

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial and Federal Single Audit**

**BAKER 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, Sherrie Raulerson served as Superintendent of the Baker County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Tiffany McInarnay, Vice Chair from 11-17-20	1
Richard Dean Griffis, Chair through 11-16-20	2
Paula T. Barton, Chair from 11-17-20, Vice Chair through 11-16-20	3
Charlie M. Burnett	4
Amanda Hodges from 11-17-20	5
Patricia C. Weeks 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 Summer B. Elledge, CPA, and the audit was supervised by Glenda K. Hart, CPA.

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

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## SUMMARY

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### SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of the Baker 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

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

#### **Additional Matter**

**Finding AM 2021-001:** District accountability over school internal funds needs to be enhanced.

### SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster and Education Stabilization Fund were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

### AUDIT OBJECTIVES AND SCOPE

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on the District's major Federal programs;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for the finding included in our report No. 2021-113.

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards, as of and for the fiscal year ended June 30, 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 and Federal awards. We also examined various transactions to determine whether they were

executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Baker 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 school internal funds, which represent 17 percent, 0 percent, 0 percent, 18 percent, 13 percent, and 13 percent, respectively, of the assets, liabilities, deferred inflows of resources, fund balance and net position, revenues, and expenditures of the aggregate remaining fund information. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Baker County District School Board, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note II. to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 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 and Major Special Revenue Funds**, **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States

of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

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

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 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 14, 2022

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management of the Baker 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:

- As of June 30, 2021, the assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$24,157,407.
- In total, net position increased \$5,296,242, which represents a 21.9 percent increase over the 2019-20 fiscal year primarily due to an increase in capital grants and contributions revenue.
- General revenues total \$46,840,366, or 82.1 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$10,204,843, or 17.9 percent of all revenues.
- Expenses total \$51,748,967. Expenses offset by charges for services, operating grants and contributions, and capital grants and contributions totaled \$10,204,843.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$8,553,196, which is \$698,158 more than the prior fiscal year balance. The General Fund assigned and unassigned fund balances total \$6,316,419, or 15.7 percent of total General Fund revenues.

## **OVERVIEW OF FINANCIAL STATEMENTS**

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

### **Government-Wide Financial Statements**

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

All of the District's activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities include instruction, student support

services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes and State revenues finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities.

The Baker County School Board Leasing Corporation (Leasing Corporation), although a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

### **Fund Financial Statements**

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

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

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

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

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

**Proprietary Fund:** Proprietary funds may be established to account for activities in which a fee is charged for services. The District uses an internal service fund to account for its employee supplemental insurance program. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

**Notes to Financial Statements**

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

**Other Information**

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

<b>GOVERNMENT-WIDE FINANCIAL ANALYSIS</b>
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As noted earlier, net position over time may serve as a useful indicator of a government’s financial health. The following is a summary of the District’s net position as of June 30, 2021, compared to net position as of June 30, 2020:

	<b>Governmental Activities</b>	
	<b>6-30-21</b>	<b>6-30-20</b>
	<hr/>	<hr/>
Current and Other Assets	\$ 26,917,840	\$ 17,377,398
Capital Assets	37,031,158	36,372,449
<b>Total Assets</b>	<hr/> 63,948,998	<hr/> 53,749,847
<b>Deferred Outflows of Resources</b>	<hr/> 11,714,476	<hr/> 9,653,449
Long-Term Liabilities	47,228,159	38,689,463
Other Liabilities	1,404,141	2,158,400
<b>Total Liabilities</b>	<hr/> 48,632,300	<hr/> 40,847,863
<b>Deferred Inflows of Resources</b>	<hr/> 2,873,767	<hr/> 4,538,591
Net Position:		
Net Investment in Capital Assets	31,701,628	33,133,363
Restricted	17,951,324	8,436,412
Unrestricted (Deficit)	<hr/> (25,495,545)	<hr/> (23,552,933)
<b>Total Net Position</b>	<hr/> \$ 24,157,407	<hr/> \$ 18,016,842

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was the result, in part, of accruing \$3,969,327 in compensated absences payable, \$3,700,960 in total OPEB liability, and \$34,228,341 in net pension liability.

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

	<b>Governmental</b>	
	<b>Activities</b>	
	<b>6-30-21</b>	<b>6-30-20</b>
Program Revenues:		
Charges for Services	\$ 480,648	\$ 397,127
Operating Grants and Contributions	3,121,448	2,950,401
Capital Grants and Contributions	6,602,747	170,065
General Revenues:		
Property Taxes, Levied for Operational Purposes	5,047,384	4,805,374
Property Taxes, Levied for Capital Projects	1,698,460	1,578,264
Grants and Contributions Not Restricted to Specific Programs	38,384,546	37,484,291
Unrestricted Investment Earnings	112,622	144,466
Miscellaneous	1,597,354	1,388,461
<b>Total Revenues</b>	<b>57,045,209</b>	<b>48,918,449</b>
Functions/Program Expenses:		
Instruction	26,950,727	26,070,444
Student Support Services	2,806,377	2,710,921
Instructional Media Services	589,103	577,354
Instruction and Curriculum Development Services	1,175,268	1,176,327
Instructional Staff Training Services	618,847	609,056
Instruction-Related Technology	331,177	328,444
Board	296,430	362,948
General Administration	501,213	437,534
School Administration	2,413,996	2,370,329
Facilities Acquisition and Construction	468,244	1,029,542
Fiscal Services	790,501	832,585
Food Services	3,081,379	2,950,173
Central Services	467,212	222,526
Student Transportation Services	3,263,603	3,192,846
Operation of Plant	4,423,749	4,223,440
Maintenance of Plant	1,239,173	1,049,259
Administrative Technology Services	778,323	636,504
Community Services	210,839	170,624
Unallocated Interest on Long-Term Debt	182	8,311
Unallocated Depreciation Expense	1,342,624	1,366,229
<b>Total Functions/Program Expenses</b>	<b>51,748,967</b>	<b>50,325,396</b>
<b>Change in Net Position</b>	<b>5,296,242</b>	<b>(1,406,947)</b>
Net Position - Beginning	18,016,842	19,423,789
Adjustment to Beginning Net Position (1)	844,323	-
Net Position - Beginning, as Restated	18,861,165	19,423,789
<b>Net Position - Ending</b>	<b>\$ 24,157,407</b>	<b>\$ 18,016,842</b>

(1) In the 2020-21 fiscal year, the adjustment to beginning net position is due to the District implementing GASB Statement No. 84 and reporting the school internal funds as part of governmental activities.

The largest revenue source is the State of Florida (59.6 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP funding formula utilizes student enrollment data and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Capital grants and contributions revenue increased by \$6,432,682. These revenues are received from the State for the acquisition, construction, and maintenance of educational facilities. The increase in funding is due to the new allocation of Public Education Capital Outlay (PECO) Special Facility Construction Account funds for the construction of the new Legacy Elementary School.

Property tax revenues increased by \$362,206, or 5.7 percent, as a result of an increase in taxable assessed values.

Miscellaneous revenue increased by \$208,893, or 15 percent, primarily due to the implementation of GASB Statement No. 84, Fiduciary Activities, whereby school internal accounts are accounted for in a nonmajor special revenue fund versus an agency fund in the prior year.

Instruction expenses represent 52.1 percent of total governmental expenses in the 2020-21 fiscal year. Instruction expenses increased by \$880,283, or 3.4 percent, from the previous fiscal year due primarily to increases in pension expense.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### **Governmental Funds**

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

The total fund balances of governmental funds increased by \$2,964,785 during the fiscal year to \$18,019,591 at June 30, 2021. Of the total fund balance, \$5,832,580, or 32.4 percent, is unassigned fund balance, which is available for spending at the District's discretion; \$250,342 is nonspendable; \$11,452,830 is restricted; and \$483,839 is assigned.

### **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 \$5,832,580, while the total fund balance is \$8,553,196. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is 15.7 percent of the total General Fund revenues, while total fund balance represents 21.3 percent of total General Fund revenues. Total fund balance increased by \$698,158 during the fiscal year.

