

WILTON SIMPSON
President of the Senate



CHRIS SPROWLS
Speaker of the House



Joint Legislative Auditing Committee

Senator Dennis Baxley, Chair
Representative Ardian Zika, Vice Chair

Meeting Packet
Thursday, January 28, 2021
2:00 p.m. to 4:00 p.m.
412 Knott Building

The Florida Legislature
COMMITTEE MEETING AGENDA
JOINT LEGISLATIVE AUDITING COMMITTEE

Senator Dennis Baxley, Chair
Representative Ardian Zika, Vice Chair

MEETING DATE: Thursday, January 28, 2021

TIME: 2:00 p.m. to 4:00 p.m.

PLACE: Room 412, Knott Building

MEMBERS:

Senator Jim Boyd

Senator Jennifer Bradley

Senator Janet Cruz

Senator Victor M. Torres, Jr.

Representative Yvonne Hayes Hinson

Representative Andrew Learned

Representative Jenna Persons-Mulicka

Representative Keith L. Truenow

Representative Kaylee Tuck

-
1. Introduction of Members and Staff
 2. Discussion of Committee Responsibilities
 3. Overview of the Office of the Auditor General
 4. Overview of the Office of Program Policy Analysis and Government Accountability (OPPAGA)
 5. Presentation: Reading and understanding a financial statement audit report and an operational audit report

1 Introduction

JOINT LEGISLATIVE AUDITING COMMITTEE

2020 – 2022

COMMITTEE MEMBERS

Senator Dennis Baxley, Chair
Representative Ardian Zika, Vice Chair
Senator Jim Boyd
Senator Jennifer Bradley
Senator Janet Cruz
Representative Yvonne Hayes Hinson
Representative Andrew Learned
Representative Jenna Persons-Mulicka
Senator Victor M. Torres, Jr.
Representative Keith L. Truenow
Representative Kaylee Tuck

COMMITTEE STAFF

Kathryn H. DuBose
Deborah E. White, CPA, Chief Legislative Analyst
Constance L. Ennis, Administrative Assistant

COMMITTEE OFFICE

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E-mail: jlac@leg.state.fl.us

Website: www.leg.state.fl.us/committees/jlac
(can access from House and Senate Committee Pages and Online Sunshine)

2 Committee Responsibilities

Joint Legislative Auditing Committee Overview

The Committee is established by joint rule and its membership consists of between five and seven members from each house.¹ [J.R. 4.1(1)(c) & (3)]

In general, the responsibilities of the Committee relate to oversight of state and local governments, educational entities, and state funds appropriated to non-governmental entities. A summary of the Committee's responsibilities follows.

Committee Responsibilities Related to the Auditor General

- Required to appoint the Auditor General, appointment subject to confirmation by Legislature² [s. 11.42(2) F.S.]
- Authorized to review the performance of the Auditor General [J. R. 4.5(3)]
- Authorized to establish general policies for the Office of the Auditor General [s 11.45(2), F.S.]
- Authorized to direct the office to conduct an audit, review, or examination of any entity described in s. 11.45(2) or (3), F.S.³ [J.R. 4.5(1)]
- Authorized to investigate any matter within the scope of an audit, review, or examination completed or being conducted by the Auditor General [s. 11.40(1), F.S.]

Committee Responsibilities Related to the Office of Program Policy Analysis and Government Accountability (OPPAGA)

- Authorized to direct the office to conduct an audit, review, or examination of any entity described in s. 11.45(2) or (3), F.S.⁴ [J.R. 4.5(1)]
- Authorized to investigate any matter within the scope of a review completed or being conducted by OPPAGA [s. 11.40(1), F.S.]

Committee Responsibilities Related to Local Governmental Entities

- Authorized to direct the Department of Revenue and the Department of Financial Services to withhold revenue from counties and municipalities that fail to: (1) file financial reports required by ss. 218.32(1) and 218.39(1), F.S.; (2) provide significant items missing from audit reports, as required by s.11.45(7)(b), F.S.; (3) pay the full cost of an audit requested by a county or municipality, which has been conducted by the Auditor General, as required by s. 11.45(6), F.S. (see also s. 11.45(5), F.S., regarding the failure to fully pay for a petition audit of a municipality); (4) provide to the Division of Bond Finance specified information related to bonded obligations, or verify such information, required by s. 218.38, F.S.; (5) comply with investment policies, as specified in s. 218.415, F.S.; or (6) inform the Governor of action being taken to address financial emergency condition(s), as required by s. 218.503(3), F.S. [s. 11.40(2), F.S.]
- Authorized to hold a public hearing, if certain conditions are met, and direct the Department of Economic Opportunity to proceed with legal action against special districts that fail to: (1) file financial reports required by ss. 218.32(1) and 218.39(1), F.S.; (2) provide significant items missing from audit reports, as required by s.11.45(7)(b), F.S.; (3) pay the full cost of an audit requested by a special district, which has been conducted by the Auditor General, as required by s. 11.45(6), F.S.; (4) provide to the Division of Bond Finance specified information related to bonded obligations, or verify such information, required by s. 218.38, F.S.; (5) comply with investment policies as specified in s. 218.415, F.S.; or (6) inform the Governor of action being taken to address financial emergency condition(s), as required by s. 218.503(3) F.S. [s. 11.40(2), F.S.]
- Required to be notified when a local governmental entity meets or is expected to meet a condition of a financial emergency [ss. 218.503(2) and 11.45(7)(e), F.S.]
- Authorized to direct audits or reviews of local governments [J.R. 4.5(1)]
- Authorized to investigate any matter within the scope of an audit, examination, or review of a local governmental entity conducted by the Auditor General or OPPAGA [s. 11.40(1), F.S.]
- Authorized to take a series of steps when a local government has failed to take full corrective action in response to a recommendation included in the two preceding financial audit reports [s. 218.39(8), F.S.]

¹ From 1967 until March 2011 the Committee was created in law. During 2011, the Legislature passed a reform package which included revisions to laws and joint rules related to the Committee. Chapter 2011-34, *Laws of Florida*, repealed the statutory creation of the Committee.

² The Committee is not required to appoint an Auditor General unless there is a vacancy in the position.

³ These entities include any governmental entity created or established in law; non-governmental entity that receives state financial assistance; and non-governmental agency, corporation, or person that receives an appropriation by the Legislature.

⁴ *Id.*

Committee Responsibilities Related to State Agencies

- Within six months of the release of an Auditor General audit or OPPAGA review, most state agencies are required to provide the Committee with the status of corrective action taken in response to audit/review report findings [s. 20.055(5)(h), F.S.]
- Authorized to direct an audit or review of state agencies [J.R. 4.5(1)]
- Authorized to investigate any matter within the scope of an audit, examination, or review of a state agency conducted by the Auditor General or OPPAGA [s. 11.40(1), F.S.]

Committee Responsibilities Related to State Universities and Florida College System Institutions

- Authorized to direct an audit or review of universities and colleges [J.R. 4.5(1)]
- Authorized to investigate any matter within the scope of an audit, examination, or review of a university or college conducted by the Auditor General or OPPAGA [s. 11.40(1), F.S.]
- Authorized to take a series of steps when a university or college has failed to take full corrective action in response to a recommendation included in the two preceding financial or operational audit reports [s. 11.45(7)(j), F.S.]

Committee Responsibilities Related to District School Boards, Charter Schools, and Charter Technical Career Centers

- Authorized to direct the Department of Revenue and the Department of Financial Services to withhold revenue from district school boards that fail to: (1) file financial audits required by s. 218.39(1), F.S.; (2) provide significant items missing from audit reports, as required by s.11.45(7)(b), F.S.; (3) comply with investment policies, as specified in s. 218.415, F.S.; or (4) inform the Commissioner of Education of action being taken to address financial emergency condition(s), as required by s. 218.503(3), F.S. [s. 11.40(2), F.S.]
- Authorized to notify the appropriate sponsoring entity of a charter school or charter technical career center for charter schools and charter technical career centers that fail to: (1) file financial audits required by s. 218.39(1), F.S.; or (2) provide significant items missing from audit reports required by s.11.45(7)(b), F.S. The sponsoring entity is then authorized to terminate the charter pursuant to ss. 1002.33 and 1002.34, F.S. [s. 11.40(2)(c), F.S.]
- Required to be notified when a district school board, charter school, or charter technical career center meets or is expected to meet a condition of a financial emergency [ss. 218.503(2) and 11.45(7)(e), F.S.]
- Authorized to direct an audit or review of district school boards,⁵ charter schools, and charter technical career centers [J.R. 4.5(1)]
- Authorized to investigate any matter within the scope of an audit, examination, or review of a district school board, charter school, or charter technical career center conducted by the Auditor General or OPPAGA [s. 11.40(1), F.S.]
- Authorized to take a series of steps when a district school board, charter school, or charter technical career center has failed to take full corrective action in response to a recommendation included in the two preceding financial audit reports (also includes the two preceding operational audit reports for district school boards) [ss. 11.45(7)(j) and 218.39(8), F.S.]

Committee Responsibilities Related to Audits of Lobbying Firm Compensation Reports

- Required to develop a system to randomly select lobbying firms for audit, develop procedures for the selection of auditors, create and maintain a list of not less than 10 auditors approved to conduct the audits, and develop guidelines to conduct the audits [s. 11.40(3), F.S.]

Committee Responsibilities Related to Transparency Florida Website

- Required to report annually on the progress in establishing the website, make recommendations for enhancement of the content and format of the website, and develop a schedule for adding additional information [ss. 215.985(7) and (13), F.S.]

Other Committee Responsibilities and Activities

- Authority to take under consideration any matter within the scope of the duties of the Taxation and Budget Reform Commission [s. 286.036(6), F.S.]
- Numerous entities are required to submit reports to the Committee [various sections of law]
- Staff assist government officials and citizens with concerns regarding potential misuse of public funds and other complaints

⁵ The Auditor General is required by law to conduct an annual financial audit of district school boards in counties with a population less than 150,000 and every three years in counties with a larger population; in addition, the Auditor General is required by law to conduct an operational audit of every district school board at least once every three years.

**JOINT RULE FOUR OF THE FLORIDA LEGISLATURE
JOINT COMMITTEES
2020-2022**

4.1—Standing Joint Committees

(1) The following standing joint committees are established:

- (a) Administrative Procedures Committee.
- (b) Committee on Public Counsel Oversight.
- (c) Legislative Auditing Committee.

(2) No other joint committee shall exist except as agreed to by the presiding officers or by concurrent resolution approved by the Senate and the House of Representatives.

(3) Appointments to each standing joint committee shall be made or altered and vacancies shall be filled by the Senate and the House of Representatives in accordance with their respective rules. There shall be appointed to each standing joint committee no fewer than five and no more than seven members from each house.

(4) (a) The President of the Senate shall appoint a member of the Senate to serve as the chair, and the Speaker of the House of Representatives shall appoint a member of the House of Representatives to serve as the vice chair, for:

1. The Legislative Auditing Committee and the Committee on Public Counsel Oversight, for the period from the Organization Session until noon on August 1 of the calendar year following the general election.

2. The Administrative Procedures Committee for the period from noon on August 1 of the calendar year following the general election until the next general election.

(b) The Speaker of the House of Representatives shall appoint a member of the House of Representatives to serve as the chair, and the President of the Senate shall appoint a member of the Senate to serve as the vice chair, for:

1. The Legislative Auditing Committee and the Committee on Public Counsel Oversight, for the period from noon on August 1 of the calendar year following the general election until the next general election.

2. The Administrative Procedures Committee for the period from the Organization Session until noon on August 1 of the calendar year following the general election.

(c) A vacancy in an appointed chair or vice chair shall be filled in the same manner as the original appointment.

4.2—Procedures in Joint Committees

The following rules shall govern procedures in joint committees other than conference committees:

(1) A quorum for a joint committee shall be a majority of the appointees of each house. No business of any type may be conducted in the absence of a quorum.

(2) (a) Joint committees shall meet only within the dates, times, and locations authorized by both the President of the Senate and the Speaker of the House of Representatives.

(b) Joint committee meetings shall meet at the call of the chair. In the absence of the chair, the vice chair shall assume the duty to convene and preside over meetings and such other duties as provided by law or joint rule. During a meeting properly convened, the presiding chair may temporarily assign the duty to preside at that meeting to another joint committee member until the assignment is relinquished or revoked.

(c) Before any joint committee may hold a meeting, a notice of such meeting shall be provided to the Secretary of the Senate and the Clerk of the House of Representatives no later than 4:30 p.m. of the 7th day before the meeting. For purposes of effecting notice to members of the house to which the chair does not belong, notice to the Secretary of the Senate shall be deemed notice to members of the Senate and notice to the Clerk of the House shall be deemed notice to members of the House of Representatives. Noticed meetings may be canceled by the chair with the approval of at least one presiding officer.

(d) If a majority of its members from each house agree, a joint committee may continue a properly noticed meeting after the expiration of the time called for the meeting. However, a joint committee may not meet beyond the time authorized by the presiding officers without special leave granted by both presiding officers.

(3) The presiding officers shall interpret, apply, and enforce rules governing joint committees by agreement when the rule at issue is a joint rule. Unless otherwise determined or overruled by an agreement of the presiding officers, the chair shall determine all questions of order arising in joint committee meetings, but such determinations may be appealed to the committee during the meeting.

(4) Each question, including any appeal of a ruling of the chair, shall be decided by a majority vote of the members of the joint committee of each house present and voting.

4.3—Powers of Joint Committees

(1) A joint committee may exercise the subpoena powers vested by law in a standing committee of the Legislature. A subpoena issued under this rule must be approved and signed by the President of the Senate and the Speaker of the House of Representatives and attested by the Secretary of the Senate and the Clerk of the House.

(2) A joint committee may adopt rules of procedure that do not conflict with the Florida Constitution or any law or joint rule, subject to the joint approval of the President of the Senate and the Speaker of the House of Representatives.

(3) A joint committee may not create subcommittees or workgroups unless authorized by both presiding officers.

4.4—Administration of Joint Committees

(1) Within the monetary limitations of the approved operating budget, the expenses of the members and the salaries and expenses of the staff of each joint committee shall be governed by joint policies adopted under Joint Rule 3.2.

(2) Subject to joint policies adopted under Joint Rule 3.2, the presiding officers shall appoint and remove the staff director and, if needed, a general counsel and any other staff necessary to assist each joint committee. All joint committee staff shall serve at the pleasure of the presiding officers. Upon the initial adoption of these joint rules in a biennium, each joint committee staff director position shall be deemed vacant until an appointment is made.

4.5—Special Powers and Duties of the Legislative Auditing Committee

(1) The Legislative Auditing Committee may direct the Auditor General or the Office of Program Policy Analysis and Government Accountability to conduct an audit, review, or examination of any entity or record described in s. 11.45(2) or (3), Florida Statutes.

(2) The Legislative Auditing Committee may receive requests for audits and reviews from legislators and any audit request, petition for audit, or other matter for investigation directed or referred to it pursuant to general law. The committee may make any appropriate disposition of such requests or referrals and shall, within a reasonable time, report to the requesting party the disposition of any audit request.

(3) The Legislative Auditing Committee may review the performance of the Auditor General and report thereon to the Senate and the House of Representatives.

The remaining language in Joint Rule Four (4.6 and 4.7) is not included. It relates to special powers and duties of the Administrative Procedures Committee and the Committee on Public Counsel Oversight.

3 Auditor General

AUDITOR GENERAL OVERVIEW

LEGISLATIVE AUDITING COMMITTEE
JANUARY 28, 2021



THE AUDITOR GENERAL IS

- A Constitutional Officer
- A Legislative Officer
- A Certified Public Accountant
- The State's Independent Auditor

OUR VISION & MISSION

Excellence in auditing for the benefit of Floridians.

To provide unbiased, timely, and relevant information that the Legislature, Florida's citizens, public entity management, and other stakeholders can use to promote government accountability and stewardship and improve government operations.

