improvement to ensure that account balances and transactions are properly recorded in the District accounting records and presented in the annual financial report submitted to the Florida Department of Education.

Finding No. 2021-002: The Superintendent, who also served as the District security administrator; the Administrative Assistant; and a District independent contractor continued to have full update access privileges to information technology applications or components that allowed them to perform functions incompatible or inconsistent with their assigned job responsibilities.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States.

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;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements; and
- Taken corrective actions for the financial statement finding included in our report No. 2021-159.

The scope of this audit included an examination of the District's basic financial statements, as of and for the fiscal year ended June 30, 2021. 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. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

AUDIT METHODOLOGY

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the Jefferson County District School Board, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund of the Jefferson County District School Board, as of June 30, 2021, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note II. to the financial statements, the Jefferson County Elementary School, a discretely presented component unit, implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, which is a change in accounting principle that addresses accounting and financial reporting for fiduciary activities. This affects the comparability of amounts reported for the 2020-21 fiscal year with amounts reported for the 2019-20 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Budgetary Comparison Schedule – General Fund**, **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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 29, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Jefferson 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, 2021. 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 2020-21 fiscal year are as follows:

- The District's total net position decreased by \$874,376.42 or 4.8 percent, from the prior fiscal year.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$888,298.86 at June 30, 2021, or 11.2 percent of General Fund revenues. The prior fiscal year unassigned fund balance of the General Fund was \$792,585.25, or 10 percent of General Fund revenues.
- General Fund revenues exceeded expenditures by \$95,713.61. This may be compared to last fiscal year's results in which General Fund revenues exceeded expenditures by \$330,138.44.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

- Governmental activities – This represents most of the District's services, including its educational programs such as basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.

- Component units – The District presents three organizations as component units in this report: The Somerset Academy, Inc. operates Jefferson County Elementary, Jefferson County Middle, and Jefferson County High (Somerset Academy Charter Schools). These charter schools are considered discretely presented component units of the District because they meet the criteria for inclusion provided by the Governmental Accounting Standards Board. Financial information for these component units is reported separately from the financial information presented for the primary government.

Over time, changes in the District's net position are an indication of an improving or deteriorating financial condition. This information should be evaluated in conjunction with other nonfinancial factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's capital assets, including its school buildings and administrative facilities.

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. 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 are classified within governmental funds as 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, the governmental funds use a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. In particular, the sum of the assigned and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation of governmental funds to 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, Capital Projects – Public Education Capital Outlay Fund, Capital Projects – Capital Outlay and Debt Service Fund, Capital Projects – Local Capital Improvement Fund, and Capital Projects – Other Fund.

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

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government’s financial health. The following is a summary of the District’s net position as of June 30, 2021, compared to net position as of June 30, 2020:

	Governmental Activities	
	6-30-21	6-30-20
	<hr/>	<hr/>
Current and Other Assets	\$ 2,763,440.59	\$ 1,830,967.32
Capital Assets	18,734,991.29	20,559,098.55
Total Assets	<hr/> 21,498,431.88	<hr/> 22,390,065.87
Deferred Outflows of Resources	<hr/> 680,980.00	<hr/> 696,025.00
Long-Term Liabilities	2,048,548.76	1,868,322.76
Other Liabilities	594,988.46	169,417.03
Total Liabilities	<hr/> 2,643,537.22	<hr/> 2,037,739.79
Deferred Inflows of Resources	<hr/> 2,020,148.00	<hr/> 2,658,248.00
Net Position:		
Investment in Capital Assets	18,734,991.29	20,559,098.55
Restricted	1,280,153.27	868,965.04
Unrestricted (Deficit)	<hr/> (2,499,417.90)	<hr/> (3,037,960.51)
Total Net Position	<hr/> \$ 17,515,726.66	<hr/> \$ 18,390,103.08

The largest portion of the District’s net position is investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment). The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

A portion of the District’s net position, \$1,280,153.27, represents resources that are subject to external restrictions on how they may be used.

The remaining deficit net position, \$2,499,417.90, reflects the shortfall that the District would have faced in the event that it would have had to liquidate all of its non-capital liabilities at June 30, 2021. The liabilities (claims) against the unrestricted assets include the pension liability of \$2,039,624.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2021, and June 30, 2020, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-21	6-30-20
Program Revenues:		
Capital Grants and Contributions	\$ 203,544.36	\$ 176,020.43
General Revenues:		
Property Taxes, Levied for Operational Purposes	3,200,324.06	3,160,842.67
Property Taxes, Levied for Capital Projects	1,074,341.46	1,035,052.46
Grants and Contributions Not Restricted to Specific Programs	4,624,348.09	4,560,471.09
Unrestricted Investment Earnings	8,463.45	6,961.92
Miscellaneous	132,079.14	209,189.54
Total Revenues	9,243,100.56	9,148,538.11
Functions/Program Expenses:		
Instruction	6,821,650.38	6,915,286.85
Instruction-Related Technology	-	5,900.00
Board	61,232.21	115,382.43
General Administration	81,015.29	142,299.22
Facilities Acquisition and Construction	1,157,581.42	1,035,052.46
Fiscal Services	174.94	-
Student Transportation Services	559.95	7.06
Operation of Plant	54,519.71	63,244.99
Maintenance of Plant	3,760.00	6,709.99
Administrative Technology Services	31,067.01	4,530.28
Unallocated Interest on Long-Term Debt	81.69	76.34
Unallocated Depreciation Expense	989,607.72	1,040,293.56
Loss on Disposal of Capital Assets	916,226.66	-
Total Functions/Program Expenses	10,117,476.98	9,328,783.18
Change in Net Position	(874,376.42)	(180,245.07)
Net Position - Beginning	18,390,103.08	18,207,933.15
Adjustment to Beginning Net Position (1)	-	362,415.00
Net Position - Beginning, as Restated	18,390,103.08	18,570,348.15
Net Position - Ending	\$ 17,515,726.66	\$ 18,390,103.08