The Special Revenue – Federal Education Stabilization Fund has total revenues and expenditures of \$964,956 each and the funding was mainly used for salaries and benefits. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Debt Service – Other Debt Service Fund has a total fund balance of \$3,024,920, which is restricted for the payment of debt service on the Qualified Zone Academy Bonds (QZABs). The fund balance increased by \$240,316 largely due to a transfer in from the General Fund and investment interest for the accumulation of resources for the lump sum QZAB principal payment in the 2021-22 fiscal year.

The Capital Projects – Public Education Capital Outlay Fund has a total fund balance of \$539,350. These funds are restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased \$539,350, primarily due to proceeds from the PECO Special Facility Construction Account.

The Capital Projects – Local Capital Improvement (LCI) Fund has a total fund balance of \$1,762,918. These funds are restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased \$688,204. The District has pledged a portion of its LCI revenues for 3 fiscal years in connection with the PECO Special Facility allocation for the construction of the new Legacy Elementary School.

### **Proprietary Funds**

The District’s proprietary funds provide the same type of information reported in the government-wide financial statements, but in more detail. Unrestricted net position of the Internal Service Fund increased by \$47,369 during the 2020-21 fiscal year to \$1,055,886 at June 30, 2021, primarily due to a decrease in insurance claims expense.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2020-21 fiscal year, the District amended its General Fund budget primarily to adjust planned expenditures between functional categories. There were no significant variances between the original and final budgeted amounts.

Actual revenues were more than final budgeted amounts by \$35,017, or 0.1 percent, while actual expenditures were \$5,369,899, or 12 percent, less than final budget amounts. The decrease in expenditures was primarily due to continued cost containment measures implemented by the District. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$5,473,591.

## CAPITAL ASSETS AND LONG-TERM DEBT

### **Capital Assets**

The District’s investment in capital assets for its governmental activities as of June 30, 2021, is \$37,031,158 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

Additional information on the District’s capital assets can be found in Notes I.F.4. and III.C. to the financial statements.

**Long-Term Debt**

At June 30, 2021, the District had total long-term debt outstanding of \$5,329,530, composed of certificates of participation and the Special PECO Advance Payable.

Additional information on the District’s long-term debt can be found in Note III.H. to the financial statements.

**REQUESTS FOR INFORMATION**

This report is designed to provide a general overview of the District’s finances for all those with an interest in the District’s finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Executive Director for Support Services, Baker County District School Board, 392 South Boulevard East, Macclenny, Florida 32063.

# **BASIC FINANCIAL STATEMENTS**

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

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 16,853,853.81
Due from Other Agencies	6,775,236.36
Prepaid Items	13,488.54
Inventories	250,341.74
Restricted Investments	3,024,919.65
Capital Assets:	
Nondepreciable Capital Assets	3,277,356.28
Depreciable Capital Assets, Net	33,753,802.09
<b>TOTAL ASSETS</b>	<b>63,948,998.47</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	11,516,888.00
OPEB	197,588.00
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>11,714,476.00</b>
<b>LIABILITIES</b>	
Accrued Salaries and Benefits	7,703.63
Payroll Deductions and Withholdings	1,008,302.58
Accounts Payable	141,900.17
Construction Contracts Payable	212,925.00
Estimated Insurance Claims Payable	33,310.00
Long-Term Liabilities:	
Portion Due Within 1 Year	3,846,345.00
Portion Due After 1 Year	43,381,813.54
<b>TOTAL LIABILITIES</b>	<b>48,632,299.92</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	1,300,768.00
OPEB	1,572,999.00
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,873,767.00</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	31,701,628.21
Restricted for:	
State Required Carryover Programs	2,046,707.62
Debt Service	3,024,919.65
Capital Projects	10,324,116.10
Food Service	1,599,580.99
Student Organizations	956,000.00
Unrestricted	(25,495,545.02)
<b>TOTAL NET POSITION</b>	<b>\$ 24,157,407.55</b>

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

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

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Governmental Activities:</b>			
Instruction	\$ 26,950,726.75	\$ 471,999.18	\$ -
Student Support Services	2,806,376.90	-	-
Instructional Media Services	589,102.69	-	-
Instruction and Curriculum Development Services	1,175,268.18	-	-
Instructional Staff Training Services	618,846.95	-	-
Instruction-Related Technology	331,176.69	-	-
Board	296,430.18	-	-
General Administration	501,213.24	-	-
School Administration	2,413,997.29	-	-
Facilities Acquisition and Construction	468,243.94	-	-
Fiscal Services	790,500.84	-	-
Food Services	3,081,379.48	8,648.90	3,121,447.79
Central Services	467,212.39	-	-
Student Transportation Services	3,263,602.96	-	-
Operation of Plant	4,423,749.05	-	-
Maintenance of Plant	1,239,172.93	-	-
Administrative Technology Services	778,322.61	-	-
Community Services	210,838.73	-	-
Unallocated Interest on Long-Term Debt	181.69	-	-
Unallocated Depreciation Expense*	1,342,623.64	-	-
<b>Total Governmental Activities</b>	<b>\$ 51,748,967.13</b>	<b>\$ 480,648.08</b>	<b>\$ 3,121,447.79</b>

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

**Total General Revenues**

**Change in Net Position**

Net Position - Beginning

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

**Net Position - Ending**

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

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

		<b>Net (Expense) Revenue and Changes in Net Position</b>
<b>Capital Grants and Contributions</b>		<b>Governmental Activities</b>
\$	-	\$ (26,478,727.57)
	-	(2,806,376.90)
	-	(589,102.69)
	-	(1,175,268.18)
	-	(618,846.95)
	-	(331,176.69)
	-	(296,430.18)
	-	(501,213.24)
	-	(2,413,997.29)
6,602,747.09		6,134,503.15
	-	(790,500.84)
	-	48,717.21
	-	(467,212.39)
	-	(3,263,602.96)
	-	(4,423,749.05)
	-	(1,239,172.93)
	-	(778,322.61)
	-	(210,838.73)
	-	(181.69)
	-	(1,342,623.64)
<u>\$ 6,602,747.09</u>		<u>(41,544,124.17)</u>

5,047,384.08
1,698,459.73
38,384,546.68
112,621.80
1,597,353.89
<u>46,840,366.18</u>
5,296,242.01
18,016,842.54
844,323.00
<u>18,861,165.54</u>
<u>\$ 24,157,407.55</u>

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

	<u>General Fund</u>	<u>Special Revenue - Federal Education Stabilization Fund</u>	<u>Debt Service - Other Debt Service Fund</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 9,154,010.14	\$ -	\$ -
Due from Other Funds	244,494.26	219.10	-
Due from Other Agencies	39,760.40	101,241.50	-
Prepaid Items	13,488.54	-	-
Inventories	190,069.86	-	-
Restricted Investments	-	-	3,024,919.65
<b>TOTAL ASSETS</b>	<u>\$ 9,641,823.20</u>	<u>\$ 101,460.60</u>	<u>\$ 3,024,919.65</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accrued Salaries and Benefits	\$ 7,703.63	\$ -	\$ -
Payroll Deductions and Withholdings	941,104.52	-	-
Accounts Payable	136,740.47	1,893.54	-
Construction Contracts Payable	-	-	-
Due to Other Funds	3,078.25	99,567.06	-
<b>Total Liabilities</b>	<u>1,088,626.87</u>	<u>101,460.60</u>	<u>-</u>
Deferred Inflows of Resources:			
Unavailable Revenue - State Capital Outlay Funds	-	-	-
Fund Balances:			
Nonspendable:			
Inventories	190,069.86	-	-
Restricted for:			
State Required Carryover Programs	2,046,707.62	-	-
Debt Service	-	-	3,024,919.65
Capital Projects	-	-	-
Food Service	-	-	-
Student Organizations	-	-	-
Total Restricted Fund Balance	<u>2,046,707.62</u>	<u>-</u>	<u>3,024,919.65</u>
Assigned for:			
Board Approved Budget Items	483,838.92	-	-
Unassigned Fund Balance	5,832,579.93	-	-
<b>Total Fund Balances</b>	<u>8,553,196.33</u>	<u>-</u>	<u>3,024,919.65</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 9,641,823.20</u>	<u>\$ 101,460.60</u>	<u>\$ 3,024,919.65</u>