ANNUAL FINANCIAL AUDIT ENGAGEMENTS

State of Florida

- State of Florida Reporting Entity (Including Audit of Federal Awards)
- State Universities
- State Colleges
- Florida Retirement System Pension Plan and Other State-Administered Systems
- Florida School for the Deaf and the Blind
- Local Government Surplus Funds Trust Fund (Florida PRIME)
- Department of the Lottery (at Legislative Auditing Committee direction)

School Districts (Including Audits of Federal Awards)

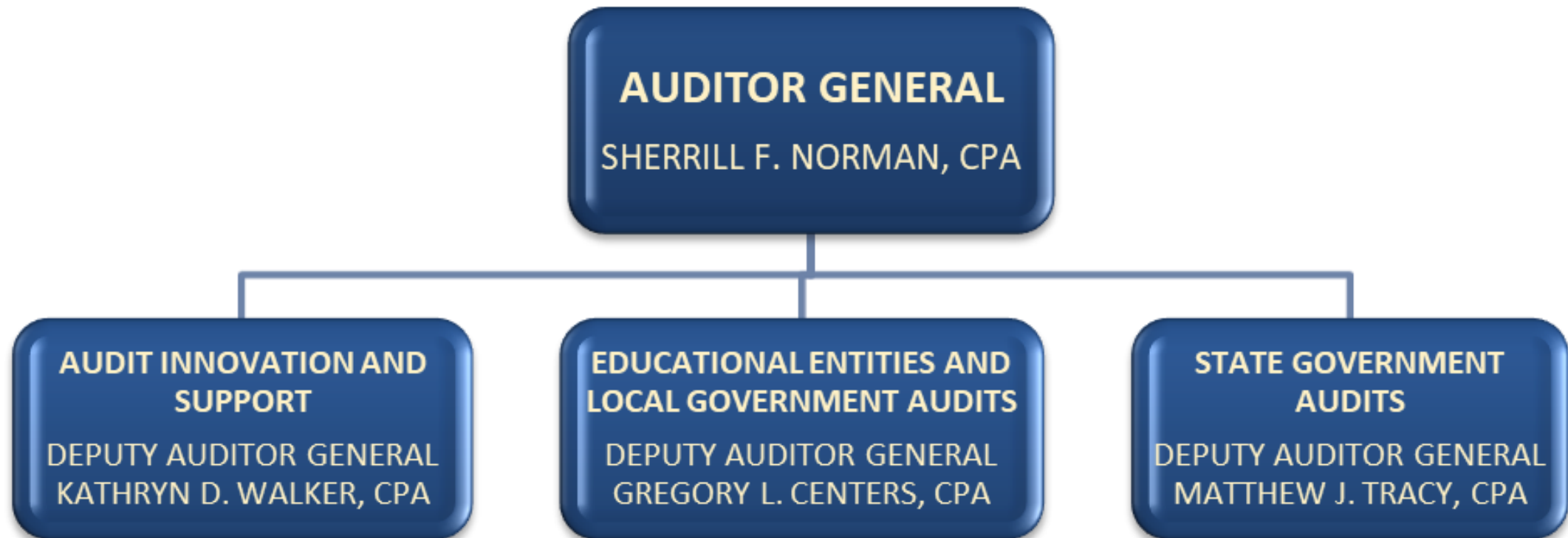
OPERATIONAL AND PERFORMANCE AUDIT ENGAGEMENTS

- State Agencies
- Executive Office of the Governor
- State Board of Administration
- Triumph Gulf Coast, Inc.
- Citizens Property Insurance Corporation
- Judicial-Related Entities
- State Universities
- State Colleges
- Department of Revenue Administration of Ad Valorem Tax Laws
- Florida Clerks of Court Operations Corporation
- School Districts
- Florida School for the Deaf and the Blind
- Florida Bright Futures Scholarship Program
- Water Management Districts
- Scholarship Funding Organizations
- Large-Hub Commercial Service Airports
- Selected Local Governmental Entities
- Local Government Financial Reporting System
- Information Technology Audits of State and Local Governmental Entities

ATTESTATION ENGAGEMENTS AND OTHER ACCOUNTABILITY ACTIVITIES

- Florida Education Finance Program (FEFP) Examinations
- Quality Assessment Reviews of State Agency Inspectors General Internal Audit Activities
- Annual Reviews of Audit Reports for:
 - Charter Schools and Technical Career Centers
 - School Districts (for years not audited by the Auditor General)
 - Local Governmental Entities
 - Certain Nonprofit and For-Profit Entities
- Compilations of Significant Findings and Financial Trends
- Per Diem Cost Certifications (Upon Request of the Department of Management Services or Department of Corrections)
- Technical Advice, Rules, and Guidelines

OUR OFFICE



OUR OFFICE



Audit positions are located in Tallahassee and in various field offices throughout the State.



OUR PEOPLE

- Many of our 360 full-time positions are held by audit professionals with various professional accounting and audit-related certifications.
- As of October 31, 2020, our audit professionals included:
 - 160 Certified Public Accountants
 - 15 Certified Information Systems Auditors
 - 15 Certified Fraud Examiners

AUDIT PROCESS



AUDITOR GENERAL ANNUAL REPORT 2020

November 1, 2019, Through October 31, 2020



AUDITOR GENERAL ANNUAL REPORT

- RECOMMENDED STATUTORY AND FISCAL CHANGES
- OVERVIEW OF AUDIT AND ACCOUNTABILITY ACTIVITIES
- PROJECTED 2-YEAR WORK PLAN
- LIST OF REPORTS (ISSUED AND SCHEDULED TO BE ISSUED)
- AUDITOR GENERAL CONTACT INFORMATION

RECOMMENDED STATUTORY AND FISCAL CHANGES

- Compilation of recommendations that were either included in our audit reports during the past few audit cycles or arose during the course of performing the duties assigned to the Auditor General.
- A member of the Auditor General management team is referenced with each recommendation.

OVERVIEW OF AUDIT AND ACCOUNTABILITY ACTIVITIES

During the period November 1, 2019, through October 31, 2020, our dedicated team of audit professionals and support staff issued over 200 reports.



OVERVIEW OF AUDIT AND ACCOUNTABILITY ACTIVITIES

STATE GOVERNMENT

Total asset values upon which financial statement opinions were rendered	\$610.9 billion
Total revenues upon which financial statement opinions were rendered	\$204.9 billion
Total Federal awards expenditures for major programs audited	\$25.6 billion
Total number of major Federal awards programs audited	23
Number of audit reports issued:	22
Attestation	1
Financial	5
Financial and Federal Awards	1
Operational	15
Number of audit findings	140

OVERVIEW OF AUDIT AND ACCOUNTABILITY ACTIVITIES

SCHOOL DISTRICTS

Total asset values upon which financial statement opinions were rendered	\$29.9 billion
Total revenues upon which financial statement opinions were rendered	\$17.9 billion
Total Federal awards expenditures for major programs audited	\$627.8 million
Number of audit reports issued:	73
Financial and Federal Awards	46
Financial	1
Operational	26
Number of audit findings	155

OVERVIEW OF AUDIT AND ACCOUNTABILITY ACTIVITIES

FLORIDA EDUCATION FINANCE PROGRAM

Total FTE Student Enrollment reported upon which compliance opinions were rendered	1,339,960
Total FTE Student Enrollment funding for entities examined	\$4 billion
Total Student Transportation funding for entities examined	\$176 million
Number of attestation examination reports issued	29
Number of reports disclosing material noncompliance	27

OVERVIEW OF AUDIT AND ACCOUNTABILITY ACTIVITIES

STATE UNIVERSITIES AND STATE COLLEGES

Total asset values upon which financial statement opinions were rendered	\$35.7 billion
Total revenues upon which financial statement opinions were rendered	\$19.5 billion
Number of audit reports issued:	51
Financial	40
Operational	11
Number of audit findings	35

OVERVIEW OF AUDIT AND ACCOUNTABILITY ACTIVITIES

INFORMATION TECHNOLOGY

Number of audit reports issued:	11
State Agencies and Related Entities	5
Educational and Related Entities	6
Number of audit findings by Control Area:	33
Business Process Application-Level General	9
Business Process Configuration Management	1
General Controls - Security Management	12
General Controls - Access	6
General Controls - Contingency Planning	5

OVERVIEW OF AUDIT AND ACCOUNTABILITY ACTIVITIES

LOCAL GOVERNMENT AUDITS

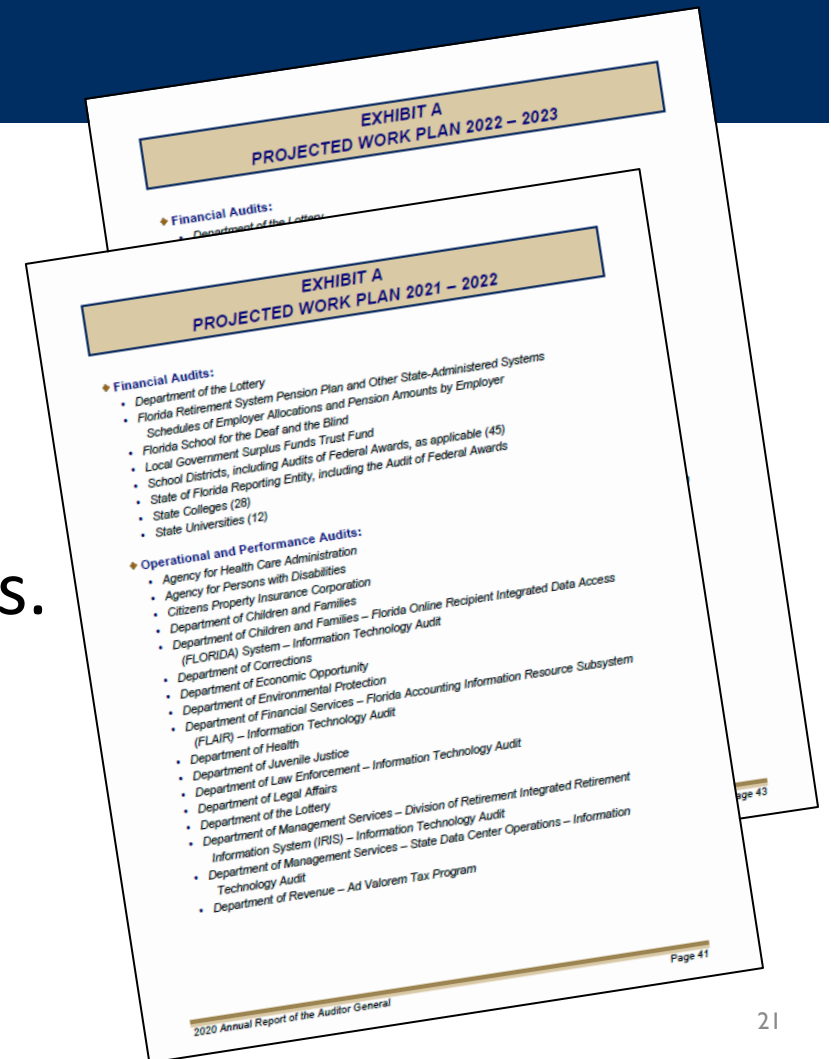
Report No.	Entity Subject to Audit
2020-069	City of Palm Bay
2020-106	Suwanee River Water Management District
2021-016	Town of Caryville
2021-019	Southwest Florida Water Management District
2021-030	City of Gulf Breeze – Tiger Point Golf Club
2021-122	Citrus County Board of County Commissioners – Detention Center Management Services Contract and Selected Administrative Activities – Follow-Up
2020-128	Hillsborough County Aviation Authority – Tampa International Airport – 2012 Master Plan Capital Projects - Follow-Up
2020-050	Walton County Board of County Commissioners, Clerk of Circuit Court, and Use of Funds Related to the Deepwater Horizon Oil Spill - Follow-Up

OVERVIEW OF AUDIT AND ACCOUNTABILITY ACTIVITIES

- Reviews of Financial Audit Reports Issued by Other CPAs
 - 1,398 Local Governmental Entity Financial Audit Reports for the 2017-18 Fiscal Year (Report No. 2020-094)
 - 224 Nonprofit, For-Profit, and Other Entities (Report No. 2021-032)
 - 20 District School Boards and 648 Charter Schools and Technical Career Centers (Report No. 2021-005)
 - Significant Findings and Financial Trends Reports
- Quality Assessment Reviews
- Professional Activities

PROJECTED WORK PLAN

- Projected 2-Year Work Plan Required by Section 11.45(7)(h), Florida Statutes.
- Covers the 2021-22 and 2022-23 fiscal years.
- Included in Annual Report as **EXHIBIT A**.



COMMITTEE-DIRECTED ENGAGEMENTS UNDERWAY OR RECENTLY COMPLETED

- Citrus County Hospital Board
- City of Melbourne
- Belle Glade Housing Authority
- City of Gainesville
- Florida Commission on Offender Review
Clemency and Conditional Medical Release
- City of Deerfield Beach
- City of Port Richey
- West Volusia Hospital District
- Greater Orlando Aviation Authority
- Sarasota District School Board
(Report No. 2021-012)
- Town of Caryville
(Report No. 2021-016)
- City of Starke – Update on Follow-Up
(Report No. 2021-051)



FLORIDA AUDITOR GENERAL
SHERRILL F. NORMAN, CPA

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REPORTS ISSUED BY THE AUDITOR GENERAL

REPORTS SUBMITTED TO THE AUDITOR GENERAL

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FLORIDA AUDITOR GENERAL
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REPORTS ISSUED BY THE AUDITOR GENERAL

[STATE OF FLORIDA FINANCIAL AND FEDERAL AWARDS AUDIT REPORTS](#)

[TYPES OF ENGAGEMENTS](#)

[LISTING OF OLDER REPORTS](#)

SEARCHABLE LISTING OF REPORTS

Fiscal Year: Entity Type: Entity Audited: Engagement Type:

Number	Title	Audit Period	Date Issued
2021-110	Bradford County District School Board - Operational Audit		01/20/2021
2021-109	Schedules of Employer Allocations and Pension Amounts by Employer for the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program - Cost-Sharing Multiple Employer Defined Benefit Pension Plans	FYE 06/30/2020	01/15/2021
2021-108	Dixie County District School Board - Financial and Federal Single Audit	FYE 06/30/2020	01/15/2021



AUDITOR GENERAL
SHERRILL F. NORMAN, CPA

(850) 412-2722

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OPPAGA

The Legislature's Program Review Office

A Presentation to the Joint Legislative Auditing Committee

Philip Twogood, PhD
Coordinator



OPPAGA

Office of Program Policy Analysis and Government Accountability

JANUARY 28, 2021

Background on OPPAGA

What is OPPAGA?

- Non-partisan legislative agency that provides data, evaluative research, and objective analyses to assist legislative budget and policy deliberations
- Created in 1994 by the Government Performance and Accountability Act
- Representative of a widely recognized legislative support profession

Who determines OPPAGA's research projects?

- Currently authorized under Joint Rule Three
- Conducts research as directed by state law, the presiding officers, or the Joint Legislative Auditing Committee

What Does Your OPPAGA Contribute?