(1) In the 2019-20 fiscal year, the adjustment to beginning net position was due to a change in accounting estimate which eliminated the District's other postemployment benefits.

The largest revenue source is grants and contributions not restricted to specific programs, which includes revenues from the State of Florida. Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP funding formula utilizes student enrollment data and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. Revenues did not change significantly from the prior fiscal year.

Instruction expenses represent 67.4 percent of total governmental expenses in the 2020-21 fiscal year. The most significant change in expenses was due to the \$916,226.66 loss on disposal of capital assets related to the sale of land, improvement other than buildings, and building and fixed equipment.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

The total fund balances of governmental funds increased by \$377,329.84 during the fiscal year to \$2,013,577.67 at June 30, 2021. Of this amount, \$888,298.86, or 44.1 percent, is unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance, \$1,125,278.81, is designated as restricted to indicate that it is restricted for particular purposes.

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$888,298.86, while the total fund balance is \$1,369,673.95. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to General Fund total revenues. The unassigned fund balance is 11.2 percent of the total General Fund revenues, while total fund balance represents 17.2 percent of total General Fund revenues.

The Capital Projects – Capital Outlay and Debt Service Fund has a total fund balance of \$413,643.22. These funds are restricted for the acquisition, construction, and maintenance of capital assets.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$230,260.50. These funds are restricted for the acquisition, construction, and maintenance of capital assets. Fund balance increased by \$207,725.56 primarily due to the sale of capital assets.

The Capital Projects – Public Education Capital Outlay Fund and Capital Projects – Other Fund do not have fund balances at June 30, 2021. These funds are used to account for State capital outlay appropriations which are restricted for the acquisition, construction, and maintenance of capital assets. Funding is anticipated to be used for future capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2020-21 fiscal year, the General Fund budget was amended to reflect adjustments to appropriations and incurred costs. These amendments were made as part of the routine budget process of the District and were deemed to be necessary and appropriate by management.

CAPITAL ASSETS

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2021, is \$18,734,991.29 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software. The total decrease in capital assets for the current fiscal year was 8.9 percent, which was primarily the result of the sale of capital assets and current fiscal year depreciation expense.

OTHER MATTERS OF SIGNIFICANCE

During the 2017-18 fiscal year, the District transferred all K-12 instructional, and a majority of operational, activities of the District over to Somerset Academy, Inc. Beginning in the 2022-23 fiscal year, the District will resume control over District operations which will have a significant impact on the District's financial activities.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Superintendent of Schools, Jefferson County District School Board, 1490 West Washington Street, Monticello, Florida 32344.

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BASIC FINANCIAL STATEMENTS

**Jefferson County District School Board
Statement of Net Position
June 30, 2021**

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	\$ 2,435,125.65	\$ 306,132.00
Investments	-	600,000.00
Accounts Receivable	-	12,733.00
Due from Other Agencies	328,314.94	1,671,156.00
Due from Related Parties	-	1,518,120.00
Deposits Receivable	-	29,715.00
Prepaid Items	-	346,492.00
Capital Assets:		
Nondepreciable Capital Assets	1,033,517.18	24,000.00
Depreciable Capital Assets, Net	17,701,474.11	2,070,232.00
TOTAL ASSETS	21,498,431.88	6,578,580.00
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	680,980.00	-
LIABILITIES		
Accrued Salaries and Benefits	-	330,171.00
Payroll Deductions and Withholdings	18,596.43	-
Accounts Payable	-	522,642.00
Due to Component Units	409,475.03	-
Due to Related Parties	-	686,699.00
Revolving Loan - Line of Credit	-	1,450,000.00
Unearned Revenue	166,917.00	-
Long-Term Liabilities:		
Portion Due Within 1 Year	5,046.00	127,263.00
Portion Due After 1 Year	2,043,502.76	1,887,511.00
TOTAL LIABILITIES	2,643,537.22	5,004,286.00
DEFERRED INFLOWS OF RESOURCES		
Pensions	2,020,148.00	-
NET POSITION		
Net Investment in Capital Assets	18,734,991.29	1,704,184.00
Restricted for:		
State Required Carryover Programs	327,419.66	-
Workforce Development	140,822.64	-
Fuel Tax Refunds	13,132.79	-
Capital Projects	798,778.18	-
Unrestricted (Deficit)	(2,499,417.90)	(129,890.00)
TOTAL NET POSITION	\$ 17,515,726.66	\$ 1,574,294.00