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

<b>Capital Projects - Public Education Capital Outlay Fund</b>	<b>Capital Projects - Local Capital Improvement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 752,275.29	\$ 1,764,919.77	\$ 4,093,452.96	\$ 15,764,658.16
-	-	100,093.93	344,807.29
6,365,069.84	-	269,164.62	6,775,236.36
-	-	-	13,488.54
-	-	60,271.88	250,341.74
-	-	-	3,024,919.65
<u>\$ 7,117,345.13</u>	<u>\$ 1,764,919.77</u>	<u>\$ 4,522,983.39</u>	<u>\$ 26,173,451.74</u>
\$ -	\$ -	\$ -	\$ 7,703.63
-	-	67,198.06	1,008,302.58
-	-	3,266.16	141,900.17
212,925.00	-	-	212,925.00
-	2,001.79	240,160.19	344,807.29
<u>212,925.00</u>	<u>2,001.79</u>	<u>310,624.41</u>	<u>1,715,638.67</u>
<u>6,365,069.84</u>	<u>-</u>	<u>73,152.00</u>	<u>6,438,221.84</u>
<u>-</u>	<u>-</u>	<u>60,271.88</u>	<u>250,341.74</u>
-	-	-	2,046,707.62
-	-	-	3,024,919.65
539,350.29	1,762,917.98	1,583,625.99	3,885,894.26
-	-	1,539,309.11	1,539,309.11
-	-	956,000.00	956,000.00
<u>539,350.29</u>	<u>1,762,917.98</u>	<u>4,078,935.10</u>	<u>11,452,830.64</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>483,838.92</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,832,579.93</u>
<u>539,350.29</u>	<u>1,762,917.98</u>	<u>4,139,206.98</u>	<u>18,019,591.23</u>
<u>\$ 7,117,345.13</u>	<u>\$ 1,764,919.77</u>	<u>\$ 4,522,983.39</u>	<u>\$ 26,173,451.74</u>

**Baker 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** \$ 18,019,591.23

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. 37,031,158.37

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 1,055,885.65

A portion of State capital outlay funding is not available to pay for current period expenditures and, therefore, is reported as unavailable revenue on the governmental fund statements. 6,438,221.84

The deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits (OPEB) are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$ 11,516,888.00	
Deferred Outflows Related to OPEB	197,588.00	
Deferred Inflows Related to Pensions	(1,300,768.00)	
Deferred Inflows Related to OPEB	<u>(1,572,999.00)</u>	8,840,709.00

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

Certificates of Participation Payable	\$ (3,190,020.00)	
Special PECO Advance Payable	(2,139,510.16)	
Compensated Absences Payable	(3,969,327.38)	
Net Pension Liability	(34,228,341.00)	
Total OPEB Liability	<u>(3,700,960.00)</u>	<u>(47,228,158.54)</u>

**Net Position - Governmental Activities** **\$ 24,157,407.55**

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

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

	General Fund	Special Revenue - Federal Education Stabilization Fund	Debt Service - Other Debt Service Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 60,127.25	\$ -	\$ -
Federal Through State and Local	344,007.25	964,956.06	-
State	33,774,367.70	-	-
Local:			
Property Taxes	5,047,384.08	-	-
Impact Fees	-	-	-
Charges for Services	475,434.83	-	-
Miscellaneous	424,901.09	-	75,905.39
Total Local Revenues	<u>5,947,720.00</u>	<u>-</u>	<u>75,905.39</u>
<b>Total Revenues</b>	<u>40,126,222.20</u>	<u>964,956.06</u>	<u>75,905.39</u>
<b>Expenditures</b>			
Current - Education:			
Instruction	22,323,435.63	568,732.43	-
Student Support Services	2,320,495.67	56,083.45	-
Instructional Media Services	547,657.45	5,081.25	-
Instruction and Curriculum Development Services	732,332.91	1,429.24	-
Instructional Staff Training Services	150,199.96	480.64	-
Instruction-Related Technology	292,762.66	3,472.03	-
Board	365,703.96	-	-
General Administration	312,678.97	40,951.99	-
School Administration	2,235,825.56	9,281.80	-
Facilities Acquisition and Construction	12,765.61	-	-
Fiscal Services	742,310.21	-	-
Food Services	18,136.66	-	-
Central Services	485,608.76	-	-
Student Transportation Services	2,540,743.19	51,022.46	-
Operation of Plant	4,098,628.87	181,467.39	-
Maintenance of Plant	1,154,623.90	36,491.38	-
Administrative Technology Services	761,652.52	-	-
Community Services	200,640.65	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	-	-	-
Other Capital Outlay	36,125.18	10,462.00	-
Debt Service:			
Interest and Fiscal Charges	-	-	-
<b>Total Expenditures</b>	<u>39,332,328.32</u>	<u>964,956.06</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>793,893.88</u>	<u>-</u>	<u>75,905.39</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	-	-	164,411.00
Proceeds from Special Facility Construction Account	-	-	-
Sale of Capital Assets	-	-	-
Loss Recoveries	68,675.48	-	-
Transfers Out	(164,411.00)	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>(95,735.52)</u>	<u>-</u>	<u>164,411.00</u>
<b>Net Change in Fund Balances</b>	698,158.36	-	240,316.39
Fund Balances, Beginning	7,855,037.97	-	2,784,603.26
Adjustment to Beginning Fund Balance	-	-	-
Fund Balances, Beginning, as Restated	<u>7,855,037.97</u>	<u>-</u>	<u>2,784,603.26</u>
<b>Fund Balances, Ending</b>	<u>\$ 8,553,196.33</u>	<u>\$ 0.00</u>	<u>\$ 3,024,919.65</u>

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

<u>Capital Projects - Public Education Capital Outlay Fund</u>	<u>Capital Projects - Local Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 60,127.25
-	-	5,895,046.93	7,204,010.24
-	-	204,714.25	33,979,081.95
-	1,698,459.73	-	6,745,843.81
-	-	429,764.21	429,764.21
-	-	8,648.90	484,083.73
-	5,820.75	1,070,135.90	1,576,763.13
-	1,704,280.48	1,508,549.01	9,236,454.88
-	1,704,280.48	7,608,310.19	50,479,674.32
-	-	2,396,384.80	25,288,552.86
-	-	242,438.00	2,619,017.12
-	-	641.10	553,379.80
-	-	362,293.81	1,096,055.96
-	-	427,222.73	577,903.33
-	-	13,053.64	309,288.33
-	-	-	365,703.96
-	-	128,260.78	481,891.74
-	-	150.00	2,245,257.36
-	258,013.42	204,342.98	475,122.01
-	-	-	742,310.21
-	-	2,972,664.42	2,990,801.08
-	-	14,345.35	499,954.11
-	-	41,918.15	2,633,683.80
-	-	-	4,280,096.26
-	-	-	1,191,115.28
-	-	-	761,652.52
-	-	-	200,640.65
1,600,159.87	-	-	1,600,159.87
-	816,701.00	5,655.85	868,944.03
-	-	181.69	181.69
1,600,159.87	1,074,714.42	6,809,553.30	49,781,711.97
(1,600,159.87)	629,566.06	798,756.89	697,962.35
-	-	-	164,411.00
2,139,510.16	-	-	2,139,510.16
-	58,637.50	-	58,637.50
-	-	-	68,675.48
-	-	-	(164,411.00)
2,139,510.16	58,637.50	-	2,266,823.14
539,350.29	688,203.56	798,756.89	2,964,785.49
-	1,074,714.42	2,496,127.09	14,210,482.74
-	-	844,323.00	844,323.00
-	1,074,714.42	3,340,450.09	15,054,805.74
\$ 539,350.29	\$ 1,762,917.98	\$ 4,139,206.98	\$ 18,019,591.23

**Baker 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** \$ 2,964,785.49

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current fiscal year. 658,709.72

Special facility construction advances provide current financial resources to the governmental funds, but increase long-term liabilities in the statement of net position. This is the amount of the increase in the estimated Special PECO Advance Payable in the current year. (2,139,510.16)

Certain funds due from other agencies were not available and, therefore, not recognized as revenue in the governmental fund statements. However, under the full accrual basis of accounting, this amount is accrued and reported as revenue on the statement of activities. 6,438,221.84

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year. 54,364.95

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

Increase in Total OPEB Liability	\$	(158,242.00)	
Increase in Deferred Outflows of Resources - OPEB		197,588.00	
Decrease in Deferred Inflows of Resources - OPEB		44,147.00	83,493.00