- Provides the Legislature the independent capacity to assess programs and policies
- Designs and carries out methodologically complex and often original research
- Maintains the capacity to answer research questions across policy areas
- Analyzes large and often confidential data sets, integrating data from multiple agencies
- Provides contract management services

The People at OPPAGA

- Wide variety of degrees and professional experiences
- Most analysts hold graduate degrees; 14 hold PhDs or JDs
- Skill sets complement other legislative staff
- Hiring reflects evolving legislative demands for information
- Contact information in packet

OPPAGA Conducts Research in 4 Policy Areas With Support From Methodology



Conducting Research

OPPAGA analysts use a wide variety of qualitative and quantitative research tools

Qualitative

- Interviews with agency and program officials, clients, stakeholders – Florida and multi-state
- Site visits
- Surveys
- Focus groups

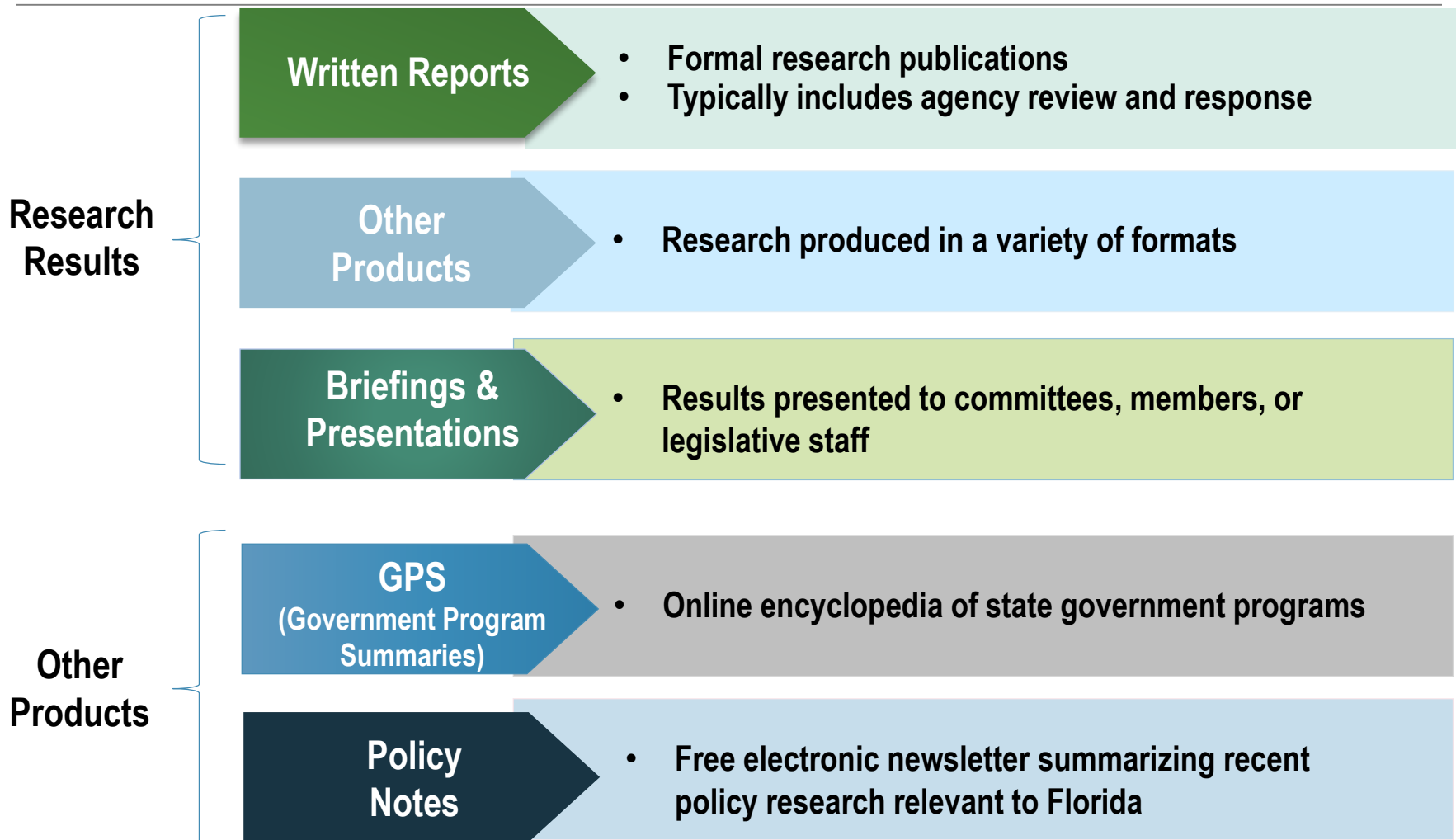
Quantitative

- Primary data through surveys
- Data from agencies and outside entities
- Statistical analysis and modeling

Examples of Recent Research



OPPAGA Products



Government Program Summaries

Government Program Summaries (GPS) is a free resource that provides descriptive information on over 200 state agencies and programs. For fiscal data, GPS links to [Transparency Florida](#), which includes continually updated information on state agencies' operating budgets and expenditures.



[Programs by Agency >](#)

What is contained in GPS summaries?

Generally, GPS summaries provide the following information.

- Program purpose
- Program funding
- Program updates
- References to other sources of program information
- Agency contact information and links to other sites that may be of interest

IN THIS ISSUE: January 22, 2021

CRIMINAL JUSTICE

[Race and Ethnicity of Violent Crime Offenders and Arrestees, 2018](#)

[Bureau of Justice Statistics Assessment of the Rape and Sexual Assault Pilot Test](#)



CRIMINAL JUSTICE

[Race and Ethnicity of Violent Crime Offenders and Arrestees, 2018](#)

This report compares the Federal Bureau of Investigation's (FBI) Uniform Crime Reporting Program data on incidents of non-fatal violent crime to data from Bureau of Justice Statistics' National Crime Victimization Survey to determine if arrest differences by race and ethnicity can be attributed to differences in criminal involvement. It examines offenders' characteristics as reported by victims in the National Crime Victimization Survey and provides information on racial and ethnic disparities beyond an arrestee and population-based comparison. Relative to their share of the U.S. population (60%), white people were underrepresented among offenders in non-fatal violent crimes overall (52%). They accounted for 45% of offenders involved in aggravated assaults and 31% of offenders involved in robbery. They were not underrepresented to a statistically significant degree among offenders involved in rape or sexual assault (56%) or simple assault (59%). Black people were overrepresented among offenders in non-fatal violent crimes overall (29%) relative to their share of the U.S. population (13%). Half of all offenders involved in robbery (51%), a third involved in aggravated assault (34%), and more than a fifth involved in simple assault (23%) and rape or sexual assault (22%) were black. Hispanic offenders were involved in serious non-fatal violent crimes (16%) nearly proportionate to their representation in the U.S. population (18%). Hispanics were underrepresented to a statistically significant degree among offenders involved in simple assault (13%). Among other racial groups, Asians (6% of the U.S. population) were consistently underrepresented among violent offenders, except for their involvement in rape or sexual assault (5%). Between 1% and 2% of offenders involved in robbery, aggravated assault, or simple assault were Asian.

Source: Bureau of Justice Statistics, U.S. Department of Justice

[Bureau of Justice Statistics Assessment of the Rape and Sexual Assault Pilot Test](#)

The U.S. Bureau of Justice Statistics funded this research to develop and test a new methodology for measuring rape and sexual assault, with the goal of collecting more accurate statistics on the nature and frequency of those crimes. This pilot test provided important findings that have helped to inform the bureau's ongoing efforts to improve the measurement of rape and sexual assault in the National Crime Victimization Survey. The pilot test surveyed a total of about 5,800 females ages 18 to 49 across five metropolitan statistical areas in 2014 and 2015: Dallas, Los Angeles, Miami, New York, and Phoenix. Through the Uniform Crime Reporting Program, state and local law

EDUCATION

[K-12 Education: Observations on States' School Improvement Efforts](#)

[How Can Teachers Make the Most of Professional Learning in the Summer?](#)

[Common Health Conditions in Childhood and Adolescence, School Absence, and Educational Attainment: Mendelian Randomization Study](#)

GOVERNMENT OPERATIONS

[U.S. Department of Homeland Security Employee Morale: Some Improvements Made, but Additional Actions Needed to Strengthen Employee Engagement](#)

[\\$660 Billion Paycheck Protection Program and \\$220 Billion Economic Injury Disaster Loan Program Disbursed to Minority Communities in the Early Stages of COVID-19](#)

[Implementing Creating Moves to Opportunity](#)

[Employment Creation Potential, Labor Skills Requirements, and Skill Gaps for Young People: A South African Case Study](#)

HEALTH AND HUMAN SERVICES




Questions?

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FLORIDA LEGISLATURE OFFICE OF PROGRAM POLICY ANALYSIS
& GOVERNMENT ACCOUNTABILITY

OPPAGA supports the Florida Legislature by providing data, evaluative research, and objective analyses that assist legislative budget and policy deliberations.

5 Understanding Audit Reports

OPERATIONAL AUDIT REPORTS

LEGISLATIVE AUDITING COMMITTEE

JANUARY 28, 2021



OPERATIONAL AUDIT - DEFINED

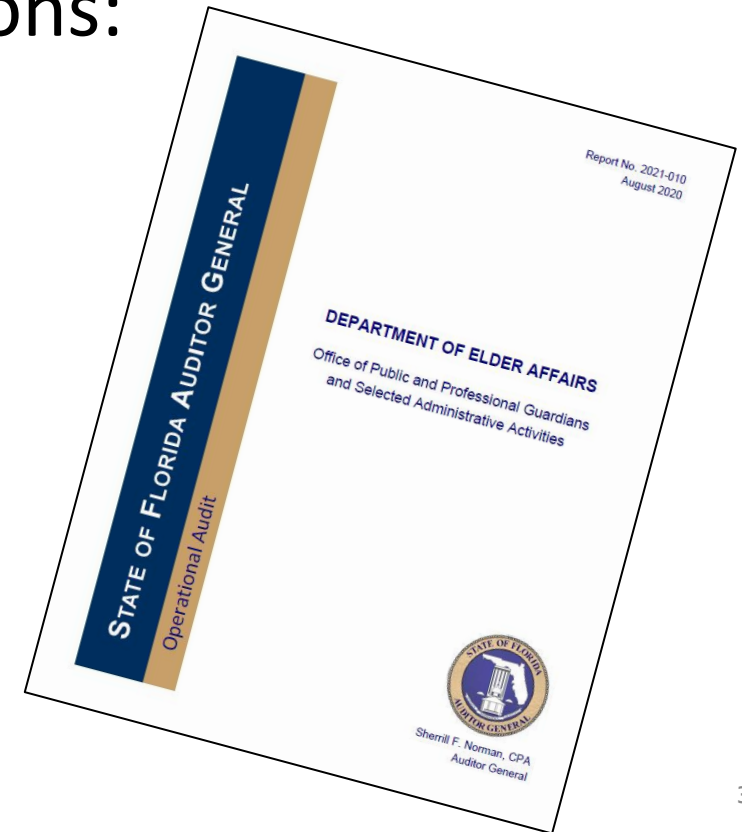
Section 11.45(1)(i), Florida Statutes:

“Operational audit” means an audit whose purpose is to evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and other guidelines. Operational audits must be conducted in accordance with government auditing standards. Such audits examine internal controls that are designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of financial records and reports, and safeguarding of assets, and identify weaknesses in those internal controls.

OPERATIONAL AUDIT REPORT CONTENT

Most operational audit reports have 7 sections:

1. Summary
2. Background
3. Findings and Recommendations
4. Prior Audit Follow-Up
5. Objectives, Scope, and Methodology
6. Authority
7. Management's Response



OPERATIONAL AUDIT REPORT CONTENT

SUMMARY: Describes the focus of the operational audit, including whether the audit included a follow-up on prior audit findings, and provides an enumerated listing of the summarized report findings.

OPERATIONAL AUDIT REPORT CONTENT

BACKGROUND: Provides information about the audited entity and may also provide information about the particular topic areas included in the scope of the audit.

OPERATIONAL AUDIT REPORT CONTENT

FINDINGS AND RECOMMENDATIONS: Describes the deficiencies disclosed by our audit procedures. Each finding includes the criteria, condition, cause, and an effect and provides a recommendation for corrective action.

OPERATIONAL AUDIT REPORT – FOLLOW-UP

PRIOR AUDIT FOLLOW-UP: Refers to the status of the audited entity's actions to correct prior audit findings that are significant to the scope of the operational audit.

OPERATIONAL AUDIT REPORT CONTENT

OBJECTIVES, SCOPE, AND METHODOLOGY: States that we conducted our audit in accordance with *Government Auditing Standards* and describes our overall audit objectives and the topics included in the scope of the audit. In this section we discuss what we tested, how we tested it, the amount we tested relevant to the applicable population, and the objectives of our audit procedures.

OPERATIONAL AUDIT REPORT CONTENT

AUTHORITY: The authority section cites the statutory reference providing our authority to conduct the audit.

OPERATIONAL AUDIT REPORT CONTENT

MANAGEMENT'S RESPONSE: Provides a facsimile of management's response to our findings and recommendations.

OPERATIONAL AUDIT REPORT DISTRIBUTION

- Our operational audit reports are delivered to:
 - Management of the audited entity
 - Government officials charged with governance
 - Applicable legislative committee staff
 - Members of the media who request our reports
- Our reports are posted to our Web site: FLAuditor.gov
- Pursuant to the Joint Rules of the Legislature, we periodically send members of the Legislative Auditing Committee lists of recently issued reports with links to those reports.



AUDITOR GENERAL
SHERRILL F. NORMAN, CPA

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Example of an Operational Audit Report

To be referenced during the Auditor General's presentation

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2021-010
August 2020

DEPARTMENT OF ELDER AFFAIRS

Office of Public and Professional Guardians
and Selected Administrative Activities



Sherrill F. Norman, CPA
Auditor General

Secretary of the Department of Elder Affairs

The Department of Elder Affairs is established by Section 20.41, Florida Statutes. The head of the Department is the Secretary who is appointed by the Governor and subject to confirmation by the Senate. During the period of our audit, the following individuals served as Department Secretary:

Richard Prudom From January 8, 2019
Jeffrey Bragg Through January 7, 2019

Please address inquiries regarding this report to Lisa Norman, CPA, Audit Manager, by e-mail at lisanorman@aud.state.fl.us or by telephone at (850) 412-2831.

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DEPARTMENT OF ELDER AFFAIRS
Office of Public and Professional Guardians
and Selected Administrative Activities

SUMMARY

This operational audit of the Department of Elder Affairs (Department) focused on the Office of Public and Professional Guardians (OPPG) and selected administrative activities. The audit also included a follow-up on applicable findings noted in our report No. 2015-109. Our audit disclosed the following:

Office of Public and Professional Guardians

Finding 1: Contrary to State law, the OPPG did not establish policies and procedures for monitoring private professional guardians, develop or implement a monitoring tool, or monitor private professional guardians for compliance with OPPG standards of practice governing the conduct of professional guardians.

Finding 2: OPPG efforts to monitor Public Guardian Offices (PGOs) were not always adequate to ensure that: OPPG records evidenced that program monitors were free from conflicts of interest, all State guardianship rules were subject to adequate monitoring, Monitoring Tool responses were supported by and consistent with source documentation, and monitoring reports were appropriately reviewed and timely provided to PGOs.

Finding 3: OPPG complaint processing controls need improvement to ensure that: complaints are referred and related investigation activities are conducted in accordance with State law, OPPG policies and procedures, other guidelines, and management expectations; investigations include all applicable complaint allegations; and guardians and complainants are timely notified of whether disciplinary actions are taken.

Finding 4: Contrary to State law, the Department had not adopted rules for certain OPPG processes, including the process for investigating complaints.

Finding 5: OPPG controls need enhancement to ensure that, prior to reimbursing Clerks of the Court for the direct costs of guardianship complaint investigations, invoiced amounts are adequately supported and agree with established rates.

Finding 6: OPPG controls did not adequately promote the timely submittal of annual professional guardian renewal registrations or ensure that the courts responsible for appointing guardians were timely notified of lapses in guardian registration.

Selected Administrative Activities

Finding 7: Security controls over mobile device utilization need improvement to ensure the confidentiality, integrity, and availability of Department data and information technology resources.

Finding 8: Department controls over employee access to the Florida Accounting Information Resource Subsystem continue to need improvement to reduce the risk of unauthorized disclosure, modification, or destruction of Department data.

BACKGROUND

State law¹ designates the Department of Elder Affairs (Department) as the primary State agency responsible for administering human services programs for the elderly and for developing policy recommendations for long-term care. Among other responsibilities, the Department is to promote the prevention of neglect, abuse, or exploitation of elderly persons unable to protect their own interests and, to this end, administers a wide range of programs, including the Office of Public and Professional Guardians (OPPG).

FINDINGS AND RECOMMENDATIONS

OFFICE OF PUBLIC AND PROFESSIONAL GUARDIANS

In enacting the Florida Guardianship Law,² the Legislature sought to establish a system that: permits incapacitated persons³ to participate as fully as possible in all decisions affecting them; assists such persons in meeting the essential requirements for their physical health and safety, in protecting their rights, in managing their financial resources, and in developing or regaining their abilities to the maximum extent possible; accomplishes these objectives through providing, in each case, the form of assistance that least interferes with the legal capacity of a person to act in her or his own behalf.⁴ The Legislature recognized⁵ that private guardianship may be inadequate when there is no willing and responsible family member or friend, other person, bank, or corporation available to serve as guardian⁶ for an incapacitated person, and such person does not have adequate income or wealth for the compensation of a private guardian.

State law⁷ establishes the OPPG within the Department and provides that the Department Secretary is to appoint an Executive Director who is responsible for carrying out the purposes and functions of the OPPG in accordance with State and Federal law. Through the creation of the OPPG, State law⁸ permits the establishment of Public Guardian Offices (PGOs) to provide guardianship services for incapacitated persons when no private guardian is available. However, a public guardian is only to be provided to those persons whose needs cannot be met through less restrictive means of intervention.

¹ Section 430.03(1), Florida Statutes.

² Chapter 744, Florida Statutes.

³ Section 744.102(12), Florida Statutes, defines an incapacitated person as a person who has been judicially determined to lack the capacity to manage at least some of the property or to meet at least some of the essential health and safety requirements of the person.

⁴ Section 744.1012(3), Florida Statutes.

⁵ Section 744.1012(4), Florida Statutes.

⁶ Section 744.102(9), Florida Statutes, defines a guardian as a person appointed by the court to act on behalf of a ward's person or property, or both.