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

**Jefferson County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 6,821,650.38	\$ -	\$ -	\$ -
Board	61,232.21	-	-	-
General Administration	81,015.29	-	-	-
Facilities Acquisition and Construction	1,157,581.42	-	-	203,544.36
Fiscal Services	174.94	-	-	-
Student Transportation Services	559.95	-	-	-
Operation of Plant	54,519.71	-	-	-
Maintenance of Plant	3,760.00	-	-	-
Administrative Technology Services	31,067.01	-	-	-
Unallocated Interest on Long-Term Debt	81.69	-	-	-
Unallocated Depreciation Expense	989,607.72	-	-	-
Net Loss on Disposal of Capital Assets	916,226.66	-	-	-
Total Governmental Activities	\$ 10,117,476.98	\$ 0.00	\$ 0.00	\$ 203,544.36
Component Units				
Charter Schools	\$ 12,817,907.00	\$ 51,314.00	\$ 2,350,555.00	\$ 1,036,421.00

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

Adjustments to Net Position - Beginning

Net Position - Beginning, as Restated

Net Position - Ending

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

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

Primary Government	
Governmental Activities	Component Units
\$ (6,821,650.38)	\$ -
(61,232.21)	-
(81,015.29)	-
(954,037.06)	-
(174.94)	-
(559.95)	-
(54,519.71)	-
(3,760.00)	-
(31,067.01)	-
(81.69)	-
(989,607.72)	-
(916,226.66)	-
<u>(9,913,932.62)</u>	<u>-</u>
-	<u>(9,379,617.00)</u>
3,200,324.06	-
1,074,341.46	-
4,624,348.09	10,770,422.00
8,463.45	218,423.00
132,079.14	-
<u>9,039,556.20</u>	<u>10,988,845.00</u>
(874,376.42)	1,609,228.00
18,390,103.08	(114,234.00)
-	79,300.00
<u>18,390,103.08</u>	<u>(34,934.00)</u>
<u>\$ 17,515,726.66</u>	<u>\$ 1,574,294.00</u>

**Jefferson County District School Board
Balance Sheet – Governmental Funds
June 30, 2021**

	General Fund	Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Capital Outlay and Debt Service Fund
ASSETS			
Cash and Cash Equivalents	\$ 1,706,925.07	\$ -	\$ 413,643.22
Due from Other Agencies	6,523.48	133,748.00	-
TOTAL ASSETS	\$ 1,713,448.55	\$ 133,748.00	\$ 413,643.22
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Payroll Deductions and Withholdings	\$ 18,596.43	\$ -	\$ -
Due to Component Units	325,178.17	-	-
Unearned Revenue	-	74,917.00	-
Total Liabilities	343,774.60	74,917.00	-
Deferred Inflows of Resources:			
Unavailable Revenue - State Capital Outlay Funding	-	58,831.00	-
Fund Balances:			
Restricted for:			
State Required Carryover Programs	327,419.66	-	-
Workforce Development	140,822.64	-	-
Fuel Tax Refunds	13,132.79	-	-
Capital Projects	-	-	413,643.22
Total Restricted Fund Balance	481,375.09	-	413,643.22
Unassigned Fund Balance	888,298.86	-	-
Total Fund Balances	1,369,673.95	-	413,643.22
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,713,448.55	\$ 133,748.00	\$ 413,643.22

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Total Governmental Funds
\$ 314,557.36	\$ -	\$ 2,435,125.65
-	188,043.46	328,314.94
<u>\$ 314,557.36</u>	<u>\$ 188,043.46</u>	<u>\$ 2,763,440.59</u>
\$ -	\$ -	\$ 18,596.43
84,296.86	-	409,475.03
-	92,000.00	166,917.00
<u>84,296.86</u>	<u>92,000.00</u>	<u>594,988.46</u>
-	96,043.46	154,874.46
-	-	327,419.66
-	-	140,822.64
-	-	13,132.79
230,260.50	-	643,903.72
<u>230,260.50</u>	<u>-</u>	<u>1,125,278.81</u>
-	-	888,298.86
<u>230,260.50</u>	<u>-</u>	<u>2,013,577.67</u>
<u>\$ 314,557.36</u>	<u>\$ 188,043.46</u>	<u>\$ 2,763,440.59</u>

**Jefferson County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2021**

Total Fund Balances - Governmental Funds		\$ 2,013,577.67
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.		18,734,991.29
A portion of revenues from State sources is not available to pay for current fiscal year expenditures and, therefore, is reported as unavailable revenue on the governmental fund statements.		154,874.46
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	\$ 680,980.00	
Deferred Inflows Related to Pensions	<u>(2,020,148.00)</u>	(1,339,168.00)
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year end consist of:		
Compensated Absences Payable	\$ (8,924.76)	
Net Pension Liability	<u>(2,039,624.00)</u>	<u>(2,048,548.76)</u>
Net Position - Governmental Activities		<u>\$ 17,515,726.66</u>

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

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**Jefferson County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2021**