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

FRS Pension Contribution	\$	2,433,516.00	
HIS Pension Contribution		459,507.00	
FRS Pension Expense		(4,978,265.00)	
HIS Pension Expense		(725,950.00)	(2,811,192.00)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service fund is reported with governmental activities. 47,369.17

**Change in Net Position - Governmental Activities** \$ 5,296,242.01

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

**Baker County District School Board  
Statement of Net Position – Proprietary Fund  
June 30, 2021**

	<u>Internal Service Fund</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 1,089,195.65</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Estimated Insurance Claims Payable	<u>33,310.00</u>
<b>NET POSITION</b>	
Unrestricted	<u>\$ 1,055,885.65</u>

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

**Baker County District School Board  
Statement of Revenues, Expenses, and Changes in Fund  
Net Position – Proprietary Fund  
For the Fiscal Year Ended June 30, 2021**

	<b>Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Premiums	\$ 435,030.71
<b>OPERATING EXPENSES</b>	
Insurance Claims	390,161.09
<b>Operating Income</b>	44,869.62
<b>NONOPERATING REVENUES</b>	
Interest	2,499.55
<b>Change in Net Position</b>	47,369.17
Total Net Position - Beginning	1,008,516.48
<b>Total Net Position - Ending</b>	\$ 1,055,885.65

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

**Baker County District School Board  
Statement of Cash Flows – Proprietary Fund  
For the Fiscal Year Ended June 30, 2021**

	<u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Premiums	\$ 435,030.71
Cash Payments for Insurance Claims	<u>(394,576.09)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>40,454.62</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	<u>2,499.55</u>
<b>Net Increase in Cash and Cash Equivalents</b>	42,954.17
Cash and Cash Equivalents, Beginning	<u>1,046,241.48</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 1,089,195.65</u>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income	<u>\$ 44,869.62</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Estimated Insurance Claims Payable	<u>(4,415.00)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 40,454.62</u>

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

# **NOTES TO FINANCIAL STATEMENTS**

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

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Baker County School District (District) and its component unit. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

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

### **B. Reporting Entity**

The Baker 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 Baker County.

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

**Blended Component Unit.** Blended component units are, in substance, part of the District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District. The Baker County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note III.H.2. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

### **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 and the internal service fund. Separate financial statements are provided for the governmental funds and the proprietary fund.

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

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

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Federal Education Stabilization Fund – to account for Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding provided through the State as emergency relief to address the impact of COVID-19 on elementary and secondary schools.
- Debt Service – Other Debt Service Fund – to account for the accumulation of resources for, and the payment of Qualified Zone Academy Bonds.
- Capital Projects – Public Education Capital Outlay Fund – to account for the proceeds of Special Facilities Construction Account appropriations to be used to construct a new elementary school.
- 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, and new and replacement equipment.

Additionally, the District reports the following proprietary fund type:

- Internal Service Fund – to account for the District's individual self-insurance programs.

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

statements, transfers between the funds are eliminated in the preparation of the government-wide financial statements.

## **E. Measurement Focus and Basis of Accounting**

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 30 days of year end). Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting.

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

### **1. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term liquid investments with original maturities of 3 months or less from the date of

acquisition. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME.

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

## **2. Investments**

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

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

Investments made locally consist of a Federal Home Loan Banks (FHLB) discount note reported at fair value.

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

## **3. Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at average invoice price, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when purchased during the fiscal year and then adjusted at fiscal year end to reflect year-end physical inventories.

## **4. Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value at the date of donation.

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	10 - 20 years
Buildings and Fixed Equipment	20 - 50 years
Furniture, Fixtures, and Equipment	5 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

## 5. Pensions

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

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

## 6. Long-Term Liabilities

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

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

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

## 7. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position and the governmental funds balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The District has three items that qualify for reporting in this category. The first two items, deferred inflows of resources related to pensions and OPEB, are reported in the statement of net position and discussed in subsequent notes. The remaining item is reported in the governmental funds balance sheet as unavailable revenue related to State capital outlay funding and will be recognized as an inflow of resources in the period that it becomes available.

## **8. Net Position Flow Assumption**

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

## **9. Fund Balance Flow Assumptions**

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

## **10. Fund Balance Policies**

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

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

In addition, the District has adopted Board Policy 7.010, *School Budget System*, which provides that if feasible, at least 5 percent of the recurring expenditure budget be reserved for unforeseen events including, but not limited to, revenue and student enrollment projection shortfalls.

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

### **1. Program Revenues**

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

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

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

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

The District received an allocation from the State under the Educational Facilities Security Grant program. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE.

Pursuant to Section 1013.64, Florida Statutes, the District received a special allocation in the 2020-2021 fiscal year for specific construction needs through the Public Education Capital Outlay and Debt Service Trust Fund - Special Facility Construction Account. As a condition for receiving these funds, other construction funding must be pledged for the project, including the capital outlay millage levied pursuant to Section 1011.71(2), Florida Statutes, for the total amount of 3 fiscal years' maximum millage. Collections of the pledged revenues that are subsequently paid to the State will be reported as expenditures in the governmental funds statement of revenues, expenditures, and changes in fund balance and reduce the liability in the statement of net position.

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

### **3. District Property Taxes**

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

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

The Board adopted the 2020 tax levy on September 8, 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 Baker County Tax Collector at fiscal year end but not yet remitted to the District.

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

### **4. Educational Impact Fees**

Baker County (County) imposes an educational impact fee based on an ordinance adopted by the County Commission in 2006. The educational impact fee is collected for most new residential construction by the County and each municipality within the County based on an interlocal agreement. The fees are to be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development and are not to be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include, but are not limited to, land acquisition; facility design and construction

costs; furniture and equipment; and payment of principal, interest, and related costs of indebtedness necessitated by new residential development.

## **5. Federal Revenue Sources**

The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. The FDOE may require adjustments to subsequent fiscal period expenditures and related revenues based upon an audit of the District's compliance with applicable Federal awards requirements. Normally, such adjustments are treated as reductions of expenditures and related revenues in the fiscal year when the adjustments are made.

## **6. Compensated Absences**

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

## **7. Proprietary Fund Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund is charges for employee health insurance premiums. Operating expenses include insurance claims. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## **II. ACCOUNTING CHANGE**

The District implemented GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The District does not consider the school internal funds to meet the criteria for reporting as fiduciary activities due to the District's administrative involvement with those funds. As such, the beginning net position and fund balance of the District's statement of activities and nonmajor governmental funds were each increased by \$844,323.

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

#### A. Cash Deposits with Financial Institutions

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

#### B. Investments

The District's investments at June 30, 2021, are reported as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	50 Day Average	\$ 389,671.31
United States Instrumentality Obligations:		
FHLB Discount Note (2)	12-21-21	3,024,919.65
<b>Total Investments</b>		<b>\$ 3,414,590.96</b>

- (1) This investment is reported as a cash equivalent for financial statement reporting purposes.
- (2) This investment is held under a paying agent agreement in connection with the Qualified Zone Academy Bonds (QZAB) financing arrangement (see Note III.H.2).

#### **Fair Value Measurement**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District's investment in the FHLB discount note totaling \$3,024,919.65 is valued using Level 1 inputs.

#### **Interest Rate Risk**

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

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

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

action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days.” As of June 30, 2021, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

### **Credit Risk**

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

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

The District’s investment in the FHLB discount note is authorized under a forward delivery agreement with the QZAB paying agent. The investment must have a maturity date on or before December 21, 2021. The District’s investment in the FHLB discount note was rated A-1+ by Standard & Poor’s and P-1 by Moody’s Investors Service.

### **Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Section 218.415(18), Florida Statutes, requires the District to earmark all investments and (1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body’s interest in the security; (2) if in book-entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or (3) if physically issued to the holder but not registered with the issuer or its agents, the investment must be immediately placed

for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.

The District's investment in the FHLB discount note is held by the trustee in the name of the District.

### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have a formal investment policy that limits the amount the District may invest in any one issuer.

More than 5 percent of the District's investments are in a FHLB discount note. These investments are 89 percent of the District's total investments and 100 percent of the investments in the Debt Service – Other Debt Service Fund.