⁷ Section 744.2001(1), Florida Statutes.

⁸ Section 744.1012(5), Florida Statutes.

State law⁹ provides that the OPPG is responsible for the regulation and oversight of all professional guardians¹⁰ who have been appointed by the court to provide guardianship services. Professional guardians can be further classified as either private guardians or public guardians.¹¹ Private professional guardians are compensated by the ward's¹² personal income or wealth.¹³ Public professional guardians are employed by the PGOs and compensated through amounts appropriated by the Legislature. Pursuant to State law,¹⁴ the OPPG is required to:

- Establish standards of practice for professional guardians.
- Review and approve the standards and criteria for the education, registration, and certification of professional guardians.
- Develop and implement a monitoring tool to ensure professional guardian compliance with OPPG standards of practice.
- Review the State's public guardian programs.
- Establish procedures to review, and if determined legally sufficient, investigate any complaint alleging that a professional guardian has violated OPPG standards of practice.
- Establish disciplinary proceedings, conduct hearings, and take administrative action based on the outcome of complaint investigations.

According to OPPG records,¹⁵ the OPPG was responsible for the regulation and oversight of more than 550 professional guardians Statewide, including the investigation and discipline of guardians found to be in violation of State laws and rules. **EXHIBIT A** to this report shows the 17 PGOs the Department contracted with as of November 2019 to provide public professional guardianship services Statewide. According to OPPG records, during the 2017-18 fiscal year, the PGOs served 3,846 wards and placed 484 individuals on a waiting list for services.

As of July 2018, the Department had entered into a Memorandum of Understanding (MOU) with six county Clerks of the Court (Clerks)¹⁶ pursuant to which the Clerks were responsible for investigating all complaints against professional guardians referred by the OPPG, and the OPPG was responsible for determining whether disciplinary or administrative action against a guardian was warranted.

According to OPPG records, during the period July 2017 through January 2019, the OPPG received 90 complaints against 57 guardians. Of the 90 complaints, the OPPG closed only 1 complaint which was initially received in December 2017. During that same period, the OPPG closed 31 complaints received

⁹ Section 744.2001, Florida Statutes.

¹⁰ Section 744.102(17), Florida Statutes, defines a professional guardian as any guardian who has at any time rendered services to three or more wards as their guardian. A person serving as a guardian for two or more relatives is not considered a professional guardian.

¹¹ Public guardians are considered professional guardians for purposes of regulation, education, and registration, and provide guardianship services to persons who are indigent; have no friends or family willing or able to serve; and have been adjudicated incapacitated or meet the criteria to be eligible for a guardian advocate.

¹² The Department defined a ward as a person who was determined to be incapacitated and for whom a guardian was appointed under Chapter 744, Florida Statutes, or a person appointed a guardian advocate under Section 393.12, Florida Statutes.

¹³ Section 744.1012(4), Florida Statutes.

¹⁴ Section 744.2001(2) - (4), Florida Statutes.

¹⁵ OPPG 2018 Annual Report.

¹⁶ The Clerks included Lee County, Okaloosa County, Palm Beach County, Pinellas County, Polk County, and Sarasota County (effective October 2017). During the period July 2016 through June 2018, Lake County was also party to the MOU.

prior to July 2017 related to 23 guardians. Table 1 summarizes, by the date complaints were received and resulting investigation disposition, the complaints against guardians investigated and closed during the period July 2017 through January 2019.

Table 1
Summary of OPPG Closed Complaint Investigations
July 2017 Through January 2019

Date Complaints Received	Number of Complaints Closed	Number of Guardians Investigated	Investigation Disposition
July 2017 through January 2019	1	1	Letter of Concern ^b
Prior to July 2017	31	23 ^a	12 Letters of Concern ^b 13 No Disciplinary Action

^a Some professional guardians were the subject of more than one closed complaint.

^b A Letter of Concern addresses the investigation findings and the laws or rules violated and may recommend increased education or training.

Source: OPPG records.

Additionally, during the period July 2017 through January 2019, only one complaint led to an administrative action which resulted in the revocation of the guardian’s registration in March 2019.

To operate the State’s public guardian program, the Legislature appropriated approximately \$5.8 million for each of the 2017-18 and 2018-19 fiscal years, and \$8.3 million for the 2019-20 fiscal year. Appropriations for the 2019-20 fiscal year included approximately \$2.5 million to serve additional persons from the waiting list¹⁷ and to account for the increased cost to serve each ward.

At the end of our audit period (January 2019), the Department had five full-time staff and four Other Personal Services (OPS) employees¹⁸ dedicated to administering the OPPG’s statutory responsibilities. However, subsequent to our audit period, the OPPG experienced significant staff turnover. Specifically, during the period May 3, 2019, through August 6, 2019, three full-time employees, including the OPPG Executive Director and Senior Attorney, as well as three OPS employees, separated from Department employment. **Exhibit B** to this report illustrates the OPPG organizational structure as of August 6, 2019. Between August 2019 and January 2020, the OPPG hired a Senior Attorney in October 2019 and an Executive Director effective December 9, 2019. Additionally, the OPPG hired one full-time employee and one OPS employee and had two full-time employees separate from OPPG employment, leaving three full-time vacancies as of January 2020.

To appropriately address the findings described in this report, it is critical that the Department and the OPPG take steps to ensure adequate resources are in place to promote the effective and efficient administration of OPPG statutory responsibilities.

¹⁷ According to OPPG management, 790 persons were on the waiting list as of March 2020.

¹⁸ Pursuant to Department of Management Services Rule 60L-33.005, Florida Administrative Code, OPS employment is a temporary employer-employee relationship used solely for the completion of short-term of intermittent tasks. OPS employees do not fill established positions.

Finding 1: Monitoring of Private Professional Guardians

State law¹⁹ specifies that OPPG responsibilities for oversight of professional guardians include developing and implementing a monitoring tool to ensure that professional guardians comply with the standards of practice²⁰ established by the OPPG. The standards of practice govern the conduct of professional guardians and are designed to ensure that wards receive appropriate care and treatment, are safe, and their assets are protected. Among other things, the standards of practice address:

- The extent of the powers and the limitations of authority granted to the professional guardian by the court and the expectation that the professional guardian's decisions and actions will be consistent with court orders and State law.
- The professional guardian's relationship, interactions, communications, cooperation, and coordination with the ward, family and friends of the ward, and other professionals and providers of services to the ward to ensure that the ward receives appropriate care and treatment.
- Requirements for professional guardians when making decisions on behalf of their wards, such as:
 - Making decisions based on the principle of informed consent by understanding, for example, the risks and benefits of decisions and alternatives and whether a ward has previously stated preferences regarding certain decisions.
 - Assisting and encouraging wards to participate in decisions, when possible.
 - Evaluating ward resources and the alternatives that are available and choosing the decision that best meets the personal and financial goals, needs, and preferences of the ward, while placing the least restrictions on the ward's freedoms, rights, and ability to control their environment.
 - Ensuring that all medical care available to the ward is appropriately provided.
 - Avoiding all conflict of interest and self-dealing.
- Duties and responsibilities of the professional guardian to the ward. For example:
 - Communicating the role of the professional guardian, explaining the rights retained by the ward, assessing the ward's needs, and obtaining the ward's preferences and an inventory of advance directives, including but not limited to, powers of attorney and living wills.
 - Documenting the ward's known values and known wishes regarding medical care and services.
 - Visiting the ward at least quarterly each year and assessing the ward's physical appearance and condition, living situation, and need for existing and additional services.
 - Maintaining communication with service providers, caregivers, and others attending to the ward; examining all services to ensure proper care is being provided to the ward; and advocating on behalf of the ward.
- Duties and responsibilities of the professional guardian for managing the ward's property and keeping the ward's assets safe.
- The termination and limitation of professional guardianship, professional guardianship service fees, and the management of multiple professional guardianship cases.

¹⁹ Section 744.2001(3)(a), Florida Statutes.

²⁰ Department Rule 58M-2.009, Florida Administrative Code.

According to OPPG records, during the period July 2017 through January 2019, more than 550 professional guardians were registered by the OPPG to provide guardianship services throughout the State. As previously noted, the OPPG received complaints against 57 guardians, including 47 private professional guardians, during the period July 2017 through January 2019.

As described in Finding 3, we assessed the adequacy of OPPG complaint processing controls. We also reviewed the description of complaints submitted to or resolved by the OPPG during the period July 2017 through January 2019 and noted that complainants reported a variety of serious allegations against both public and private professional guardians registered by the OPPG. The allegations against private professional guardians included:

- Improper actions taken by a trustee, mishandling of ward funds, and exploiting wards financially.
- Violating a living will and disrespecting or ignoring a ward's advanced medical directives and end-of-life wishes.
- Abuse, including physical assault; not providing critical daily needs; and isolating a ward from friends and family.
- Improperly requesting ward accounts be frozen and unnecessarily placing a ward into guardianship.
- Charging wards for services not provided and closing bank accounts and ceasing payments against a ward's wishes.

As evidenced by the number and nature of complaints against private professional guardians, effective monitoring of private professional guardians is necessary to promote compliance with OPPG standards of practice and to ensure that wards receive appropriate care and treatment, are safe, and their assets are protected. However, our audit disclosed that, during the period July 2017 through January 2019, the OPPG did not monitor private professional guardians for compliance with OPPG standards of practice. In response to our audit inquiry, Department management indicated that, due to a lack of resources, the OPPG had neither established policies and procedures for monitoring private professional guardians nor developed and implemented a monitoring tool to confirm private professional guardians complied with OPPG standards of practice.

Absent established monitoring policies and procedures, the development and implementation of a monitoring tool, and the conduct of monitoring to ensure private professional guardians comply with OPPG standards of practice, the risk is increased that wards may not receive appropriate care and treatment, be safely cared for, and have their assets adequately protected.

Recommendation: To ensure that wards receive appropriate care and treatment, are safe, and their assets are protected, we recommend that OPPG management establish monitoring policies and procedures, develop and implement a monitoring tool, and conduct monitoring of private professional guardians for compliance with OPPG standards of practice.

Finding 2: Monitoring of Public Guardian Offices

Pursuant to contracts with the Department, PGOs were responsible for the programmatic, fiscal, and operational management of their public guardian program, including the provision of services that protect and exercise the legal rights of incapacitated persons designated as wards of the State, in accordance

with State law and Department rules. The OPPG was to monitor²¹ the PGOs for compliance with contractual requirements, including the acceptability of PGO performance and provision of contracted services and deliverables. The OPPG conducted on-site monitoring visits and desk audits to evaluate PGO compliance with administrative, fiscal, and programmatic contract requirements.

During the period July 2017 through January 2019, the OPPG utilized the *Office of Public and Professional Guardians Program Monitoring Tool* (Monitoring Tool) to document the results of on-site monitoring visits and desk audits. The administrative, fiscal, and programmatic contract requirements evaluated during on-site monitoring visits and desk audits included:

- Registration, staffing, insurance, recordkeeping, and reporting requirements.
- Invoice, payroll, petty cash, property and equipment, procurement, and accounting system requirements.
- Ward file, ward visitation, ward property, deceased ward file, and off-site visit requirements.

Within 3 weeks of completing a monitoring engagement and holding an exit conference with the PGO, the OPPG program monitor was to submit a draft final report (Monitoring Tool and formal letter of findings) for supervisory review. The completed monitoring report summarizing the on-site monitoring visit and noted successes, deficiencies, and recommended corrective action plans with deadlines, was to be sent to the PGO within 30 days of the exit conference.

As part of our audit, we examined OPPG records for 3 of the 12 PGO monitoring engagements conducted during the period July 2017 through January 2019²² and evaluated OPPG monitoring efforts. Our examination disclosed that OPPG efforts to monitor the PGOs were not always adequate to ensure that: OPPG records evidenced that program monitors were free from conflicts of interest, PGO compliance with all State guardianship rules was subject to monitoring, Monitoring Tool responses were supported by and consistent with source documentation, and monitoring reports were appropriately reviewed and timely provided to the PGOs. Specifically, we noted that:

- OPPG program monitors were not required to complete and did not complete conflict of interest statements documenting that they were independent of, and had no conflicts of interest related to, the PGOs they were responsible for monitoring. According to OPPG management, the Department contract manager signed conflict of interest forms on behalf of the OPPG.
- Pursuant to Department contracts with the PGOs, the PGOs were required to comply with all applicable State guardianship registration laws, rules, and regulations. Department rules²³ require that, if a professional guardian hires an employee with assigned fiduciary responsibilities²⁴ during the guardian's registration period, the guardian is to submit an amended *Professional Guardian Registration Form* (Form) to the OPPG. The Form is to include the new employee's

²¹ Monitoring was to be conducted through direct contact with the PGO by telephone, in writing, or an on-site visit.

²² The 3 monitoring engagements selected for examination included 2 of the 10 on-site visits and 1 of the 2 desk audits conducted by the OPPG during the period July 2017 through January 2019. Specifically, the 3 monitoring engagements included on-site visits of Aging Solutions and Barry University School of Social Work and a desk audit of LSF Guardianship Services, Inc. (Sarasota).

²³ Department Rule 58M-2.001(12), Florida Administrative Code.

²⁴ Per Department Rule 58M-2.001(1)(c), Florida Administrative Code, an employee with fiduciary responsibility means an employee of a professional guardian who has the ability to direct any withdrawal or investments from a ward's banking or investment accounts, supervises the care of the ward under the supervision of the guardian, or who makes health care decisions on behalf of the ward.

information and be submitted for approval prior to the employee assuming any fiduciary responsibilities.

We noted that the Monitoring Tool did not require and, consequently OPPG records did not evidence for the 3 selected monitoring engagements, that OPPG program monitors evaluated whether the PGOs had complied with the requirement for the OPPG to approve of new employees with assigned fiduciary responsibilities prior to the employees assuming any such responsibilities.

- The Monitoring Tools for the 3 selected monitoring engagements included responses that were not supported by appropriate records or consistent with the source documentation reviewed by the OPPG. For example:
 - OPPG program monitors utilized *Ward Records Audit Sheets* (Audit Sheets) to review ward files and evaluate whether the PGOs had met certain standards of care for maintaining ward files. For the Barry University School of Social Work (Barry University) on-site monitoring engagement, although the Monitoring Tool indicated that ward file standards of care had been met by Barry University, not all sections of the Audit Sheets used to review and evaluate the ward files were completed. The sections of the Audit Sheets not completed included matters related to:
 - Ward case files and records.
 - The frequency of visits received by the ward and the assessment of the ward's physical appearance and living conditions.
 - Assessments for the ward to receive additional services and the need to continue existing services.
 - The maintenance and sale of the ward's property.

Additionally, not all Audit Sheets were signed by the responsible program monitor.

- Department contracts prohibited the PGOs from carrying a caseload of more than 40 wards per each professional staff member with fiduciary responsibilities except in temporary, extraordinary circumstances. We noted that, while the Monitoring Tool for the Barry University on-site monitoring engagement indicated that Barry University had a 1:30.75 professional guardian staff to ward ratio and had obtained Department approval to exceed the 1:40 ratio, monitoring source documentation indicated that the ratio may have been as high as 1:49.
- State law²⁵ requires a guardian to file a final report with the court if a ward is deceased. Our examination of files for three deceased wards disclosed that the Monitoring Tool for the Aging Solutions on-site monitoring engagement indicated that the final reports and accountings required to be filed with the court were not applicable. However, the Audit Sheet for one of the three deceased wards indicated that the required final reports and accountings had been filed with the court.
- OPPG records for the Barry University and Aging Solutions on-site monitoring engagements did not evidence that the completed Monitoring Tools and formal letters summarizing the monitoring results were timely provided to the PGOs. Specifically, although neither engagement noted deficiencies, the completed Monitoring Tools and formal letters summarizing the monitoring results were not provided to Barry University and Aging Solutions until 169 and 203 days, respectively, after the engagement exit conferences. Additionally, OPPG records indicated that the Aging Solutions monitoring report was signed by the supervisor 209 days after the monitoring visit occurred and the Barry University report was signed by the supervisor 403 days after the monitoring visit occurred and subsequent to our audit inquiry.

²⁵ Section 744.527(1), Florida Statutes.

- OPPG records did not evidence supervisory review of the LSF Guardianship Services, Inc. (Sarasota) desk audit report.