	<u>General Fund</u>	<u>Capital Projects - Public Education Capital Outlay Fund</u>	<u>Capital Projects - Capital Outlay and Debt Service Fund</u>
Revenues			
Intergovernmental:			
State	\$ 4,624,348.09	\$ -	\$ 73,972.36
Local:			
Property Taxes	3,200,324.06	-	-
Miscellaneous	138,289.95	-	-
Total Local Revenues	<u>3,338,614.01</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>7,962,962.10</u>	<u>-</u>	<u>73,972.36</u>
Expenditures			
Current - Education:			
Instruction	6,826,610.38	-	-
Board	277,173.21	-	-
General Administration	302,943.29	-	-
Facilities Acquisition and Construction	113,255.08	-	-
Fiscal Services	174.94	-	-
Student Transportation Services	559.95	-	-
Operation of Plant	54,519.71	-	-
Maintenance of Plant	3,760.00	-	-
Administrative Technology Services	31,067.01	-	-
Fixed Capital Outlay:			
Other Capital Outlay	257,184.92	-	-
Debt Service:			
Interest and Fiscal Charges	-	-	81.69
Total Expenditures	<u>7,867,248.49</u>	<u>-</u>	<u>81.69</u>
Excess of Revenues Over Expenditures	<u>95,713.61</u>	<u>-</u>	<u>73,890.67</u>
Other Financing Sources			
Sale of Capital Assets	-	-	-
Net Change in Fund Balances	95,713.61	-	73,890.67
Fund Balances, Beginning	1,273,960.34	-	339,752.55
Fund Balances, Ending	<u>\$ 1,369,673.95</u>	<u>\$ 0.00</u>	<u>\$ 413,643.22</u>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Total Governmental Funds
\$ -	\$ -	\$ 4,698,320.45
1,074,341.46	-	4,274,665.52
2,252.64	-	140,542.59
<u>1,076,594.10</u>	<u>-</u>	<u>4,415,208.11</u>
<u>1,076,594.10</u>	<u>-</u>	<u>9,113,528.56</u>
-	-	6,826,610.38
-	-	277,173.21
-	-	302,943.29
1,044,326.34	-	1,157,581.42
-	-	174.94
-	-	559.95
-	-	54,519.71
-	-	3,760.00
-	-	31,067.01
-	-	257,184.92
-	-	81.69
<u>1,044,326.34</u>	<u>-</u>	<u>8,911,656.52</u>
<u>32,267.76</u>	<u>-</u>	<u>201,872.04</u>
<u>175,457.80</u>	<u>-</u>	<u>175,457.80</u>
207,725.56	-	377,329.84
22,534.94	-	1,636,247.83
<u>\$ 230,260.50</u>	<u>\$ 0.00</u>	<u>\$ 2,013,577.67</u>

**Jefferson 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, 2021**

Net Change in Fund Balances - Governmental Funds \$ 377,329.84

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. (732,422.80)

The net loss on disposal of capital assets during the fiscal year is reported in the statement of activities. In the governmental funds, the cost of these capital 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. (1,091,684.46)

The governmental funds reported deferred inflows of resources related to unavailable revenue. This is the increase in unavailable revenues in the current fiscal year. 129,572.00

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal 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. (1,907.00)

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	\$ 138,962.00	
HIS Pension Contribution	13,324.00	
FRS Pension Expense	42,616.00	
HIS Pension Expense	249,834.00	
	444,736.00	444,736.00

Change in Net Position - Governmental Activities **\$ (874,376.42)**

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. 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 Jefferson 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 is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The Jefferson 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 Jefferson 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 are included within the District's reporting entity:

Discretely Presented Component Units. The component units columns in the government-wide financial statements 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 Somerset Academy, Inc. is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The Somerset Academy, Inc. operates the Jefferson County Elementary, Jefferson County Middle, and Jefferson County High (Somerset Academy Charter Schools). The Board entered into an agreement with Somerset Academy, Inc. to turn over day-to-day operations of the District schools. Each charter

school operates under a separate charter approved by their sponsor, the Jefferson 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 charter schools' audited financial statements for the fiscal year ended June 30, 2021. The audit reports are filed in the District's administrative offices at 1490 West Washington Street, Monticello, Florida 32344.

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.

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

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.
- Capital Projects – Public Education Capital Outlay Fund – to account for the financial resources generated by Public Education Capital Outlay and Debt Service Trust Fund to be used for facilities maintenance.
- Capital Projects – Capital Outlay and Debt Service Fund – to account for the District's allocation of the State of Florida's Capital Outlay and Debt Service Program Funds to be used for construction of new schools, including capital equipment and additions to existing schools.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, new and replacement equipment, and motor vehicle purchases.
- Capital Projects – Other Fund – to account for the financial resources generated by Educational Facilities Security Grants and the Classrooms First Program.

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 fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. 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 fiscal year or within the availability period for this revenue source (within 60 days of fiscal year end). Property taxes and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, pension benefits and compensated absences are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The charter schools are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

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

1. Cash

The District's cash is considered to be cash on hand and demand deposits. 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. 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	50 years
Furniture, Fixtures, and Equipment	3 - 20 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	3 - 5 years

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

3. 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.

4. 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, long-term obligations are not recognized as liabilities until due.

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District has one item that qualifies for reporting in this category. The deferred outflows of resources related to pensions are 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 fiscal years and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first item, deferred inflows of resources related to pensions, is reported in the statement of net position and discussed in a subsequent note. The remaining item is reported in the governmental funds balance sheet as unavailable revenue related to State capital outlay funding and will be recognized as an inflow of resources in the fiscal year that the amounts become available.