### **C. Changes in Capital Assets**

Changes in capital assets are presented in the following table:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,677,196.41	\$ -	\$ -	\$ 1,677,196.41
Construction in Progress	-	1,600,159.87	-	1,600,159.87
Total Capital Assets Not Being Depreciated	<u>1,677,196.41</u>	<u>1,600,159.87</u>	<u>-</u>	<u>3,277,356.28</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,782,258.01	-	-	3,782,258.01
Buildings and Fixed Equipment	63,621,051.63	-	-	63,621,051.63
Furniture, Fixtures, and Equipment	1,638,507.65	64,190.10	-	1,702,697.75
Motor Vehicles	8,713,238.26	811,632.00	1,206,065.00	8,318,805.26
Audio Visual Materials and Computer Software	338,191.68	-	-	338,191.68
Total Capital Assets Being Depreciated	<u>78,093,247.23</u>	<u>875,822.10</u>	<u>1,206,065.00</u>	<u>77,763,004.33</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,941,023.70	24,185.84	-	2,965,209.54
Buildings and Fixed Equipment	33,168,041.23	1,229,714.46	-	34,397,755.69
Furniture, Fixtures, and Equipment	1,305,471.61	88,723.34	-	1,394,194.95
Motor Vehicles	5,645,266.77	474,648.61	1,206,065.00	4,913,850.38
Audio Visual Materials and Computer Software	338,191.68	-	-	338,191.68
Total Accumulated Depreciation	<u>43,397,994.99</u>	<u>1,817,272.25</u>	<u>1,206,065.00</u>	<u>44,009,202.24</u>
Total Capital Assets Being Depreciated, Net	<u>34,695,252.24</u>	<u>(941,450.15)</u>	<u>-</u>	<u>33,753,802.09</u>
Governmental Activities Capital Assets, Net	<u>\$ 36,372,448.65</u>	<u>\$ 658,709.72</u>	<u>\$ 0.00</u>	<u>\$ 37,031,158.37</u>

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 474,648.61
Unallocated	<u>1,342,623.64</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 1,817,272.25</u>

## D. Retirement Plans

### 1. FRS – Defined Benefit Pension Plans

#### General Information about the FRS

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

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

The District's FRS and HIS pension expense totaled \$5,704,215 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.
- *Senior Management Service* – Members in senior management level positions.

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

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

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

<b><u>Class, Initial Enrollment, and Retirement Age/Years of Service</u></b>	<b><u>Percent Value</u></b>
<b>Regular Members Initially Enrolled Before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<b>Regular Members Initially Enrolled On or After July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<b>Elected County Officers</b>	3.00
<b>Senior Management Service</b>	2.00

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:

<b><u>Class</u></b>	<b><u>Percent of Gross Salary</u></b>	
	<b><u>Employee</u></b>	<b><u>Employer (1)</u></b>
FRS, Regular	3.00	10.00
FRS, Elected County Officers	3.00	49.18
FRS, Senior Management Service	3.00	27.29
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 \$2,433,516 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 \$24,708,563 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 0.057009052 percent, which was an increase of 0.001047468 percent from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the District recognized the Plan pension expense of \$4,978,265. 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	\$ 945,647	\$ -
Change of Assumptions	4,473,036	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	1,471,172	-
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	221,627	530,786
District FRS Contributions Subsequent to the Measurement Date	2,433,516	-
<b>Total</b>	<b>\$ 9,544,998</b>	<b>\$ 530,786</b>

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$2,433,516, 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	\$ 1,202,666
2023	2,097,157
2024	1,859,550
2025	1,136,187
2026	285,136
<b>Total</b>	<b>\$ 6,580,696</b>

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	6.80 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%
<b>Total</b>	<b>100%</b>			
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	\$ 39,455,423	\$ 24,708,563	\$ 12,391,922

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 \$459,507 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 \$9,519,778 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 0.077968099 percent, which was an increase of 0.000564902 percent from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the District recognized the HIS Plan pension expense of \$725,950. 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	\$ 389,417	\$ 7,344
Change of Assumptions	1,023,647	553,538
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	7,601	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	91,718	209,100
District HIS Contributions Subsequent to the Measurement Date	459,507	-
<b>Total</b>	<b>\$ 1,971,890</b>	<b>\$ 769,982</b>

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$459,407, 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	\$ 175,082
2023	131,816
2024	22,098
2025	104,812
2026	164,463
Thereafter	144,130
<b>Total</b>	<b>\$ 742,401</b>

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-2018. 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:

	<b>1% Decrease (1.21%)</b>	<b>Current Discount Rate (2.21%)</b>	<b>1% Increase (3.21%)</b>
District's Proportionate Share of the Net Pension Liability	\$ 11,004,438	\$ 9,519,778	\$ 8,304,588

*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
FRS, Senior Management Service	7.67

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 \$563,649 for the fiscal year ended June 30, 2021.

## **E. Other Postemployment Benefit Obligations**

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

**Benefits Provided.** The OPEB Plan provides healthcare, prescription drug, dental, and life insurance benefits for retirees and their dependents. In addition to the implicit subsidy described above, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate than active employees pursuant to Board approval on July 16, 2007. Under this incentive, retirees receive contributions based on their years of service ranging from \$169.81 per month for 10 to 19 years of service to \$212.56 per month for 30 years or more of service. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible.

**Employees Covered by Benefit Terms.** At June 30, 2021, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	250
Active Employees	<u>581</u>
Total	<u>831</u>

**Total OPEB Liability.** The District's total OPEB liability of \$3,700,960 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2019, and update procedures were used to determine the total OPEB liability as of June 30, 2021.

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

Inflation	2.4 percent
Salary Increases	3 percent, including inflation
Discount Rate	1.92 percent, 20-Year AA Municipal Bonds
Municipal Bond Rate Basis	Fidelity's 20-Year Municipal General Obligation AA Index
Mortality Rates	PubG.H-2010 (for non-instructional employees) and PubT.H-2010 (for instructional/teachers) mortality tables with Projection Scale MP-2020.
Healthcare Cost Trend Rates	4.02 percent for fiscal year 2021, ultimately increasing to a rate of 5 percent in 2027.
Plan Participation of Future Retirees	40 percent of future eligible healthy retirees are assumed to choose to participate in the plan at retirement.

Changes in the Total OPEB Liability.

	<u>Amount</u>
Balance at June 30, 2020	\$ 3,542,718
Changes for the year:	
Service Cost	205,992
Interest	89,919
Differences Between Expected and Actual Experience	(205,657)
Changes of Assumptions or Other Inputs	225,069
Benefit Payments	<u>(157,081)</u>
Net Changes	<u>158,242</u>
Balance at June 30, 2021	<u>\$ 3,700,960</u>

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

- The discount rate decreased from 2.45 percent to 1.92 percent.
- The mortality improvement scale was updated from MP-2019 to MP-2020.
- The premiums and retiree contributions were updated to reflect the July 1, 2021, rates.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.92 percent) or 1 percentage point higher (2.92 percent) than the current rate:

	<u>1% Decrease (0.92%)</u>	<u>Current Discount Rate (1.92%)</u>	<u>1% Increase (2.92%)</u>
Total OPEB Liability	\$ 4,086,847	\$ 3,700,960	\$ 3,362,646

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (3.02 percent increasing to 4 percent) or 1 percentage point higher (5.02 percent increasing to 6 percent) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 3,408,978	\$ 3,700,960	\$ 4,049,793

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2021, the District recognized OPEB expense of \$73,587. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 859,317
Changes of Assumptions or Other Inputs	197,588	713,682
<b>Total</b>	<b>\$ 197,588</b>	<b>\$ 1,572,999</b>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ (222,324)
2023	(222,324)
2024	(222,324)
2025	(222,277)
2026	(222,050)
Thereafter	(264,112)
<b>Total</b>	<b>\$ (1,375,411)</b>

## F. Construction and Other Significant Commitments

**Construction Contracts.** The following is a schedule of major construction contract commitments at June 30, 2021:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
New Legacy Elementary School:			
Architect	\$ 1,416,000	\$ 1,132,800	\$ 283,200
Contractor	34,710,113	-	34,710,113
<b>Total</b>	<b>\$ 36,126,113</b>	<b>\$ 1,132,800</b>	<b>\$ 34,993,313</b>

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

The following is a schedule of encumbrances at June 30, 2021:

<u>Major Funds</u>				
<u>General</u>	<u>Special Revenue - Federal Education Stabilization</u>	<u>Capital Projects - Public Education Capital Outlay</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 278,669.76	\$ 11,640.93	\$ 34,993,313.00	\$ 1,693.14	\$ 35,285,316.83

At June 30, 2021, the encumbrances for the Capital Projects – Public Education Capital Outlay (PECO) Fund exceeded the total fund balance by \$34,453,962.71. The encumbrances are expected

to be honored using the resources received in the subsequent fiscal year from the Public Education Capital Outlay and Debt Service Trust Fund – Special Facility Construction Account.