Requiring OPPG program monitors to complete conflict of interest statements documenting that they are independent of, and have no conflicts of interest related to, the PGOs they are responsible for monitoring would provide greater assurance that monitoring activities are conducted in an independent and impartial manner. Additionally, effective monitoring evaluates whether desired outcomes are being achieved and identifies performance problems as early as possible so that corrective action may be timely initiated. Absent a Monitoring Tool that ensures that all State guardianship rules are subject to adequate monitoring and supervisory review controls that ensure monitoring engagement results are timely reviewed, Monitoring Tool responses are supported by and consistent with source documentation, and monitoring reports are timely provided to PGOs, the OPPG cannot demonstrate that monitoring activities were appropriate and performed in accordance with management's expectations and the OPPG can provide only limited assurance that the PGOs performed in accordance with contract terms.

Recommendation: We recommend that OPPG management:

- **Require program monitors to document that they are independent of, and have no conflicts of interest related to, the PGOs they are responsible for monitoring.**
- **Enhance the Monitoring Tool to include all State guardianship rules and ensure verification that employees with fiduciary responsibilities are appropriately reported to and approved by the OPPG.**
- **Strengthen supervisory review controls to ensure that monitoring engagement results are timely reviewed, Monitoring Tool responses are supported by and consistent with source documentation, and monitoring reports are timely provided to the PGOs.**

Finding 3: Complaint Investigations

The OPPG established a Statewide toll-free hotline to receive complaints against professional guardians. In addition, complaints can be submitted to the OPPG by e-mail or through the Department's Web site. The OPPG utilized a Complaint Intake Log and the Professional Guardian Complaint Form (complaint form) to document complaints received against professional guardians. Upon receipt, the OPPG was to assign a complaint number and record information about the complaint in the Complaint Intake Log and on the complaint form, such as the date the complaint was received, the complainant's name and contact information, and a description of the complaint. Additionally, the OPPG was to maintain the investigation status of each complaint in the Complaint Intake Log.

The MOU and OPPG policies and procedures²⁶ required the OPPG to determine whether a complaint was legally sufficient²⁷ and appropriate for investigation within 3 business days of receiving the complaint. Such complaints were to be referred to the Administrative Coordinator (AC)²⁸ who was also responsible for reviewing the complaints for legal sufficiency and assigning legally sufficient guardianship complaints

²⁶ Memo of Understanding between the OPPG and the County Clerks, effective July 14, 2016, and *Statewide Investigation Alliance Policies and Procedures*, dated August 29, 2018.

²⁷ Section 744.2004(1)(a), Florida Statutes, specifies that a complaint is legally sufficient if it contains ultimate facts that show that a violation of a standard of practice by a professional guardian has occurred.

²⁸ During the audit period (July 2017 through January 2019), the AC was an employee of the Palm Beach County Clerk.

to the applicable Clerk for investigation. When referring complaints for investigation, the OPPG utilized the complaint form to provide a summary of the complaint details to the AC.

Pursuant to State law,²⁹ complaint investigations were to be initiated within 10 business days of the OPPG receiving a complaint and the initial investigative findings and recommendations, if any, were to be provided to the professional guardian and the complainant within 60 days of receiving the complaint. Accordingly, OPPG policies and procedures specified that the AC was to submit an Investigative Memorandum, with the initial investigative findings and recommendations, if any, to the OPPG within 60 days of receipt of the complaint. Once an investigation was complete, the AC was to issue within a reasonable time an Investigation Report to the OPPG which was responsible for reviewing the report, evaluating whether any additional information was necessary, and determining whether the report findings warranted disciplinary action. However, if an Investigative Memorandum was not submitted to the OPPG, an Investigation Report was to be submitted to the OPPG within 60 days of the OPPG receiving the complaint.

If disciplinary action was warranted, the OPPG could issue either a Letter of Concern that addressed the laws or rules violated and any recommended increased education or training, or an Administrative Complaint requiring additional education courses, additional monitoring by the OPPG, or suspension or revocation of a guardian's registration, as appropriate. The OPPG was also to notify the complainant of disciplinary actions taken. If no disciplinary action was warranted, the OPPG was to close the complaint and notify the guardian and the complainant of the result.

As part of our audit, we reviewed OPPG policies and procedures and examined OPPG records for 20 of the 32 complaints recorded as closed in the OPPG Complaint Intake Log during the period July 2017 through January 2019 to determine whether the OPPG had established adequate complaint processing controls. Our audit procedures disclosed that OPPG complaint processing controls need improvement to ensure that: complaints are referred and related investigation activities are conducted in accordance with the time frames established in State law, the MOU, OPPG policies and procedures, and OPPG management expectations; investigations include all applicable complaint allegations; and guardians and complainants are timely notified of whether disciplinary action was taken. Specifically:

Timeliness of Complaint Referrals and Related Investigation Activities

- The OPPG referred 12 of the complaints to the AC 4 to 116 business days (an average of 64 business days) after receiving the complaints. Additionally, the investigations for 11 of these complaints were not initiated within 10 business days of the OPPG receiving the complaint. The investigations for the 11 complaints were initiated from 19 to 110 business days after the OPPG received the complaint. As a result of these various delays, the Investigative Memoranda or Investigation Report, as applicable, for the 12 complaint investigations were not provided to the OPPG within 60 days of receipt of the complaint. Specifically, the Memoranda and one Investigation Report were provided to the OPPG 63 to 228 days (an average of 150 days) after the OPPG received the complaints. The investigations involved allegations against guardians such as:
 - Failing to provide proper medical care to a ward.
 - Submitting false reports to the probate court.

²⁹ Section 744.2004(1)(b) and (c), Florida Statutes.

- Mismanaging a ward's finances.
- Placing a ward in a nursing home against the ward's wishes.
- Neglecting a ward by allowing their oxygen tank to empty and leaving the ward sitting in urine and feces-soaked diapers.
- Isolating a ward from family members.
- Allowing the guardian's spouse to sell the ward's personal belongings for personal gain.
- Performing an intentional act that could be expected to result in physical or psychological injury to an elderly person.

In response to our audit inquiry, OPPG management indicated that the 3, 10, and 60-day requirements were not met because previous OPPG management determined the timing of complaint referrals, investigation initiations, and issuance of Investigative Memoranda, and the process for the submission and retention of documents between the OPPG and the AC was still being determined.

Completeness of Complaint Investigations

- The investigation for a complaint alleging, among other things, that a guardian held a ward against their will, did not follow up on this allegation as it was not referred by the OPPG. According to OPPG management, the determination of legal sufficiency and whether to include the allegation in an investigation was made by prior management.
- For 2 complaints referred for investigation that alleged, among other things, that a guardian:
 - Refused to allow a ward to see the doctor and failed to provide medical treatment to the ward,
 - Kept money belonging to a ward,
 - Continued to act as guardian after resigning and retaliated against the ward's family after her resignation,

the OPPG issued a Letter of Concern noting that the complaints were unsubstantiated. However, while certain allegations included in the complaints were investigated, the allegations specified above were not investigated. According to OPPG management, previous OPPG management determined whether complaint allegations were included in an investigation and the complaints may not have been legally sufficient.

- While another complaint was referred to the AC for investigation and the OPPG issued a Letter of Concern noting that the complaint was unsubstantiated, no investigation of the complaint was actually conducted. In response to our audit inquiry, OPPG management indicated that decisions regarding this complaint were made by prior management. The complaint alleged that the guardian had not provided spending money to the ward and that the ward's trust balance was unusually low.
- Another complaint alleging that the guardian mishandled a ward's funds and violated the ward's living will was referred to the AC but was not investigated. According to OPPG management, previous OPPG management referred the complaint to the AC in error and subsequently requested that the complaint not be investigated. However, OPPG management was unable to provide documentation supporting that the complaint referral was made in error.
- During our testing of the 20 selected closed complaints, we noted 16 additional complaints received by the OPPG during the period April 2016 through August 2017 that were not referred to the AC for investigation until February 2019 nor were investigations of these complaints initiated. In response to our audit inquiry, OPPG management indicated that the complaints may not have been legally sufficient, were referred to the AC in error, and previous OPPG management requested that the complaints not be investigated. However, OPPG management

was unable to verify that the complaints were not legally sufficient and had no documentation evidencing the disposition of the complaints. The complaints included allegations such as a guardian not filing survivor benefits after a ward's spouse passed away, banning family from visiting a ward, and not informing family of a ward's death.

Complaint Notifications

- OPPG guidelines³⁰ required the OPPG to notify the guardian and complainant of disciplinary actions, if any, to be taken upon completion of an investigation. However, the OPPG had not established a time frame for notifying the guardian and complainant. Table 2 summarizes, by disciplinary action taken, the number of days the OPPG took to notify the guardian and complainant of the results of the investigations for the 18 closed complaints examined during our audit that resulted in an investigation. In response to our audit inquiry, OPPG management indicated that State law did not specify a time frame for notifying guardians and complainants of disciplinary actions. Additionally, OPPG management indicated that the timing for sending the notifications to guardians and complainants was determined by previous OPPG management. Notwithstanding these responses, establishing a time frame for timely notifying guardians and complainants of disciplinary actions would promote an effective guardian investigation and complaint resolution process.

Table 2
Days to Notify Guardians and Complainants of Investigation Results

Disciplinary Action	Investigations Completed	Number of Days to Notify Guardians	Average Number of Days to Notify Guardians	Number of Days to Notify Complainants	Average Number of Days to Notify Complainants
Letter of Concern	8 ^a	47 - 358	199	90 - 816	520
No Disciplinary Action	7 ^b	6 - 447	160	61 - 447	259
Total	<u>15</u>				

^a For 3 additional investigations, a Letter of Concern was sent to the guardian 212 days before the investigation was completed. According to OPPG management, the Letters of Concern may have been dated incorrectly.

^b For 1 of the 7 investigations, the complainant letter was not dated, and OPPG management could not provide documentation evidencing the date the letter was sent to the complainant.

Source: OPPG records.

We also found that only 1 of the 32 complaints closed during the period July 2017 through January 2019 resulted in an administrative action against a guardian. In this instance, the guardian's registration was revoked in March 2019.

We also examined records for 50 selected complaints that remained open as of January 31, 2019, to determine whether the complaints were timely referred (within 3 business days) to the AC for investigation. Our examination disclosed that the OPPG referred 26 of the complaints to the AC for investigation 1 to 115 business days late (an average of 15 business days late). In response to our audit inquiry, OPPG management indicated that previous OPPG management determined the timing of complaints referred for investigation. We also noted an additional 4 complaints that the OPPG did not refer to the AC for investigation. According to OPPG management, the 4 complaints were not referred for investigation because they were either not legally sufficient or were incomplete. However, the OPPG

³⁰ OPPG *Investigative Flow Chart*.

could not provide documentation evidencing the basis for the legal insufficiency decisions or to support that the complaints were incomplete.

During our examination of the records for the 20 selected closed complaints and the 50 selected complaints open as of January 31, 2019, we also noted discrepancies between OPPG and AC complaint investigation records and various complaint recordkeeping errors. For example:

- 6 complaints remained open in the Complaint Intake Log, although 11 to 145 business days (an average of 87 business days) had lapsed since the AC had closed the related investigations. In response to our audit inquiry, OPPG management indicated that staffing shortages caused a backlog in updating the status of complaints in the Complaint Intake Log.
- Additionally, due to data entry errors, 5 complaints related to 4 investigations were not included in the Complaint Intake Log but were included in the AC records.
- For 5 complaints, the Complaint Intake Log indicated that the complaints were received on a different date than that recorded on the complaint forms. According to OPPG management, a data entry error was made when recording the date for one complaint in the Complaint Intake Log. For the other 4 complaints, OPPG management indicated that previous management determined how the information was to be entered into the Complaint Intake Log and on the complaint forms and may have used the date the complaint form was completed as the complaint form date rather than the date the complaint was actually received.
- An Investigation Report referenced a complaint number that was not part of the investigation due to a clerical error.

Adequate complaint processing controls would provide greater assurance that complaints are referred and related investigations are conducted in accordance with State law, the MOU, OPPG policies and procedures, and OPPG management expectations; complaint records are complete and accurate; investigations include all applicable complaint allegations; and guardians and complainants are timely notified of whether disciplinary actions are taken.

Recommendation: We recommend that OPPG management enhance complaint processing controls to ensure that complaints are timely referred for investigation, appropriately documented, and complaint information is accurately recorded. Such control enhancements should also promote the inclusion of all applicable complaint allegations in investigations and the timely notification to guardians and complainants of disciplinary actions.

Finding 4: OPPG Rules

Pursuant to State law,³¹ the Department was to adopt rules implementing provisions for OPPG complaint, disciplinary proceeding, and enforcement processes. However, we noted that the Department had not adopted rules for:

- Investigating complaints against guardians,
- Communicating the disciplinary process to guardians and complainants, or
- Reporting determined or suspected abuse, neglect, or exploitation of a vulnerable adult to the central abuse hotline established by the Department of Children and Families.

³¹ Section 744.2004(6), Florida Statutes.

In response to our audit inquiry, OPPG management could not explain why Department rules only partially implemented the provisions of State law, since the decision to adopt such rules was made by previous management. Additionally, OPPG management indicated that administrative guidance was provided to OPPG personnel through internal processes and procedures while guardians, complainants, and other parties were guided by the rules.

Absent adoption of the required rules, OPPG management and staff, guardians, complainants, and other agencies and individuals may have insufficient direction regarding OPPG complaint, disciplinary proceeding, and enforcement processes. The absence of these rules may have also contributed to certain complaint processing issues noted on audit.

Recommendation: To ensure that OPPG management, staff, and other parties are provided authoritative Department direction, we recommend that Department management adopt rules governing complaint, disciplinary proceeding, and enforcement processes.

Finding 5: Payments to County Clerks of the Court

Pursuant to the MOUs between the Department and the Clerks, the Clerks were responsible for investigating guardianship complaints referred by the OPPG and the Department was required to reimburse the Clerks for the direct costs of investigations, such as personnel and travel costs. The MOUs provided for reimbursements to be made based on staff hours spent on investigations and salary rates specified by position title. The Clerks were to invoice the OPPG monthly for actual labor and investigative costs and, at a minimum, the invoice was to include: (1) the actual time spent investigating the complaint, by investigation case number and investigator; and (2) the salary and benefits hourly rate of the corresponding investigator and supporting documentation from the accounting or payroll system.

We examined records related to ten payments, totaling \$92,259, made by the OPPG to the Clerks during the period July 2017 through January 2019 to determine whether the payments were accurate and properly supported. Our examination disclosed that the ten payments included hourly salary rates that did not agree with the MOU approved rates or were not included in the MOU, and invoiced amounts were not always supported by appropriate documentation such as the Clerks' accounting or payroll records. For example, our review of the investigative hourly rates included in three selected monthly invoices disclosed that 17 of the 18 rates did not agree with the MOU approved rates or were for administrative services not included in the MOU. The amounts billed for these months totaled \$717.40, while the amount to be billed based on the MOU totaled \$692.58, a difference of \$24.82 (4 percent). Our examination also disclosed that the invoices submitted to the OPPG for reimbursement classified salary rates by employee rather than position title, which may have contributed to the issues noted on audit.

In response to our audit inquiry, OPPG management indicated that the Clerks' approved hourly salary rates had changed and that the OPPG documented the changes through the invoices rather than by revising the MOUs. Notwithstanding, absent documentation that payments to the Clerks for the direct costs of investigations are made in accordance with MOU agreed-upon salary rates and are adequately supported, the OPPG cannot demonstrate the propriety of such payments.

Recommendation: We recommend that, prior to reimbursing Clerks for the direct costs of complaint investigations, OPPG management ensure that invoiced amounts are adequately supported and agree with the salary rates established by the MOUs.

Finding 6: Annual Renewal Registration

The OPPG registers professional guardians on an annual basis and, pursuant to Department rules,³² professional guardians are to submit a completed *Professional Guardian Registration Form* (Form) to the OPPG at least 30 days prior to the expiration date of their current registration to ensure that a lapse in registration does not occur. The OPPG maintains a public Web site that includes a current listing of all registered professional guardians and identifies guardians without a valid registration. Guardians are assigned and overseen by the court and, consequently, it is important that the court is timely notified of any changes to a guardian's registration status.

As part of our audit, we evaluated the adequacy of OPPG professional guardian registration processes and examined OPPG records for 25 of the 735 annual renewal registrations made during the period July 2017 through January 2019. Our audit procedures disclosed that:

- The OPPG did not send registration expiration reminder notices to guardians until 30 days prior to the expiration of the guardian's registration. Our examination of OPPG records disclosed that the Forms for 21 of the 25 annual renewal registrations were received 4 to 576 days (an average of 62 days) after the Forms were due to the OPPG. As a result, 15 of the 21 registrations lapsed for periods ranging from 2 to 611 days (an average of 66 days).
- The OPPG notified court personnel only after a guardian's registration had lapsed for more than 90 days.
- The OPPG had not established renewal registration policies and procedures, which may have contributed to the issues noted on audit.