6. 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.

7. 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.

8. 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, 2021.

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 fiscal year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The District reported no assigned fund balances at June 30, 2021.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include State funding for capital outlay. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. State Revenue Sources

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

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

The State allocates Public Education Capital Outlay, Classrooms First, and Educational Facilities Security Grant funding to the District. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE. Accordingly, the District recognizes the allocations as unearned revenue until such time as an encumbrance authorization is received.

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

3. District Property Taxes

The Board is authorized by State law to levy property taxes for district and charter 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 Jefferson County Property Appraiser, and property taxes are collected by the Jefferson County Tax Collector.

The Board adopted the 2020 tax levy on September 14, 2020. 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 Jefferson 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.

II. ACCOUNTING CHANGE

The Jefferson County Elementary School (School), a discretely presented component unit, implemented GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The focus of the criteria generally is on (1) whether an entity is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Entities with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The School does not consider the school internal funds to meet the criteria for reporting as fiduciary activities. As such, the beginning net position of the discretely presented component units was increased by \$79,300.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

B. Changes in Capital Assets

Changes in capital assets are presented in the following table:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,044,597.18	\$ -	\$ 11,080.00	\$ 1,033,517.18
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,056,982.73	257,184.92	484,147.36	830,020.29
Buildings and Fixed Equipment	37,178,245.95	-	3,753,555.14	33,424,690.81
Furniture, Fixtures, and Equipment	2,958,346.02	-	-	2,958,346.02
Motor Vehicles	1,901,582.32	-	223,647.00	1,677,935.32
Audio Visual Materials and Computer Software	361,606.34	-	-	361,606.34
Total Capital Assets Being Depreciated	43,456,763.36	257,184.92	4,461,349.50	39,252,598.78
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	958,731.17	30,664.72	445,226.84	544,169.05
Buildings and Fixed Equipment	18,041,130.60	720,724.04	2,711,871.20	16,049,983.44
Furniture, Fixtures, and Equipment	2,817,533.12	135,808.90	-	2,953,342.02
Motor Vehicles	1,763,260.76	102,410.06	223,647.00	1,642,023.82
Audio Visual Materials and Computer Software	361,606.34	-	-	361,606.34
Total Accumulated Depreciation	23,942,261.99	989,607.72	3,380,745.04	21,551,124.67
Total Capital Assets Being Depreciated, Net	19,514,501.37	(732,422.80)	1,080,604.46	17,701,474.11
Governmental Activities Capital Assets, Net	\$ 20,559,098.55	\$ (732,422.80)	\$ 1,091,684.46	\$ 18,734,991.29

The District's capital assets serve multiple functions; however, depreciation expense is not allocated to the various functions on the statement of activities, but is shown as unallocated depreciation expense.

C. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

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

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and

FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The District's FRS and HIS pension expense totaled negative \$292,450 for the fiscal year ended June 30, 2021.

FRS Pension Plan

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

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

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

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

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation

is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2020-21 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	10.00
FRS, Elected County Officers	3.00	49.18
DROP – Applicable to Members from All of the Above Classes	0.00	16.98
FRS, Reemployed Retiree	(2)	(2)

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

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

The District's contributions to the Plan totaled \$138,962 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the District reported a liability of \$1,762,117 for its proportionate share of the Plan's net pension liability. The net pension liability was

measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The District's proportionate share of the net pension liability was based on the District's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the District's proportionate share was 0.004065659 percent, which was a decrease of 0.000475534 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the District recognized negative Plan pension expense of \$42,616. 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	\$ 67,440	\$ -
Change of Assumptions	318,999	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	104,918	-
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	-	1,078,344
District FRS Contributions Subsequent to the Measurement Date	138,962	-
Total	<u>\$ 630,319</u>	<u>\$ 1,078,344</u>

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$138,962, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. 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>
2022	\$ (255,349)
2023	(150,464)
2024	(126,066)
2025	(44,562)
2026	(10,546)
Total	<u>\$ (586,987)</u>

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

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	6.8 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.2%	2.2%	1.2%
Fixed Income	19.0%	3.0%	2.9%	3.5%
Global Equity	54.2%	8.0%	6.7%	17.1%
Real Estate (Property)	10.3%	6.4%	5.8%	11.7%
Private Equity	11.1%	10.8%	8.1%	25.7%
Strategic Investments	4.4%	5.5%	5.3%	6.9%
Total	<u>100%</u>			
Assumed Inflation - Mean			2.4%	1.7%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.8 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2020 valuation was updated from 6.9 percent to 6.8 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.8 percent) or 1 percentage point higher (7.8 percent) than the current rate:

	<u>1% Decrease (5.8%)</u>	<u>Current Discount Rate (6.8%)</u>	<u>1% Increase (7.8%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 2,813,804	\$ 1,762,117	\$ 883,743

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, 2021, 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, 2021, 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 \$13,324 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the District reported a net pension liability of \$277,507 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The District's proportionate share of the net pension liability was based on the District's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the District's proportionate share was 0.002274113 percent, which was a decrease of 0.000383681 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the District recognized negative HIS Plan pension expense of \$249,834. 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	\$ 11,358	\$ 214
Change of Assumptions	25,757	16,145
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	222	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	-	925,445
District HIS Contributions Subsequent to the Measurement Date	13,324	-
Total	\$ 50,661	\$ 941,804

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$13,324, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. 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>
2022	\$ (252,638)
2023	(227,627)
2024	(209,388)
2025	(169,460)
2026	(40,580)
Thereafter	(4,774)
Total	\$ (904,467)

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

Inflation	2.40 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	2.21 percent

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-018. This is a change from the prior year mortality assumption which was based on the Generational RP-2000 with Projection Scale BB tables.