## G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Baker County District School Board is a member of the North East Florida Educational 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, money and securities, employee fidelity and faithful performance, boiler and machinery, 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 Putnam County District School Board serves as fiscal agent for the Consortium.

The Board contracted with a commercial insurance company to provide employee group health insurance. In addition, the Board has established a self-insurance plan to provide District employees with supplemental dental coverage. The dental plan is for District employees and retirees, and their dependents. The plan is administered through an internal service fund. Under the dental plan, the Board contributes employee premiums as a fringe benefit. Employee dependent coverage and other coverage for retirees and their dependents are by prepaid premium.

The claims liability of \$33,310 is reported in the internal service fund at June 30, 2021, to cover estimated incurred, but not reported, insurance claims payable of the employee supplemental insurance plan. The following schedule represents the changes in claims liability for the past two fiscal years for the District's self-insurance program.

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2019-20	\$ 37,582.00	\$ 438,898.46	\$(438,755.46)	\$ 37,725.00
2020-21	37,725.00	390,161.09	(394,576.09)	33,310.00

## H. Long-Term Liabilities

### 1. Special Public Education Capital Outlay Advance Payable

The liability at June 30, 2021, of \$2,139,510.16 represents the amount of the Public Education Capital Outlay Special Facilities allocation expected to be replaced by other District capital outlay sources that are committed under Section 1013.64, Florida Statutes, for funding specific construction needs. The liability is expected to be retired by the close of the 2022-23 fiscal year.

## 2. Certificates of Participation

Certificates of participation at June 30, 2021, are as follows:

<u>Series</u>	<u>Amount Outstanding</u>	<u>Interest Rate (Percent)</u>	<u>Lease Term Maturity</u>	<u>Original Amount</u>
2005-QZAB	\$ 3,190,020	(1)	2021	\$ 3,190,020

- (1) Interest on this debt is paid by the United States Government through issuance of Federal income tax credits to the holder of the QZAB. The rate of return to the holders was established by the United States Government at the time of sale.

The District entered into a master financing arrangement on March 1, 2005, which was characterized as a lease-purchase agreement, with the Leasing Corporation whereby the District secured financing of various educational facilities, improvements, and equipment. The financing was accomplished through the issuance of certificates of participation by the Leasing Corporation to third party investors to be repaid from the proceeds of rents paid by the District.

**Series 2005-QZAB Certificates.** The Series 2005-QZAB certificates were issued under a special program whereby the certificates, bearing an original issue date of December 21, 2005, will mature in full on December 21, 2021, for the original \$3,190,020 issue amount. There is no interest cost for borrowing moneys under this program. The financing proceeds were used for facilities upgrades, safety improvements, transportation equipment, and technology improvements at several designated schools, which were leased by the District from the Leasing Corporation. The schools designated for the improvements and equipment include Baker County Middle, Westside Elementary, Keller Intermediate, and Macclenny Elementary Schools. The District entered into a forward delivery agreement under which mandatory deposits (rent payments) of \$164,411 are required for 16 consecutive years beginning December 21, 2006. The forward delivery agreement provides a guaranteed investment return whereby the required deposits, along with accrued interest, will be sufficient to redeem the certificates at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a custodial agreement until the certificates mature. The Series 2005-QZAB issue is secured by the assets held under the trust agreement in the event of cancellation or default.

## 3. Changes in Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
Certificates of Participation Payable	\$ 3,190,020.00	\$ -	\$ -	\$ 3,190,020.00	\$ 3,190,020.00
Special PECO Advance Payable	-	2,139,510.16	-	2,139,510.16	-
Compensated Absences Payable	4,023,692.33	474,495.34	528,860.29	3,969,327.38	400,000.00
Net Pension Liability	27,933,033.00	7,294,869.00	999,561.00	34,228,341.00	99,244.00
Total OPEB Liability	3,542,718.00	520,980.00	362,738.00	3,700,960.00	157,081.00
<b>Total Governmental Activities</b>	<b>\$ 38,689,463.33</b>	<b>\$ 10,429,854.50</b>	<b>\$ 1,891,159.29</b>	<b>\$ 47,228,158.54</b>	<b>\$ 3,846,345.00</b>

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

## I. Fund Balance Reporting

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

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

## J. Interfund Receivables and Payables

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major:		
General	\$ 244,494.26	\$ 3,078.25
Special Revenue:		
Federal Education Stabilization	219.10	99,567.06
Capital Projects:		
Local Capital Improvement	-	2,001.79
Nonmajor Governmental	100,093.93	240,160.19
<b>Total</b>	<b>\$ 344,807.29</b>	<b>\$ 344,807.29</b>

The interfund amounts primarily represent loans to cover temporary cash deficits in pooled accounts and expenditures incurred prior to reimbursements from outside parties. These amounts are expected to be repaid within one fiscal year.

## K. 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	\$ 27,574,109.00
Categorical Educational Program - Class Size Reduction	5,239,258.00
Voluntary Prekindergarten Program	333,800.52
Workforce Development Program	172,406.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	166,989.18
Miscellaneous	492,519.25
<b>Total</b>	<b>\$ 33,979,081.95</b>

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

### 2. Property Taxes

The following is a summary of millages and taxes levied on the 2020 tax roll for the 2020-21 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<b>General Fund</b>		
Nonvoted School Tax:		
Required Local Effort	3.709	\$ 4,323,783.98
Basic Discretionary Local Effort	0.748	871,984.48
<b>Capital Projects - Local Capital Improvement Fund</b>		
Nonvoted Tax:		
Local Capital Improvements	1.500	1,748,631.97
<b>Total</b>	<b>5.957</b>	<b>\$ 6,944,400.43</b>

## L. Interfund Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ -	\$ 164,411
Debt Service:		
Other Debt Service	164,411	-
<b>Total</b>	<b>\$ 164,411</b>	<b>\$ 164,411</b>

The transfer from the General Fund to the Debt Service – Other Debt Service Fund was for the required annual QZAB sinking fund deposit.

# OTHER REQUIRED SUPPLEMENTARY INFORMATION

## Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 60,000.00	\$ 60,000.00	\$ 60,127.25	\$ 127.25
Federal Through State and Local	175,000.00	312,000.00	344,007.25	32,007.25
State	33,893,660.00	33,771,630.00	33,774,367.70	2,737.70
Local:				
Property Taxes	4,856,575.00	5,056,575.00	5,047,384.08	(9,190.92)
Charges for Services	-	-	475,434.83	475,434.83
Miscellaneous	631,000.00	891,000.00	424,901.09	(466,098.91)
Total Local Revenues	5,487,575.00	5,947,575.00	5,947,720.00	145.00
<b>Total Revenues</b>	39,616,235.00	40,091,205.00	40,126,222.20	35,017.20
<b>Expenditures</b>				
Current - Education:				
Instruction	24,575,760.00	24,575,760.00	22,323,435.63	2,252,324.37
Student Support Services	2,584,106.00	2,584,106.00	2,320,495.67	263,610.33
Instructional Media Services	609,193.00	609,193.00	547,657.45	61,535.55
Instruction and Curriculum Development Services	678,535.00	828,535.00	732,332.91	96,202.09
Instructional Staff Training Services	178,444.00	178,444.00	150,199.96	28,244.04
Instruction-Related Technology	267,601.00	367,601.00	292,762.66	74,838.34
Board	457,980.00	457,980.00	365,703.96	92,276.04
General Administration	332,328.00	407,328.00	312,678.97	94,649.03
School Administration	2,481,838.00	2,481,838.00	2,235,825.56	246,012.44
Facilities Acquisition and Construction	51,000.00	126,000.00	12,765.61	113,234.39
Fiscal Services	845,365.00	845,365.00	742,310.21	103,054.79
Food Services	39,300.00	114,300.00	18,136.66	96,163.34
Central Services	704,508.00	704,508.00	485,608.76	218,899.24
Student Transportation Services	2,947,806.00	2,947,806.00	2,540,743.19	407,062.81
Operation of Plant	4,438,540.00	4,438,540.00	4,098,628.87	339,911.13
Maintenance of Plant	1,259,425.00	1,259,425.00	1,154,623.90	104,801.10
Administrative Technology Services	980,740.00	980,740.00	761,652.52	219,087.48
Community Services	308,091.00	271,965.82	200,640.65	71,325.17
Fixed Capital Outlay:				
Other Capital Outlay	-	36,125.18	36,125.18	-
Debt Service:				
Principal	486,667.00	486,667.00	-	486,667.00
<b>Total Expenditures</b>	44,227,227.00	44,702,227.00	39,332,328.32	5,369,898.68
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(4,610,992.00)	(4,611,022.00)	793,893.88	5,404,915.88
<b>Other Financing Sources (Uses)</b>				
Loss Recoveries				
Transfers Out	-	-	68,675.48	68,675.48
Transfers Out	(164,411.00)	(164,411.00)	(164,411.00)	-
<b>Total Other Financing Uses</b>	(164,411.00)	(164,411.00)	(95,735.52)	68,675.48
<b>Net Change in Fund Balances</b>	(4,775,403.00)	(4,775,433.00)	698,158.36	5,473,591.36
Fund Balances, Beginning	7,855,037.97	7,855,037.97	7,855,037.97	-
<b>Fund Balances, Ending</b>	\$ 3,079,634.97	\$ 3,079,604.97	\$ 8,553,196.33	\$ 5,473,591.36