Absent established policies and procedures to promote the timely submission of annual renewal registrations and the timely notification of lapses in guardian registration to the courts responsible for appointing guardians, OPPG management cannot ensure that wards receive services only from registered guardians and in accordance with the intent of the State's guardian program.

Recommendation: We recommend that OPPG management establish renewal registration policies and procedures, including procedures for providing expiration notices to professional guardians prior to the date the registration is due to the OPPG. We also recommend that OPPG management establish policies and procedures to ensure that lapses in guardian registrations are timely communicated to court personnel responsible for appointing guardians.

SELECTED ADMINISTRATIVE ACTIVITIES

As part of our audit, we evaluated selected Department administrative activities and controls, including those related to the assignment and use of mobile devices³³ and Florida Accounting Information Resource Subsystem (FLAIR) access privileges.

³² Department Rule 58M-2.001(11), Florida Administrative Code.

³³ Mobile devices are portable devices, such as laptop computers, smartphones, and tablets, that allow storage and transmittal of entity data.

Finding 7: Mobile Device Security Controls

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit procedures disclosed that certain security controls related to mobile device utilization need improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising Department data and IT resources. However, we have notified appropriate Department management of the specific issues.

Without appropriate security controls related to the use of mobile devices by Department employees, the risk is increased that the confidentiality, integrity, and availability of Department data and IT resources may be compromised.

Recommendation: We recommend that Department management enhance certain security controls related to employee use of mobile devices to ensure the confidentiality, integrity, and availability of Department data and related IT resources.

Finding 8: FLAIR Access Controls

Agency for State Technology (AST)³⁴ rules³⁵ required State agencies to review access privileges periodically based on system categorization or assessed risk, ensure that users are granted access to agency IT resources based on the principles of least privilege and a need to know determination, and ensure that IT access privileges are removed when access to an IT resource is no longer required. Effective access controls also include measures that restrict user access privileges to data and IT resources to only those functions that promote an appropriate separation of duties and are necessary for the user's assigned job duties.

The Department utilizes FLAIR to authorize the payment of Department obligations and to record and report financial transactions. Controls over employee access to FLAIR are necessary to help prevent and detect any improper or unauthorized use of FLAIR access.

In our report No. 2015-109 (finding No. 12), we noted that Department controls over employee access to FLAIR needed improvement. As part of our follow-up audit procedures, we evaluated user access privilege controls for FLAIR and examined FLAIR access records for 49 FLAIR user accounts (assigned to 44 Department employees) that were active at some point during the period July 2017 through January 2019. Our audit procedures disclosed that:

- The Department had not established policies and procedures for periodically reviewing FLAIR user access privileges. Consequently, the Department only performed one review of the appropriateness of FLAIR user access privileges during the period July 2017 through January 2019 (in June 2018). According to Department management, in lieu of periodic reviews to ensure that FLAIR user access privileges were authorized and remained appropriate, the

³⁴ Effective July 1, 2019, Chapter 2019-118, Laws of Florida, created the Division of State Technology (DST) within the Department of Management Services (DMS) and transferred the existing powers, duties, functions, personnel, records, property, and funds of the AST to the Division of State Technology. Effective July 1, 2020, the DST was abolished, and the Florida Digital Service was established in its place.

³⁵ AST Rule 74-2.003(1)(a) and (1)(d)3., Florida Administrative Code. Effective July 1, 2019, AST Rules, Chapter 74-2, Florida Administrative Code, were transferred to DMS Rules, Chapter 60GG-2, Florida Administrative Code. AST Rules, Chapter 74-2, Florida Administrative Code, were in effect during our audit period (July 2017 through January 2019).

Department relied on weekly reviews of personnel action requests to: provide access for new employees; change access, as needed, for employee promotions, reassignments, and transfers; and to remove access upon a user's separation from Department employment. Notwithstanding, these reviews did not adequately ensure the ongoing appropriateness of active users' FLAIR access privileges as employee job duties may change outside of a formal personnel action.

- Employees performing financial management functions had been granted update capabilities to incompatible functions in FLAIR. Specifically, we noted that:
 - 2 user accounts had update capabilities to both the disbursement and cash receipts functions.
 - 1 user account had update capabilities to both the disbursement and vendor update functions.
 - 3 user accounts had update capabilities to both the fixed assets accounting and fixed assets custodial functions.
- FLAIR user access privileges were not always timely removed upon a user's separation from Department employment. Specifically, our examination of FLAIR access records for the ten FLAIR user accounts associated with ten employees who separated from Department employment during the period July 2017 through January 2019 disclosed that 6 of the FLAIR user accounts remained active 2 to 34 business days (an average of 20 business days) after the employees' separation dates.

Although we requested, Department management was unable to provide explanations for the issues noted on audit. Periodic reviews of FLAIR user access privileges would provide Department management assurance that user access privileges are authorized and remain appropriate. Additionally, the effective separation of incompatible financial management duties and prompt removal of FLAIR user access privileges upon an employee's separation from Department employment reduces the risk of unauthorized disclosure, modification, or destruction of Department data.

Recommendation: We recommend that Department management establish policies and procedures for conducting periodic reviews of the appropriateness of FLAIR user access privileges. Also, we again recommend that Department management limit user access privileges to FLAIR to promote an appropriate separation of duties and require that, where incompatible access privileges are necessary, compensating controls are established and documented. Department management should also ensure that FLAIR access privileges are removed immediately upon a user's separation from Department employment.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the Department had taken corrective actions for the applicable findings included in our report No. 2015-109.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational 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.

We conducted this operational audit from February 2019 through June 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit

to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit of the Department of Elder Affairs (Department) focused on the Office of Public and Professional Guardians (OPPG). The overall objectives of the audit were:

- To evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and other guidelines.
- To examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit also included steps to determine whether management had corrected, or was in the process of correcting, all applicable deficiencies noted in our report No. 2015-109 (finding Nos. 1 through 8 and 11 through 13).

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable governing laws, rules, or contracts, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature, does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, rules, Department policies and procedures, and other guidelines, and interviewed Department personnel to obtain an understanding of OPPG operations.
- From the population of 112 initial professional guardian registrations issued during the period July 2017 through January 2019, examined 11 selected initial registration applications to determine whether professional guardians met the registration criteria established in Department Rules, Chapter 58M-2, Florida Administrative Code.
- From the population of 735 annual professional guardian renewal registrations processed during the period July 2017 through January 2019, examined 25 selected annual renewal registration applications to determine whether professional guardians met the registration criteria established in Department Rules, Chapter 58M-2, Florida Administrative Code.
- Examined OPPG records for 3 of the 12 public guardian office monitoring engagements conducted by the OPPG during the period July 2017 through January 2019 to determine whether the OPPG adequately monitored the public guardian offices in accordance with contract requirements, OPPG requirements, and other guidelines.
- From the population of 209 complaints (177 open complaints and 32 closed complaints) recorded in the Complaint Intake Log during the period July 2017 through January 2019, examined 14 selected complaints (10 open and 4 closed) to determine whether complaint information was timely and accurately recorded in the OPPG's Complaint Intake Log.
- From the population of 56 payments, totaling \$259,998, made by the OPPG to County Clerks of the Court during the period July 2017 through January 2019, examined records for 10 selected payments, totaling \$92,259, to determine whether OPPG payments to the Clerks for the direct costs of complaint investigations were accurate and properly supported.
- From the population of 32 closed complaints and 177 open complaints recorded in the Complaint Intake Log during the period July 2017 through January 2019, examined 20 selected closed complaints and 50 selected open complaints to determine whether OPPG complaint processing controls were adequate to ensure that complaints are referred and related investigation activities are conducted in accordance with the time frames established in State law, OPPG policies and procedures and other guidelines, and OPPG management expectations; investigations include all applicable complaint allegations; and guardians and complainants are timely notified of whether disciplinary action was taken.
- Examined Department administrative rules to determine whether the rules implemented provisions for OPPG complaint, disciplinary proceeding, and enforcement processes in accordance with State law.
- Examined Department records for the one Administrative Complaint and 16 Letters of Concern issued during the period July 2017 through January 2019 to determine whether OPPG took appropriate disciplinary actions against guardians in accordance with OPPG Disciplinary Guidelines.
- Evaluated Department actions to correct finding Nos. 1 through 8 and 11 through 13 noted in our report No. 2015-109. Specifically, we:
 - Reviewed applicable laws, rules, Department policies and procedures, and other guidelines, and interviewed Department personnel to obtain an understanding of State Long-Term Care Ombudsman Program (SLTCOP) operations.
 - Performed inquiries, observations, inspections of selected documents and records, and analyzed Long-Term Care Ombudsman Program (LTCOP) system data for the 3,620 complaints received during the period July 2017 through January 2019 to determine whether complaints were timely responded to, investigated, and resolved.

- From the population of 22 SLTCOP employees and 126 volunteer ombudsmen who were hired and began investigating complaints during the period July 2017 through January 2019, examined Department records for 3 selected SLTCOP employees and 13 selected volunteer ombudsmen to determine whether the employees and volunteer ombudsmen had completed required training and received appropriate background screenings prior to conducting investigations.
- From the population of 59 SLTCOP employees and 356 volunteer ombudsmen who investigated complaints during the period July 2017 through January 2019, examined Department records for 4 selected SLTCOP employees and 15 selected volunteer ombudsmen to determine whether the employees and volunteer ombudsmen had completed 10 hours of continuing education annually.
- From the population of 356 volunteer ombudsmen who investigated complaints during the period July 2017 through January 2019, examined Department records for 25 selected volunteer ombudsmen to determine whether volunteer ombudsmen had received appropriate background screenings every 5 years.
- From the population of 1,932 SLTCOP complaints closed during the period July 2017 through January 2019, examined Department records for 40 selected complaints to determine whether complaints were timely responded to, investigated, and resolved, and related investigation files were adequately documented.
- Reviewed the SLTCOP Annual Report for the 2017-18 Federal fiscal year to determine whether the report included all information specified by Federal and State requirements, and whether the reported information was accurate and properly supported by SLTCOP records.
- Selected and examined two of the six SLTCOP Quarterly Reports completed during the period July 2017 through January 2019 to determine whether the reports were timely prepared and the reported information was properly supported by SLTCOP complaint data.
- From the population of 4,396 travel expenditure transactions, totaling \$258,957, made during the period July 2017 through January 2019, examined records for 25 selected travel expenditure transactions, totaling \$21,532, to determine whether the expenditures were appropriately documented, made for authorized purposes, and complied with State laws, rules, and other guidelines.
- Reviewed Department procedures to determine whether password settings were appropriate.
- Inquired of Department personnel to determine whether periodic monitoring of FLAIR user access privileges was conducted and documented.
- Analyzed Department records for all Department employees with FLAIR user accounts active during the period July 2017 through January 2019 to determine whether any employees were granted update capabilities to incompatible FLAIR functions.
- Examined Department records for the ten Department employees with FLAIR update capabilities who separated from Department employment during the period July 2017 through January 2019 to determine whether FLAIR user access privileges were timely removed upon employment separation.
- Reviewed Department policies and procedures and examined selected Department forms to determine whether the Department complied with applicable statutory requirements for collecting and utilizing individuals' social security numbers.
- Observed, documented, and evaluated the effectiveness of selected Department processes and procedures for the assignment and use of mobile devices with related costs totaling \$165,454 during the 2017-18 fiscal year.

- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

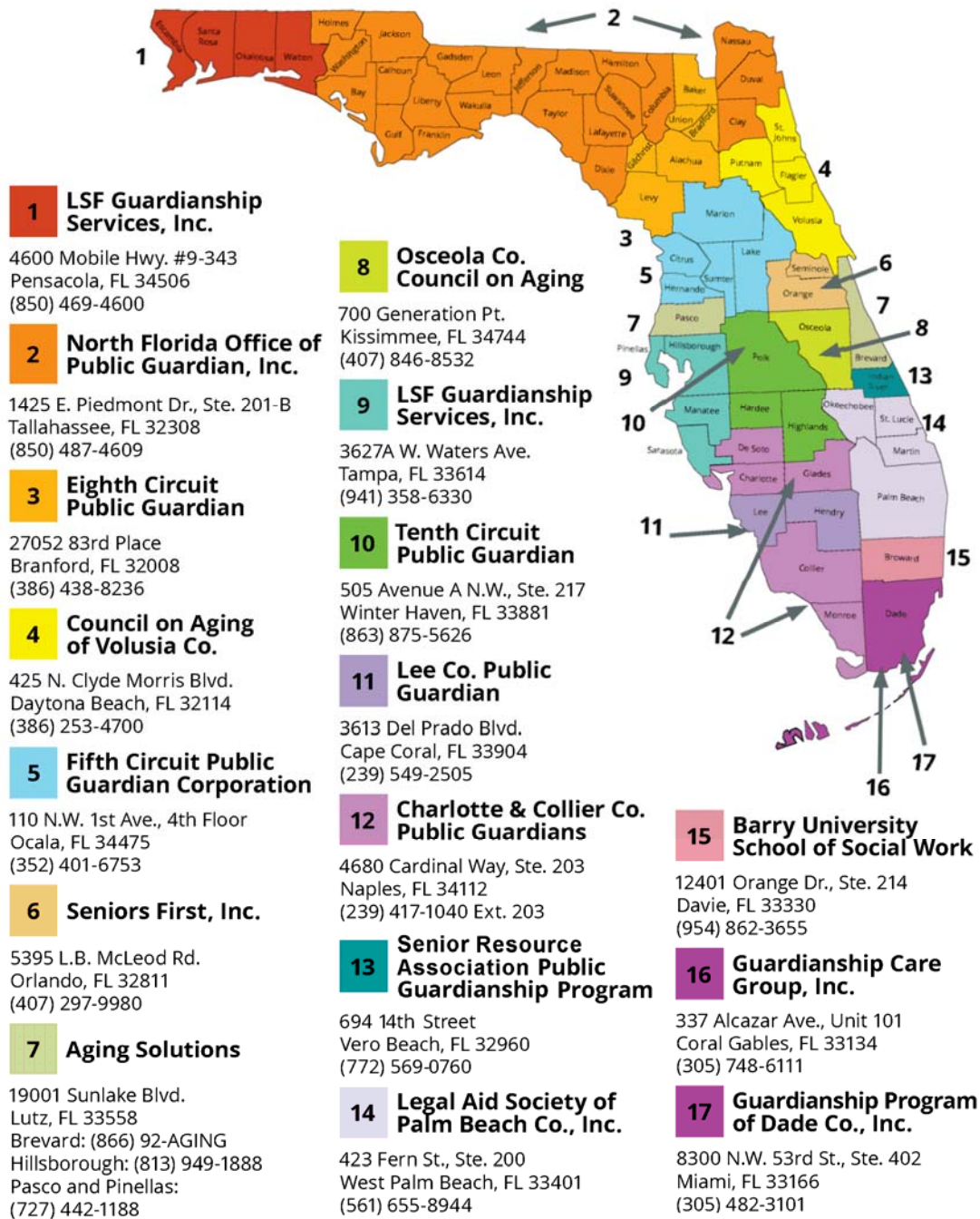
Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large initial "S".