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 2.21 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 3.5 percent to 2.21 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 2.21 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 (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
District's Proportionate Share of the Net Pension Liability	\$ 320,969	\$ 277,507	\$ 242,222

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

2. FRS – Defined Contribution Pension Plan

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

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

payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2020-21 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, 2021, 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 \$13,646.50 for the fiscal year ended June 30, 2021.

D. 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. The District is a member of the Panhandle Area Educational Consortium – Risk Management Consortium (Consortium) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, sabotage and terrorism, cyber liability, employee dishonesty, equipment breakdown, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Washington County District School Board serves as fiscal agent for the Consortium.

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

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

E. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Compensated Absences Payable	\$ 7,017.76	\$ 3,814.00	\$ 1,907.00	\$ 8,924.76	\$ -
Net Pension Liability	1,861,305.00	3,175,684.00	2,997,365.00	2,039,624.00	5,046.00
Total Governmental Activities	\$ 1,868,322.76	\$ 3,179,498.00	\$ 2,999,272.00	\$ 2,048,548.76	\$ 5,046.00

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

F. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in Note I.F.8., 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.

G. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2020-21 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 3,193,712.00
Categorical Educational Program - Class Size Reduction	834,462.00
Department of Emergency Management Grant	277,840.00
Sales Tax Distribution	223,250.00
Workforce Development Program	82,209.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	73,972.36
State License Tax	11,691.28
Miscellaneous	1,183.81
Total	\$ 4,698,320.45

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 2020 tax roll for the 2020-21 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>General Fund</u>		
Nonvoted School Tax:		
Required Local Effort	3.716	\$ 2,748,687.16
Basic Discretionary Local Effort	0.748	553,287.94
<u>Capital Projects - Local Capital Improvement Fund</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	1,109,534.65
Total	5.964	\$ 4,411,509.75

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General Fund For the Fiscal Year Ended June 30, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
State	\$ 4,467,129.00	\$ 4,626,349.00	\$ 4,624,348.09	\$ (2,000.91)
Local:				
Property Taxes	3,115,952.00	3,200,324.00	3,200,324.06	0.06
Miscellaneous	109,511.00	138,290.00	138,289.95	(0.05)
Total Local Revenues	<u>3,225,463.00</u>	<u>3,338,614.00</u>	<u>3,338,614.01</u>	<u>0.01</u>
Total Revenues	<u>7,692,592.00</u>	<u>7,964,963.00</u>	<u>7,962,962.10</u>	<u>(2,000.90)</u>
Expenditures				
Current - Education:				
Instruction	7,042,744.00	6,826,610.17	6,826,610.38	(0.21)
Board	241,611.00	277,173.00	277,173.21	(0.21)
General Administration	255,893.00	302,944.00	302,943.29	0.71
Facilities Acquisition and Construction	-	113,256.00	113,255.08	0.92
Fiscal Services	26,000.00	175.00	174.94	0.06
Student Transportation Services	-	560.00	559.95	0.05
Operation of Plant	100,586.00	54,519.00	54,519.71	(0.71)
Maintenance of Plant	25,758.00	3,760.00	3,760.00	-
Administrative Technology Services	-	31,067.00	31,067.01	(0.01)
Fixed Capital Outlay:				
Other Capital Outlay	-	257,185.00	257,184.92	0.08
Total Expenditures	<u>7,692,592.00</u>	<u>7,867,249.17</u>	<u>7,867,248.49</u>	<u>0.68</u>
Excess of Revenues Over Expenditures	-	97,713.83	95,713.61	(2,000.22)
Fund Balances, Beginning	<u>1,079,920.00</u>	<u>1,273,960.00</u>	<u>1,273,960.34</u>	<u>0.34</u>
Fund Balances, Ending	<u>\$ 1,079,920.00</u>	<u>\$ 1,371,673.83</u>	<u>\$ 1,369,673.95</u>	<u>\$ (1,999.88)</u>

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

Fiscal Year Ending June 30	District's Proportion of the FRS Net Pension Liability	District's Proportionate of the FRS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered Payroll	FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2013	0.017007561%	\$ 2,927,758	\$ 6,446,075	45.42%	88.54%
2014	0.018856390%	1,150,517	6,478,434	17.76%	96.09%
2015	0.016664258%	2,152,412	5,794,332	37.15%	92.00%
2016	0.014229271%	3,592,903	5,453,655	65.88%	84.88%
2017	0.012397285%	3,667,035	4,564,860	80.33%	83.89%
2018	0.005358034%	1,613,868	1,093,614	147.57%	84.26%
2019	0.004541193%	1,563,924	902,150	173.36%	82.61%
2020	0.004065659%	1,762,117	819,084	215.13%	78.85%