**Special Revenue - Federal Education Stabilization Fund**

<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
\$ -	\$ -	\$ -	\$ -
1,169,255.13	1,250,386.00	964,956.06	(285,429.94)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>1,169,255.13</u>	<u>1,250,386.00</u>	<u>964,956.06</u>	<u>(285,429.94)</u>
674,603.79	765,876.02	568,732.43	197,143.59
51,803.58	83,724.57	56,083.45	27,641.12
-	5,362.30	5,081.25	281.05
-	3,791.05	1,429.24	2,361.81
2,645.80	5,272.11	480.64	4,791.47
-	4,000.00	3,472.03	527.97
-	-	-	-
50,537.80	40,951.99	40,951.99	-
-	12,459.39	9,281.80	3,177.59
-	-	-	-
-	-	-	-
-	-	-	-
24,063.00	84,285.13	51,022.46	33,262.67
328,789.16	197,389.44	181,467.39	15,922.05
36,812.00	36,812.00	36,491.38	320.62
-	-	-	-
-	-	-	-
-	10,462.00	10,462.00	-
-	-	-	-
<u>1,169,255.13</u>	<u>1,250,386.00</u>	<u>964,956.06</u>	<u>285,429.94</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service Cost	\$ 205,992	\$ 199,992	\$ 194,167	\$ 183,021
Interest	89,919	158,937	152,903	147,204
Differences Between Expected and Actual Experience	(205,657)	(896,342)	-	(2,143)
Changes of Assumptions or Other Inputs	225,069	(943,902)	-	-
Benefit Payments	<u>(157,081)</u>	<u>(147,771)</u>	<u>(155,701)</u>	<u>(142,845)</u>
<b>Net Change in Total OPEB Liability</b>	<u>158,242</u>	<u>(1,629,086)</u>	<u>191,369</u>	<u>185,237</u>
Total OPEB Liability - Beginning	<u>3,542,718</u>	<u>5,171,804</u>	<u>4,980,435</u>	<u>4,795,198</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 3,700,960</u>	<u>\$ 3,542,718</u>	<u>\$ 5,171,804</u>	<u>\$ 4,980,435</u>
Covered-Employee Payroll	\$ 25,470,686	\$ 24,873,717	\$ 21,414,004	\$ 21,309,863
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>	14.5%	14.2%	24.2%	23.4%

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

<b>Fiscal Year Ending June 30</b>	<b>District's Proportion of the FRS Net Pension Liability</b>	<b>District's Proportionate Share of the FRS Net Pension Liability</b>	<b>District's Covered Payroll</b>	<b>District's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered Payroll</b>	<b>FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2013	0.066426382%	\$ 11,434,937	\$ 23,933,766	47.78%	88.54%
2014	0.068752689%	4,194,925	24,643,809	17.02%	96.09%
2015	0.066298006%	8,563,277	24,583,936	34.83%	92.00%
2016	0.059877767%	15,119,183	24,639,158	61.36%	84.88%
2017	0.057291468%	16,946,433	24,942,106	67.94%	83.89%
2018	0.056839648%	17,120,397	25,113,507	68.17%	84.26%
2019	0.055961584%	19,272,390	25,889,354	74.44%	82.61%
2020	0.057009052%	24,708,563	27,073,591	91.26%	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)**

<b>Fiscal Year Ending June 30</b>	<b>Contractually Required FRS Contribution</b>	<b>FRS Contributions in Relation to the Contractually Required Contribution</b>	<b>FRS Contribution Deficiency (Excess)</b>	<b>District's Covered Payroll</b>	<b>FRS Contributions as a Percentage of Covered Payroll</b>
2014	\$ 1,505,976	\$ (1,505,976)	\$ -	\$ 24,643,809	6.11%
2015	1,616,402	(1,616,402)	-	24,583,936	6.58%
2016	1,460,215	(1,460,215)	-	24,639,158	5.93%
2017	1,491,438	(1,491,438)	-	24,942,106	5.98%
2018	1,627,608	(1,627,608)	-	25,113,507	6.48%
2019	1,760,907	(1,760,907)	-	25,889,354	6.80%
2020	1,924,579	(1,924,579)	-	27,073,591	7.11%
2021	2,433,516	(2,433,516)	-	27,681,145	8.79%

(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	0.082382720%	\$ 7,172,499	\$ 23,933,766	29.97%	1.78%
2014	0.082922229%	7,753,431	24,643,809	31.46%	0.99%
2015	0.080976849%	8,258,365	24,583,936	33.59%	0.50%
2016	0.079665030%	9,284,629	24,639,158	37.68%	0.97%
2017	0.078245795%	8,366,402	24,942,106	33.54%	1.64%
2018	0.076889837%	8,138,107	25,113,507	32.41%	2.15%
2019	0.077403197%	8,660,643	25,889,354	33.45%	2.63%
2020	0.077968099%	9,519,778	27,073,591	35.16%	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	\$ 284,064	\$ (284,064)	\$ -	\$ 24,643,809	1.15%
2015	309,544	(309,544)	-	24,583,936	1.26%
2016	408,334	(408,334)	-	24,639,158	1.66%
2017	414,099	(414,099)	-	24,942,106	1.66%
2018	416,884	(416,884)	-	25,113,507	1.66%
2019	429,812	(429,812)	-	25,889,354	1.66%
2020	449,422	(449,422)	-	27,073,591	1.66%
2021	459,507	(459,507)	-	27,681,145	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 year's appropriations.

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

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

*Changes of Assumptions.* In 2021, the discount rate used to determine total OPEB liability was decreased from 2.45 percent to 1.92 percent, the mortality assumption was updated, and the premiums and retiree contributions were updated to reflect the July 1, 2021, rates.