Sherrill F. Norman, CPA
Auditor General

EXHIBIT A

PUBLIC GUARDIAN OFFICES AS OF NOVEMBER 21, 2019



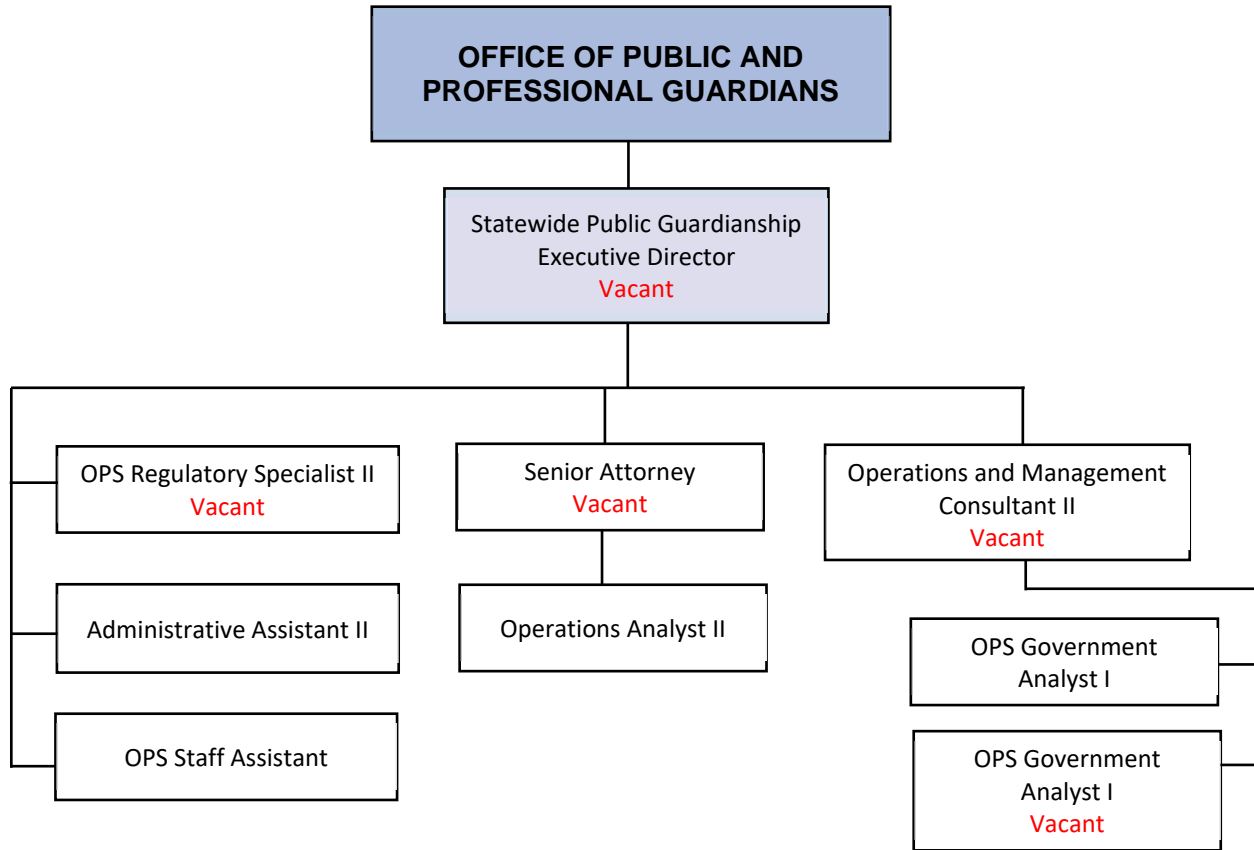
County coloring represents area served by the corresponding office location.

Source: OPPG and Department records.

EXHIBIT B

OFFICE OF PUBLIC AND PROFESSIONAL GUARDIANS ORGANIZATIONAL CHART

AS OF AUGUST 6, 2019



Source: Department records.

MANAGEMENT'S RESPONSE

Department of
ELDER AFFAIRS
STATE OF FLORIDA



Ron DeSantis
Governor

Richard Prudom
Secretary

August 20, 2020

Sherrill F. Norman, Auditor General
Office of the Auditor General
Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

Pursuant to Section 11.45(4)(d), Florida Statutes, this is our response to your report, *Department of Elder Affairs, Office of Public and Professional Guardians and Selected Administrative Activities*. Our response to the Department's recommendations corresponds with the order of your findings and recommendations.

If further information is needed concerning our response, please contact Taroub J. Faraj, Inspector General, or Kimberly Jones, Audit Director, at 414-2000.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Prudom', written in a cursive style.

Richard Prudom
Secretary

RP/TJF/kj

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Department of Elder Affairs' Response to Auditor General Preliminary and Tentative Report,
*Department of Elder Affairs, Office of Public and Professional Guardians and Selected
Administrative Activities*

Finding 1: Contrary to State law, the OPPG did not establish policies and procedures for monitoring private professional guardians, develop or implement a monitoring tool, or monitor private professional guardians for compliance with OPPG standards of practice governing the conduct of professional guardians.

Recommendation: To ensure that wards receive appropriate care and treatment, are safe, and their assets are protected, OPPG management establish monitoring policies and procedures, develop and implement a monitoring tool, and conduct monitoring of private professional guardians for compliance with OPPG standards of practice.

Agency response: Recommendation Accepted. OPPG management is currently in the research and planning phases of implementing monitoring policies and procedures for the private professional guardian segment in addition to implementing a monitoring tool that would include forms and a database system to house data in parallel to the public guardian monitoring. A proposal and specifications are being developed with a vendor to produce a system database for the Department to have an efficient way to monitor and have oversight of the private professional guardians. Within the FY 2020-2021 budget, an allocation of \$500,000 as non-recurring funds has been set aside to research and implement the monitoring tool for private professional guardians for compliance with OPPG standards of practice.

Finding 2: OPPG efforts to monitor Public Guardian Offices (PGOs) were not always adequate to ensure that: OPPG records evidenced that program monitors were free from conflicts of interest, all State guardianship rules were subject to adequate monitoring, Monitoring Tool responses were supported by and consistent with source documentation, and monitoring reports were appropriately reviewed and timely provided to PGOs.

Recommendation: OPPG management:

- Require program monitors to document that they are independent of, and have no conflicts of interest related to, the PGOs they are responsible for monitoring.
- Enhance the Monitoring Tool to include all State guardianship rules and ensure verification that employees with fiduciary responsibilities are appropriately reported to and approved by the OPPG.
- Strengthen supervisory review controls to ensure that monitoring engagement results are timely reviewed, Monitoring Tool responses are supported by and consistent with source documentation, and monitoring reports are timely provided to the PGOs.

Agency response: Recommendation Accepted. Effective April 2020, the OPPG Executive Director developed an exhaustive office staff policy and procedure manual for the public guardian monitor job function. There has also been a review of current monitoring forms and tools used for monitoring of the PGOs. These forms have been updated to align with requirements

Department of Elder Affairs' Response to Auditor General Preliminary and Tentative Report,
*Department of Elder Affairs, Office of Public and Professional Guardians and Selected
Administrative Activities*

detailed in the contract with the Department, the PGOs, and the appropriate Florida statutes. The monitoring staff and the Executive Director currently have completed "Department of Elder Affairs Conflict of Interest Questionnaire" forms for each PGO.

Effective August 2020, the OPPG is conducting a trial run of a newly developed "virtual monitoring" model in light of travel and visitation bans due to COVID-19. This "virtual monitoring" model will allow the OPPG to ensure that PGOs remain in compliance with the Department's contractual agreement, this includes PGOs registration of fiduciary employees. In the virtual monitoring model, the OPPG will continue to use the monitoring tool that is currently in place for the PGOs without having to physically travel to locations across the state. Adjustments are being made to ensure large documents can be shared in accordance with Department and State practices and security. This monitoring will allow for compliance with all State guardianship rules and ensuring verification that employees with fiduciary responsibilities are appropriately reported to and approved by the OPPG.

The Executive Director is engaged in the overall monitoring process and the implementation of process mapping and documents to ensure that monitoring results are timely reviewed, monitoring tool responses are supported by and consistent with source documentation, and monitoring reports are timely provided to the PGOs.

Finding 3: OPPG complaint processing controls need improvement to ensure that: complaints are referred and related investigation activities are conducted in accordance with State law, OPPG policies and procedures, other guidelines, and management expectations; investigations include all applicable complaint allegations; and guardians and complainants are timely notified of whether disciplinary actions are taken.

Recommendation: OPPG management enhance complaint processing controls to ensure that complaints are timely referred for investigation, appropriately documented, and complaint information is accurately recorded. Such control enhancements should also promote the inclusion of all applicable complaint allegations in investigations and the timely notification to guardians and complainants of disciplinary actions.

Agency response: Recommendation Accepted. Effective March 2020, the Executive Director developed an exhaustive office staff policy and procedure manual for the complaint intake job function to ensure complaints are documented, recorded, and tracked appropriately and accurately. The manual sets standards for methods to ensure complaint files are maintained for future auditing and investigation needs including preservation of communication with complainants, documents received from complainants, communication with guardians and discipline of guardians. In addition, the Executive Director has implemented the following complaint policies and procedures:

Department of Elder Affairs' Response to Auditor General Preliminary and Tentative Report,
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Administrative Activities*

- Documentation and tracking of all complaints and complaint related inquiries that come into the OPPG complaint toll-free hotline.
- Notification to guardian registration staff to appropriately document when guardian discipline is related to the guardian education requirement or renewal of registration.
- Internal monthly audit process by non-complaint intake personnel to ensure that the documentation and tracking above is done effectively.
- Process documentation and tracking for guardian discipline to ensure compliance.

Finding 4: Contrary to State law, the Department had not adopted rules for certain OPPG processes, including the process for investigating complaints.

Recommendation: To ensure that OPPG management, staff, and other parties are provided authoritative Department direction, Department management adopt rules governing complaint, disciplinary proceeding, and enforcement processes.

Agency response: Recommendation accepted. The OPPG will work with DOEA General Counsel office to develop OPPG rules. While the OPPG acknowledges there are legislative rules or processes defined in the Administrative Code Chapter 58M-2 governing complaints and investigations, the OPPG did communicate to the Auditor General that they do in fact have a MOU with the Statewide Clerks Alliance and internal processes and procedures that are detailed in the complaint intake staff manual that governs following:

- Investigating complaints against guardians;
- Communicating the disciplinary process to guardians and complainants; and
- Reporting determined or suspected abuse, neglect, or exploitation of a vulnerable adult to the central abuse hotline established by the Department of Children and Families.

Finding 5: OPPG controls need enhancement to ensure that, prior to reimbursing Clerks of the Court for the direct costs of guardianship complaint investigations, invoiced amounts are adequately supported and agree with established rates.

Recommendation: Prior to reimbursing Clerks for the direct costs of complaint investigations, OPPG management ensure that invoiced amounts are adequately supported and agree with the salary rates established by the MOUs.

Agency response: Recommendation Accepted. Effective March 2020, the Executive Director has implemented a two-person review of County Clerks of Court invoices for complaint investigation work prior to submission for payment. This process includes verification of dollar amounts, time spent on individual investigations, time study of time spent, and ensuring

compliance with MOUs.

Finding 6: OPPG controls did not adequately promote the timely submittal of annual professional guardian renewal registrations or ensure that the courts responsible for appointing guardians were timely notified of lapses in guardian registration.

Recommendation: OPPG management establish renewal registration policies and procedures, including procedures for providing expiration notices to professional guardians prior to the date the registration is due to the OPPG. Also, OPPG management establish policies and procedures to ensure that lapses in guardian registrations are timely communicated to court personnel responsible for appointing guardians.

Agency response: Recommendation Accepted. Effective March 2020, the Executive Director developed an exhaustive office staff policy and procedure manual for the guardian registrar job function. The manual provides guidance on handling notifications to professional guardians regarding renewals and handling untimely renewals of registrations. Specifically, regarding timely renewal and expiration notifications, the Executive Director has implemented the following registration policies and procedures:

- Professional guardians are notified via email communication 30-45 days prior to registration expiration with details of all necessary components needed for the guardian and fiduciary staff to be in compliance and assist with timely registration. The email will include, as an attachment, the appropriate registration forms and a Registration Infographic for visual learners.
- Professional guardians that may submit registration or renewal registration documents that are incomplete or missing necessary component are notified via email communication within 1-2 day of OPPG receiving documents. If OPPG does not receive required documents, staff will notify professional guardians via email communication or phone call every 8-10 days.
- Professional guardians are notified after 10 days of registration expiration if no attempt to renew registration is made.
 - In working with the General Counsel office, the OPPG has developed communication for professional guardians that fail to timely renew registration. This communication is a signed letter sent via mail or email to the professional guardian and in some circumstances, Chief Judges and Clerks of the Court will be notified of the untimely renewal.

Finding 7: Security controls over mobile device utilization need improvement to ensure the

Department of Elder Affairs' Response to Auditor General Preliminary and Tentative Report,
*Department of Elder Affairs, Office of Public and Professional Guardians and Selected
Administrative Activities*

confidentiality, integrity, and availability of Department data and information technology resources.

Recommendation: Department management enhance certain security controls related to employee use of mobile devices to ensure the confidentiality, integrity, and availability of Department data and related IT resources.

Agency response: The Bureau of Information Technology (BIT) acknowledges the preliminary and tentative audit finding, related to mobile device security controls. BIT will work in collaboration with Department leadership to review and align policies and procedures with the Department's mission, business needs, and the AG's recommendations. In consideration of alternate work accommodations due to the coronavirus pandemic, a tentative target date of December 31, 2020 will be set for finalization and approval of the policies and procedures. The remaining AG recommendations, related to mobile device security controls, will be evaluated collaboratively by Department leadership and BIT to determine where operational changes may be made to enhance certain security controls while still supporting the Department's mission and business needs. Implementation of operational changes that may be approved will likely be a protracted endeavor as additional funding may be required. Due to the potential of needing additional funds, implementation of approved changes may be delayed until Fiscal Year 2020-2021 or Fiscal Year 2021-2022 to account for state legislative and budgetary cycles.

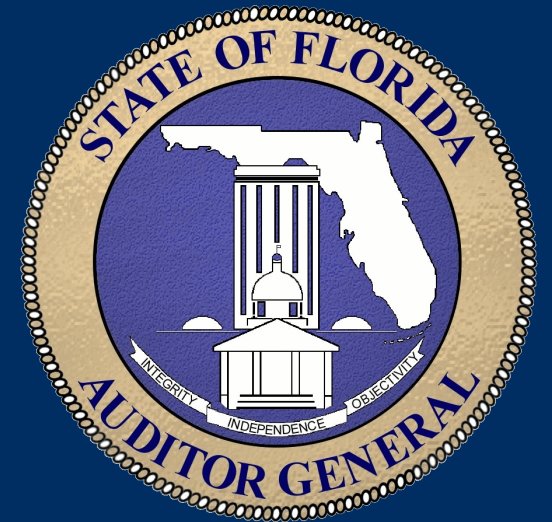
Finding 8: Department controls over employee access to the Florida Accounting Information Resource Subsystem continue to need improvement to reduce the risk of unauthorized disclosure, modification, or destruction of Department data.

Recommendation: Department management establish policies and procedures for conducting periodic reviews of the appropriateness of FLAIR user access privileges. Also, Department management limit user access privileges to FLAIR to promote an appropriate separation of duties and require that, where incompatible access privileges are necessary, compensating controls are established and documented. Department management should also ensure that FLAIR access privileges are removed immediately upon a user's separation from Department employment.

Agency response: The Division of Financial & Support Services acknowledges the preliminary and tentative audit finding related to FLAIR Access Controls. The Division has written procedures for FLAIR Access, dated 8/10/2020. Effective immediately, DOEA will utilize this procedure to ensure that access to FLAIR is reviewed periodically, provide documentation when an employee requires access to FLAIR as well as termination of access to FLAIR. In addition, as employees are reassigned duties within the Department, documentation will be maintained to support required updates to privileges.

FINANCIAL AUDIT REPORTS

LEGISLATIVE AUDITING COMMITTEE
JANUARY 28, 2021



OVERVIEW - FINANCIAL AUDIT REPORTS

- Who is responsible for the basic financial statements and schedules in the financial audit report?
- Have all statements and schedules in the report been independently verified and, if not, what portions have been verified and what is the assurance regarding that information?

OVERVIEW - FINANCIAL AUDIT REPORTS

- How can the financial health of the audited entity be determined?
- Are significant control deficiencies or material noncompliance reported that may cause misrepresentations in the reported financial information?
- What is a “management letter” and what must be in the letter?