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

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

Fiscal Year Ending June 30	Contractually Required FRS Contribution	FRS Contributions in Relation to the Contractually Required Contribution	FRS Contribution Deficiency (Excess)	District's Covered Payroll	FRS Contributions as a Percentage of Covered Payroll
2014	\$ 413,035	\$ (413,035)	\$ -	\$ 6,478,434	6.38%
2015	406,289	(406,289)	-	5,794,332	7.01%
2016	347,003	(347,003)	-	5,453,655	6.36%
2017	322,732	(322,732)	-	4,564,860	7.07%
2018	152,700	(152,700)	-	1,093,614	13.96%
2019	140,810	(140,810)	-	902,150	15.61%
2020	135,084	(135,084)	-	819,084	16.49%
2021	138,962	(138,962)	-	802,512	17.32%

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

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

Fiscal Year Ending June 30	District's Proportion of the HIS Net Pension Liability	District's Proportionate Share of the HIS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2013	0.022171123%	\$ 1,930,288	\$ 6,446,075	29.95%	1.78%
2014	0.021769779%	2,035,527	6,478,434	31.42%	0.99%
2015	0.019099022%	1,947,800	5,794,332	33.62%	0.50%
2016	0.017569385%	2,047,639	5,453,655	37.55%	0.97%
2017	0.014321236%	1,531,293	4,564,860	33.55%	1.64%
2018	0.003347517%	354,305	1,093,614	32.40%	2.15%
2019	0.002657794%	297,381	902,150	32.96%	2.63%
2020	0.002274113%	277,507	819,084	33.88%	3.00%

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

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

Fiscal Year Ending June 30	Contractually Required HIS Contribution	HIS Contributions in Relation to the Contractually Required Contribution	HIS Contribution Deficiency (Excess)	District's Covered Payroll	HIS Contributions as a Percentage of Covered Payroll
2014	\$ 74,546	\$ (74,546)	\$ -	\$ 6,478,434	1.15%
2015	73,008	(73,008)	-	5,794,332	1.26%
2016	90,054	(90,054)	-	5,453,655	1.65%
2017	75,792	(75,792)	-	4,564,860	1.66%
2018	18,154	(18,154)	-	1,093,614	1.66%
2019	14,758	(14,758)	-	902,150	1.64%
2020	13,105	(13,105)	-	819,084	1.60%
2021	13,324	(13,324)	-	802,512	1.66%

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

1. Budgetary Basis of Accounting

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

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

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

Changes of Assumptions. In 2020, the long-term expected rate of return was decreased from 6.9 percent to 6.8 percent.

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

Changes of Assumptions. In 2020, the municipal bond rate used to determine total pension liability was decreased from 3.5 percent to 2.21 percent, and the mortality assumption was updated.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of the Jefferson County District School Board as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 29, 2022, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying **FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS** as Finding Nos. 2021-001 and 2021-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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

District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying **FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS** Finding Nos. 2021-001 and 2021-002. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 29, 2022

FINANCIAL STATEMENT FINDINGS AND RECOMMENDATIONS

SIGNIFICANT DEFICIENCIES

FINANCIAL REPORTING

Finding Number	2021-001
Opinion Units	Governmental Activities, Major Funds: General Fund and Capital Projects – Local Capital Improvement (LCI) Fund
Financial Statements Account Titles	Various
Fund Names	General Fund and Capital Projects – LCI Fund
Adjustment Amounts	<p>For example, for Governmental Activities:</p> <ul style="list-style-type: none">To properly report capital assets:<ul style="list-style-type: none">Additions of \$1,091,685 (debit) to Loss on Disposal of Capital Assets and reductions of \$11,080 (credit) to Capital Assets: Nondepreciable Capital Assets, \$772,734 (credit) to Capital Assets: Depreciable Capital Assets, and to various expense functions totaling \$307,871 (credit). <p>For governmental funds financial statements:</p> <ul style="list-style-type: none">To properly report amounts owed to component units:<ul style="list-style-type: none">General Fund: Additions to Instruction Expenditures (debit) and Due to Component Units (credit) of \$325,178 each.Capital Projects – LCI Fund: Additions to Facilities Acquisition and Construction Expenditures (debit) and Due to Component Units (credit) of \$84,297 each.
Statistically Valid Sample	Not Applicable
Prior Year Finding	Not Applicable
Finding	District financial procedures need improvement to ensure that account balances and transactions are properly recorded in the accounting records and financial statement information is properly presented in the annual financial report (AFR) submitted to the Florida Department of Education.
Criteria	<p>Section 1010.01, Florida Statutes, requires that State Board of Education rules incorporate the requirements of law and accounting principles generally accepted in the United States (GAAP). GAAP require that:</p> <ul style="list-style-type: none">The cost of capital assets, less any accumulated depreciation, is reported in the government-wide financial statements.In the governmental fund financial statements, expenditures are recognized when the liability is incurred.
Condition	<p>The District did not always properly record financial information in the accounting records or comply with GAAP by reporting that information in the AFR. For example, before audit adjustments:</p> <ul style="list-style-type: none">In the government-wide financial statements, the District did not properly record and report deletions to certain capital asset balances and the related accumulated depreciation.In the governmental fund financial statements, the District did not record and report certain expenditures and the related payables due to its discretely presented component units at fiscal year end.