## 3. 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.

## 4. 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.

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

## Baker County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal Assistance Listing Number	Pass - Through Entity Identifying Number	Total Expenditures
<b>Clustered</b>			
<b>Child Nutrition Cluster</b>			
United States Department of Agriculture:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	21002	\$ 632,452.84
National School Lunch Program	10.555	21001, 21003	2,315,779.44
COVID-19 National School Lunch Program	COVID-19, 10.555	21001, 21003	94,325.93
Total National School Lunch Program	10.555		<u>2,410,105.37</u>
Summer Food Service Program for Children	10.559	20006, 20007, 21006, 21007	133,026.51
<b>Total Child Nutrition Cluster</b>			<u>3,175,584.72</u>
<b>Forest Service Schools and Roads Cluster</b>			
United States Department of Agriculture:			
Florida Department of Financial Services:			
Schools and Roads - Grants to States	10.665	None	111,442.58
<b>Special Education Cluster</b>			
United States Department of Education:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	1,009,486.23
Special Education - Preschool Grants	84.173	267	38,881.23
<b>Total Special Education Cluster</b>			<u>1,048,367.46</u>
<b>Child Care and Development Fund Cluster</b>			
United States Department of Health and Human Services:			
Early Learning Coalition of North Florida:			
Child Care and Development Block Grant	COVID-19, 93.575	None	12,049.75
<b>Not Clustered</b>			
<b>United States Department of Defense</b>			
Army Junior Reserve Officers Training Corps	12.UNK	N/A	60,127.25
<b>United States Department of the Treasury</b>			
Baker County Board of County Commissioners:			
Coronavirus Relief Fund	COVID-19, 21.019	None	26,753.00
<b>United States Department of Education</b>			
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	96,161.27
Title I Grants to Local Educational Agencies	84.010	212	1,025,089.00
Career and Technical Education - Basic Grants to States	84.048	161	86,027.15
Rural Education	84.358	110	116,925.86
Supporting Effective Instruction State Grants	84.367	224	208,568.17
Student Support and Academic Enrichment Program	84.424	241	138,323.30
Education Stabilization Fund:	84.425		
Governor's Emergency Education Relief Fund	COVID-19, 84.425C	123	172,140.13
Elementary and Secondary School Emergency Relief Fund	COVID-19, 84.425D	124	792,815.93
Total Education Stabilization Fund	84.425		<u>964,956.06</u>
<b>Total United States Department of Education</b>			<u>2,636,050.81</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 7,070,375.57</u>

The accompanying notes are an integral part of this Schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Baker County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.
- (2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance – National School Lunch Program. Includes \$292,559.10 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (5) COVID-19 National School Lunch Program. The District incurred \$94,325.93 in expenditures for the National School Lunch Program grant in the 2019-20 fiscal year.



Sherrill F. Norman, CPA  
Auditor General

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Baker 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 14, 2022, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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*.

We identified a certain additional matter finding which is described on pages 66 and 67.

### **District's Response to Finding**

The District's response to the additional matter finding identified in our audit is included as District Response on page 67 in Finding No. AM 2021-001. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 14, 2022



Sherrill F. Norman, CPA  
Auditor General

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

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### Report on Compliance for Each Major Federal Program

We have audited the Baker County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2021. The District's major Federal programs are identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

### *Management's Responsibility*

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

### *Auditor's Responsibility*

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

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

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2021.

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

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

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

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

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 14, 2022

# **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

### **Financial Statements**

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

### **Federal Awards**

Internal control over major Federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major Federal programs:	
Assistance Listing Numbers: 10.553, 10.555, and 10.559 84.425	Name of Federal Program or Cluster: Child Nutrition Cluster Education Stabilization Fund
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	Yes

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters are reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters are reported.

# ADDITIONAL MATTER

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## SCHOOL INTERNAL FUNDS

<b>Finding Number</b>	<b>AM 2021-001</b>
<b>Opinion Unit</b>	Aggregate Remaining Fund Information
<b>Financial Statements Account Titles</b>	Various
<b>Fund Name</b>	Other Governmental Funds
<b>Adjustment Amounts</b>	Not Applicable
<b>Statistically Valid Sample</b>	Not Applicable
<b>Prior Year Finding</b>	Not Applicable
<b>Finding</b>	District procedures could be enhanced to ensure school internal funds audit reports are promptly issued and considered in completing the District's financial statements and related audit.
<b>Criteria</b>	Chapter 8 – <i>School Internal Funds, Financial and Program Cost Accounting and Reporting for Florida Schools</i> (Red Book) requires an annual audit of school internal funds. The school internal funds are an integral part of the District financial reporting entity and the school internal funds audit report, if timely issued, should be considered in completing the District financial statements and related audit.
<b>Condition</b>	<p>The District received the school internal funds audit report on March 10, 2022, over 8 months after fiscal year end. Consequently, the 2020-21 fiscal year school internal funds audit was not timely completed and considered in the preparation of the District financial statements (due by September 11th after fiscal year end).</p> <p>School internal funds provide an accounting for various school club and class activities and are reported in the District financial statements as Special Revenue – Miscellaneous Funds. As of June 30, 2021, District records indicated that the financial activities of the school internal funds represent 17 percent, 0 percent, 0 percent, 18 percent, 13 percent, and 13 percent, respectively, of the assets, liabilities, deferred inflows of resources, fund balance and net position, revenues, and expenditures of the aggregate remaining fund information.</p>
<b>Cause</b>	On July 22, 2019, the Board contracted with an audit firm to perform the school internal funds audits for the 2018-19, 2019-20, and 2020-21 fiscal years. The 2018-19 and 2019-20 fiscal year audit reports were issued and were referred to during the District financial statements audits. However, the contract lacked expected audit report issue dates for any of the audits and, according to District personnel, the audit firm experienced significant personnel turnover.
<b>Effect</b>	Until the school internal funds audit report was issued on March 10, 2022, the District's financial statements contained financial information for the school internal funds that was unaudited. Without an audit report opining on the fair presentation of the school internal funds information, the amounts recorded in those funds are of limited use in completing the District financial statements and financial statement users have limited assurance regarding the accuracy of amounts reported for those funds. Timely completed and presented school internal funds audit reports would also provide ample opportunity for the audit results to be considered during the District financial statements audit.
<b>Recommendation</b>	The Board should include in the contract for school internal funds audit services a completion date that provides sufficient opportunity for the audit to be considered in preparation of the District financial statements. In addition, the

District should establish effective procedures to ensure that the audits are properly considered in the preparation of accurate financial statements and available for consideration during the District financial statements audit.

## **District Response**

Communication with the internal audit firm regarding the District's internal accounts audit began on August 3, 2021. The District provided all requested access and documentation promptly to the internal audit firm. On September 1, 2021, a status update was requested on the progress of the internal audit. At that time, the District was informed that the auditors assigned to complete the District's internal accounts audit were no longer with the firm and a new auditor had been assigned.

On November 9, 2021, another status update was requested and the District offered assistance to help expedite the audit. The District was informed by the audit firm that the audit was being worked on and additional information may be requested from the schools. The audit firm did not request any assistance from the District at that time. After the holiday break, on January 6, 2022, another status update was requested and once again the district offered assistance to help expedite the audit. Again, the audit firm did not request any assistance from the District. On January 31, 2022, the District inquired again about the status of the audit since the Auditor General's office needed this information to finalize their financial statement audit. No response from audit firm.

On February 8, 2022, the internal audit firm was asked by the District to please provide a draft copy of the audit so that the AG's office could finalize their audit and the District could avoid a finding. Finally, on February 11, 2022, the District was informed by the internal audit firm that there were some missing support items needed, those items were sent to the audit firm on February 14, 2022. A draft copy of the internal accounts audit was received on February 25, 2022, and shared with the Auditor General's office. The District believes that due to excessive turnover within the audit firm that the District's internal accounts audit was delayed and work on the audit was not started in earnest until February 11, 2022. Moving forward, the District will ensure that any subsequent contracts for internal accounts audits will include date specific deliverables. This will allow completion of the internal accounts audit so that this information may be considered during the District financial statements audit performed by the Auditor General's office.

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

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The District had taken corrective actions for the Federal award audit finding included in our report No. 2021-113.

# SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



## Baker County Public Schools Support Services



Sherrie Raulerson, Superintendent of Schools

392 South Boulevard East, Macclenny, Florida 32063

Telephone: (904) 259-6251

www.bakerk12.org

Fax: (904) 259-2825

January 19, 2022

Audit Report No. (Finding No.)	Program/Area	Brief Description	Status	Comments
2021-113 (2020-001)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) Special Education Cluster (CFDA Nos. 84.027 and 84.173)	The District received a refund from the District commercial health insurance carrier but did not credit the applicable portion of the refund to Federal programs, resulting in questioned costs totaling \$93,424.50.	<b>FULLY CORRECTED as of June 30, 2021</b>	<b>The district restored the questioned costs to the program.</b>

M. Teri Ambrose  
Executive Director of Finance and support Services

"Preparing individuals to be lifelong learners, self-sufficient, and responsible citizens of good character"

DISTRICT SCHOOL BOARD MEMBERS

Tiffany McInnarnay, District 1 🐾 Richard Dean Griffis, District 2 🐾 Paula T. Barton, District 3 🐾 Charlie M. Burnett, III, District 4 🐾 Amanda Hodges, District 5

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