Cause	The accounting records were not properly updated for all transactions relating to capital assets, and expenditures and payables were underreported because District staff did not properly analyze disbursements to the component units. In addition, the District had not established effective review procedures to detect and timely correct AFR errors and omissions.
Effect	Recording and reporting errors such as these may cause financial statement users to misunderstand the District's financial activities and incorrectly assess the District's financial position. We extended our procedures to determine the adjustments necessary to ensure that District financial statement amounts were properly reported, and District personnel accepted the adjustments. However, our audit procedures cannot substitute for management's responsibility to implement adequate controls over recording accounting entries and preparing the AFR.
Recommendation	The District should improve procedures to ensure that financial accounts and transactions are properly recorded and reported in the AFR. Such improvements should include appropriate training for individuals responsible for preparing the AFR, and those responsible for reviewing and approving the AFR, to detect and timely correct recording and reporting errors and ensure completeness of the AFR.
District Response	As noted in the report, the limited number of District staff has presented issues at times. We recognize the importance of properly recording and reporting all financial transactions for the preparation of accurate financial statements. We will ensure that ongoing training and support will continue as the District adds additional staff in the coming year.

INFORMATION TECHNOLOGY – ACCESS PRIVILEGES

Finding Number	2021-002
Opinion Unit	Not Applicable
Financial Statements Account Titles	Not Applicable
Fund Name	Not Applicable
Adjustment Amounts	Not Applicable
Statistically Valid Sample	Not Applicable
Prior Year Finding	Auditor General Report No. 2021-159, Finding 2020-001

Finding The Superintendent, who also served as the District security administrator; the Administrative Assistant; and a District independent contractor continued to have full update access privileges to information technology (IT) applications or components that allowed them to perform functions incompatible or inconsistent with their assigned job duties.

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

A security administrator is responsible for granting IT access privileges and limiting those privileges based on the individual's job duties. Given the security administrator's role, that function should typically be assigned to an employee who does not have responsibilities for monitoring financial or payroll

transactions, and someone other than the security administrator should document review and approval of IT user access privileges.

Condition

The District accounting system is composed of finance and human resource (HR) applications, as well as a product setup component that allows for the technical configuration and system administration of both applications. The District finance application includes, for example, the ability to create and edit vendor information, create and post journal entries, and process payment transactions. The District HR application includes, for example, the ability to add new employees, adjust pay rates, edit leave balances, and process payroll transactions. The product setup component is used by the security administrator to assign IT user access privileges to the District applications and setup component.

As part of our audit, we examined District records supporting the IT access privileges granted to the three IT users of District applications. We found that District records did not demonstrate the independent review and approval of user IT access privileges. In addition, we found that the Superintendent served as security administrator, had access to the product setup component, and had full update access to both the finance and HR applications; the District Administrative Assistant had full update access to both the finance and HR applications; and a District independent contractor had access to the product set up component and full update access to both the finance and HR applications.

Other than functions provided by the inappropriate access privileges, routine duties of the three individuals included, for example:

- Superintendent - Approved cash receipts, bank reconciliations, journal entries, and payroll and vendor checks.
- Administrative Assistant - Prepared and recorded cash receipts, bank reconciliations, and journal entries, and generated payroll and vendor checks after Superintendent authorization.
- Independent Contractor - Recorded fiscal year-end journal entries and reviewed transactions.

Cause

According to District personnel, the inappropriate IT access privileges exist primarily because the District only employs three individuals who sometimes function in back up roles when others are not available. District personnel indicated that the deficiency will be corrected when the Florida Department of Education returns control of District operations back to the District and the District has more staff available.

Effect

The inappropriate access privileges allowed the Superintendent, Administrative Assistant, and the independent contractor to perform functions incompatible or inconsistent with their assigned job responsibilities. For example, with these privileges, personnel could create or edit vendor information and process payment transactions.

Our examination of District records indicated that the District had certain controls, such as documented Board review and approval of monthly financial reports, to help mitigate the inappropriate access privileges. However, while these controls compensated, in part, for incompatible access privileges and lack of independent review and approval of privileges, the existence of inappropriate or unnecessary IT access privileges increase the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur, and not be timely detected.

Our examination of District records for selected transactions indicated that those transactions were properly supported; however, our procedures cannot

substitute for management's responsibility to establish and maintain an adequate system of internal control.

Recommendation

District management should ensure that IT access privileges restrict employees and others from routinely performing functions incompatible or inconsistent with their assigned job functions. In addition, the District should transfer the security administrator duties to the Administrative Assistant, and the Superintendent should document review and approval of user access privileges.

District Response

As noted in the audit finding, the inappropriate IT access privileges exist primarily because the District only employs three individuals who sometimes function in back up roles when others are not available. This deficiency will be corrected when the Florida Department of Education returns control of District operations back to the District and the District has more staff available.

PRIOR AUDIT FOLLOW-UP

The District had not taken corrective actions for the financial statement finding included in our report No. 2021-159.