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
Fax: (850) 488-6975

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 Lafayette County District School Board, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

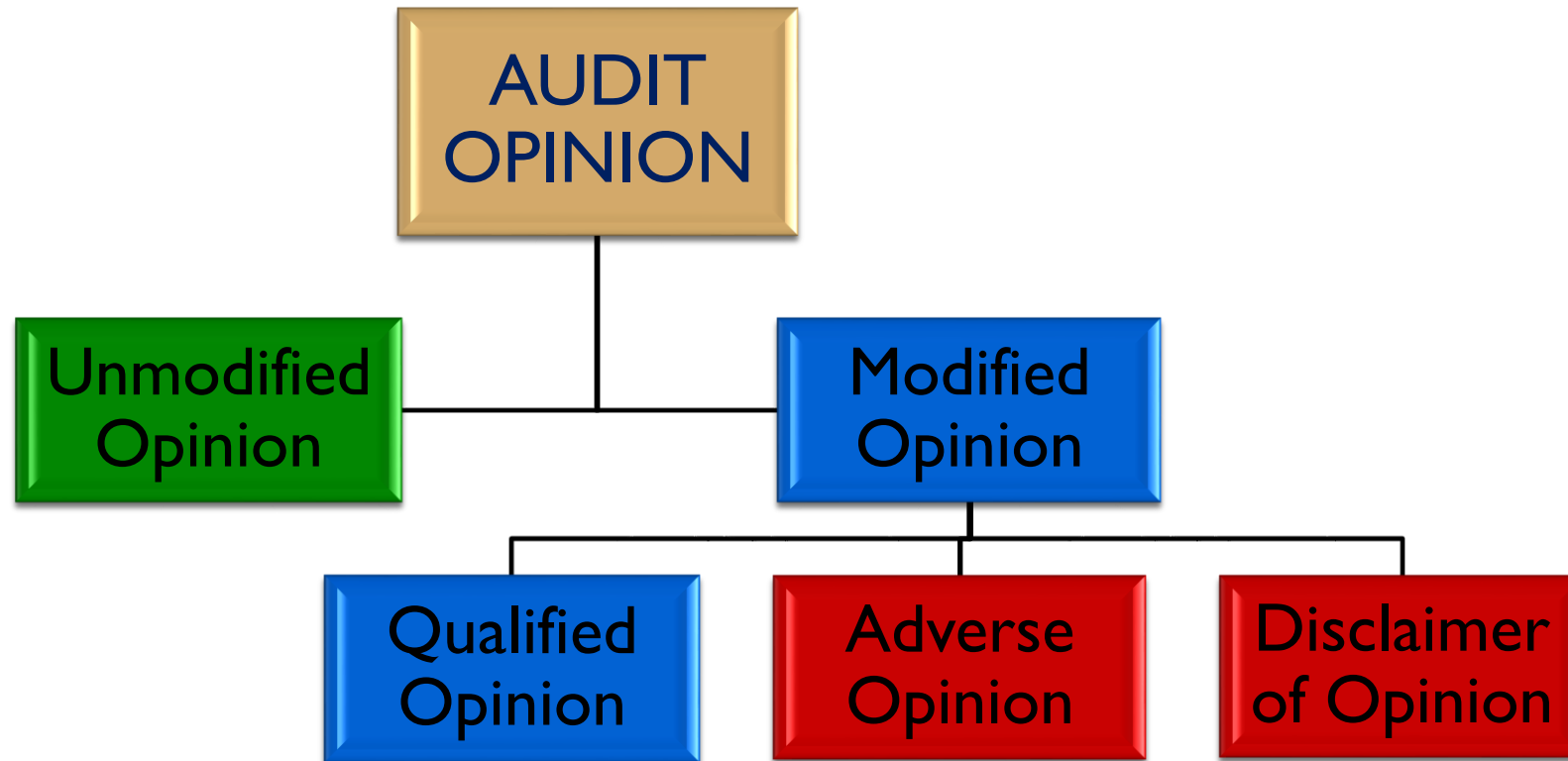
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statement of the school internal funds, which represents 29 percent and 100 percent, respectively, of the assets and liabilities of the aggregate remaining fund information. That statement was 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.

INDEPENDENT AUDITOR'S REPORT – RESPONSIBILITY

AUDIT OPINION



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 Lafayette County District School Board, as of June 30, 2020, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

INDEPENDENT AUDITOR'S REPORT – AUDIT OPINION

REQUIRED SUPPLEMENTARY INFORMATION (RSI)

To help evaluate the financial health of the reporting entity, a financial statement user can examine certain RSI, including:

- Management's Discussion and Analysis (MD&A) – Pages 4/9.
- Budgetary Comparison Schedules – Page 48.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Lafayette 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, 2020. 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 2019-20 fiscal year are as follows:

Page

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- As of June 30, 2020, the assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$3,681,233 on the statement of net position.

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- The District's change in net position was a decrease of \$915,688 during the 2019-20 fiscal year.

19

- At the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$2,660,863 an increase of \$37,017 in comparison with the prior fiscal year.

14 & 18

- At the end of the current fiscal year, the fund balance of the General Fund totaled \$1,857,122 which is \$105,925 more than the prior fiscal year balance. The General Fund total assigned and unassigned fund balance was \$922,481, or approximately 8.6 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,

MANAGEMENT'S DISCUSSION AND ANALYSIS – GENERAL FUND BALANCE

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2020, compared to net position as of June 30, 2019:

Net Position, End of Year

	Governmental Activities	
	6-30-20	6-30-19
Current and Other Assets	\$ 2,878,840.01	\$ 2,848,926.94
Capital Assets	10,812,178.26	10,730,808.66
Total Assets	13,691,018.27	13,579,735.60
Deferred Outflows of Resources	2,923,700.00	3,077,879.00
Long-Term Liabilities	11,561,467.33	10,719,568.92
Other Liabilities	217,976.97	225,081.28
Total Liabilities	11,779,444.30	10,944,650.20
Deferred Inflows of Resources	1,154,041.00	1,116,043.00
Net Position:		
Net Investment in Capital Assets	10,740,647.60	10,586,827.61
Restricted	1,727,099.20	1,796,113.34
Unrestricted (Deficit)	(8,786,513.83)	(7,786,019.55)
Total Net Position	\$ 3,681,232.97	\$ 4,596,921.40

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was primarily the result of accruing \$7,938,717 in net pension liability. [Page 44](#)

Page 6

Also, on page 44, the notes disclose long-term debt for:
 Compensated Absences \$ 846,819
 OPEB \$2,704,400

Report No. 2021-105
 January 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS – NET POSITION

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2020

	General Fund			Variance with Final Budget - Positive - (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Through State and Local	\$ 25,000.00	\$ 25,000.00	\$ 29,862.91	\$ 4,862.91
State	8,882,309.38	9,290,831.33	9,287,708.32	(3,123.01)
Local:				
Property Taxes	1,281,175.00	1,281,175.00	1,325,456.50	44,281.50
Charges for Services	-	-	19,126.25	19,126.25
Miscellaneous	58,000.00	108,222.48	103,689.77	(4,552.71)
Total Local Revenues	1,339,175.00	1,389,397.48	1,448,252.52	58,856.04
Total Revenues	10,246,484.38	10,705,228.81	10,765,823.75	60,594.94
Expenditures				
Current - Education:				
Instruction	6,372,544.56	6,478,486.46	5,827,470.13	651,016.33
Student Support Services	694,877.76	708,998.22	631,161.78	77,836.44
Instructional Media Services	118,798.04	116,379.02	85,507.02	30,872.00
Instruction and Curriculum Development Services	224,821.88	233,148.92	222,590.46	10,558.46
Instructional Staff Training Services	142,201.79	136,541.79	96,033.60	40,508.19
Instruction-Related Technology	461,947.05	498,138.22	374,386.24	123,751.98
Board	306,718.02	299,910.87	285,870.88	14,039.99
General Administration	246,517.38	256,029.00	253,244.00	2,785.00
School Administration	634,533.00	638,531.32	633,127.43	5,403.89
Facilities Acquisition and Construction	15,417.53	18,573.34	699.90	17,903.44
Fiscal Services	249,499.00	255,524.00	250,273.15	5,250.85
Central Services	8,546.29	12,126.29	8,479.18	3,647.11
Student Transportation Services	588,919.37	586,493.56	539,386.75	47,106.81
Operation of Plant	702,839.27	773,721.33	725,180.68	48,540.65
Maintenance of Plant	313,442.00	395,867.31	384,912.61	10,954.70
Administrative Technology Services	159,890.00	161,210.00	156,481.58	4,728.42
Fixed Capital Outlay:				
Facilities Acquisition and Construction	5,000.00	273,882.42	259,512.42	14,370.00
Other Capital Outlay	289,668.42	265,521.40	39,779.82	225,741.58
Total Expenditures	11,536,181.36	12,109,083.47	10,774,067.63	1,335,015.84
Excess (Deficiency) of Revenues Over Expenditures	(1,289,696.98)	(1,403,854.66)	(8,243.88)	1,395,610.78
Other Financing Sources (Uses)				
Transfers In	-	-	114,169.06	114,169.06
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	114,169.06	114,169.06
Net Change in Fund Balances	(1,289,696.98)	(1,403,854.66)	105,925.18	1,509,779.84
Fund Balances, Beginning	1,751,197.14	1,751,197.14	1,751,197.14	-
Fund Balances, Ending	\$ 461,500.16	\$ 347,342.48	\$ 1,857,122.32	\$ 1,509,779.84

BUDGETARY COMPARISON SCHEDULE

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE

This Report describes:

- Significant deficiencies and material weaknesses in government controls over financial reporting.
- Material noncompliance with provisions of laws, rules, regulations, contracts, and grant agreements that could have a direct and material effect on the determination of financial statement amounts.
- Additional matters.
- See example on pages 54 and 55.

MANAGEMENT LETTER

- State law defines the “Management Letter” as a statement of the auditor’s comments and recommendations.
- Auditor General rules require CPAs who perform financial audits of entities such as local governments, district school boards, and charter schools to include a management letter in their audit reports.

MANAGEMENT LETTER

Management Letters must include, for example:

- The status of prior audit findings.
- Immaterial noncompliance or abuse that occurred, or are likely to have occurred, that warrants the attention of those charged with governance.

MANAGEMENT LETTER

- A statement describing the results of the auditor's determination as to whether or not the entity met one or more of the statutory defined conditions that may lead to a financial emergency and identification of the specific condition(s) met.

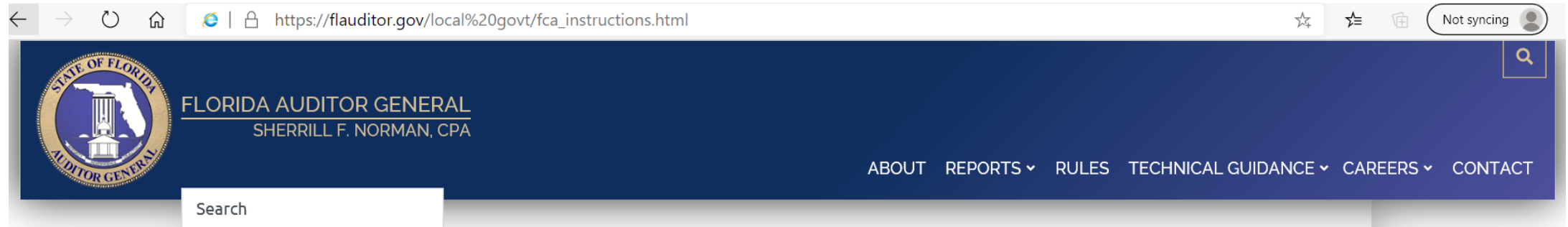
MANAGEMENT LETTER

- If the auditor reported that the entity met one or more of the conditions that may lead to a financial emergency, a statement whether such condition(s) resulted from a deteriorating financial condition(s). Findings regarding deteriorating financial conditions must be prepared in accordance with AG rules.


MANAGEMENT LETTER

- A statement that the auditor applied financial condition assessment procedures pursuant to AG rules.

FINANCIAL CONDITION ASSESSMENT



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 FLORIDA AUDITOR GENERAL
SHERRILL F. NORMAN, CPA

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FINANCIAL CONDITION ASSESSMENT INSTRUCTIONS

To assist auditors and local governments in making financial condition assessments, the Auditor General provides information such as financial data (indexed below), financial indicators, and benchmarks. Auditor General staff compile the information from audit reports and other sources. The Auditor General cannot certify the accuracy of the information provided since it originates from audit reports or other documents prepared by other organizations. Auditors and local government officials using the information will be responsible for reviewing the data for reasonableness; however, Auditor General staff will assist auditors and local government officials in determining why data may appear questionable. Example procedures for obtaining data for a particular entity and using the data to perform a preliminary financial condition assessment are provided below. Additional information may also be found in [Frequently Asked Questions](#).

FINANCIAL CONDITION ASSESSMENT

APPENDIX A

FINANCIAL INDICATORS

	<i>INDICATOR</i>	<i>APPLICABILITY</i>	<i>WARNING TREND</i>	<i>FORMULA **</i>
1	Change in Net Position / Beginning Net Position	Government Wide Statement of Activities (Governmental Activities)	The percent change in net position indicates how the government's position changed during the year (positive or negative) as a result of resource flow.	$1/2$
2	Unassigned and Assigned Fund Balance + Unrestricted Net Position (Constant \$)	Unassigned and Assigned Fund Balance & Unrestricted Net Position from all funds combined (except Special Revenue Fund)	Declining results may indicate that the local government could have difficulty maintaining a stable tax and revenue structure or adequate level of services. Deficits may indicate a financial emergency.	$(7+8+9+19)/38$
3	Unassigned and Assigned Fund Balance / Total Expenditures	General fund and Governmental funds separately	Percentages decreasing over time may indicate unstructured budgets that could lead to future budgetary problems for the local government even if the current fund balance is positive.	$7/14$ & $(7+8+9)/15$
4	Current Cash & Investments / Current Liabilities	General fund, Governmental Funds, and Proprietary funds separately	Percentages decreasing over time may indicate that the local government has overextended itself in the long run or may be having difficulty raising the cash needed to meet its current needs.	$3/5$ & $4/6$ & $17/18$
5	Current Cash & Investments/ Total Expenditures or Total Operating Expenses divided by 12	Governmental funds and Proprietary funds separately	Percentages decreasing over time may indicate that the local government has overextended itself in the long run or may be having difficulty raising the cash needed to meet its current needs.	$4/(15/12)$ & $17/(22/12)$

MANAGEMENT LETTER

- For district school boards, the management letter must contain a statement describing whether or not the district prominently posted on its Web site a plain language version of each proposed, tentative, and official budget and includes the required graphical representations and link to the Florida Department of Education Web-based fiscal transparency tool.



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

The Honorable Mayor and
Members of the City Commission
City of Tallahassee, Florida

Report on the Financial Statements

We have audited the basic financial statements of the City of Tallahassee, Florida (the City) as of and for the year ended September 30, 2019, and have issued our report thereon dated April 8, 2020.

Auditor's Responsibility

We conducted our audit 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 the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, *Rules of the Auditor General*; and the *Passenger Facility Charge Audit Guide for Public Agencies*.

Other Reporting Requirements

We have issued our Independent Auditors 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*; Independent Auditors Report on Compliance for Each Major Federal Program, Major State Project, and the Passenger Facility Charge Program and on Internal Control over Compliance and Report on Schedule of Expenditures of Federal Awards and State Financial Assistance and Schedule of Passenger Facility Charges Required by the Uniform Guidance, Chapter 10.550, *Rules of the Auditor General*, and *Passenger Facility Charge Audit Guide for Public Agencies*; Schedule of Findings and Questioned Costs and Independent Accountants Report on an examination conducted in accordance with *AICPA Professional Standards*, AT.C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated April 8, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with the preceding audit, the current year status of prior audit findings is as follows:

2018-001 Capital Assets Accounting

Current Year Status: Repeated in the current year as Finding 2019.002, Capital Asset Reconciliation in the Schedule of Findings and Questioned Costs.

EXAMPLE MANAGEMENT LETTER

The Honorable Mayor and
Members of the City Commission
City of Tallahassee, Florida

2018-002 Communication and Financial Services Department

Current Year Status: We consider this finding partially resolved, see current year finding 2019-004 for aspects of this finding that are still applicable.

2018-003 Financial Reporting Division

Current Year Status: Fully resolved.

2018-004 Bank Reconciliations

Current Year Status: Fully resolved.

2018-005 P-card Program

Current Year Status: No instances of non-compliance noted in our testing, we consider this comment fully resolved.

2018-006 Subrecipient Monitoring

Current Year Status: Fully resolved.

2018-007 Procurement of Contracts with Davis-Bacon Provisions

Current Year Status: Fully resolved.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority is disclosed in the notes to the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that **the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.**

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, **we applied financial condition assessment procedures for the City.** It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based, in part, on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, **we have the following recommendations:**

2019-003 – Utility Accounts Receivable Aging Reports

Criteria:

Utility accounts receivable aging reports are an important tool to determine if the City's customer accounts receivable is properly valued. It can also be used to assist the City with determining if there are any issues with collections.

Condition:

During our testing of utility accounts receivable, it was noted that the City was not able to produce a detailed utility accounts receivable aging by customer.

EXAMPLE MANAGEMENT LETTER

The Honorable Mayor and
Members of the City Commission
City of Tallahassee, Florida

Views of responsible officials and plan corrective action:

Financial Services will work with other City departments to develop a process which will ensure that Financial Services is part of the finalization process of all agreements that will have a financial statement impact.

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor, City Council, and applicable management and is not intended to be, and should not be, used by anyone other than these specified parties.

MSL, P.A.

Certified Public Accountants

Tallahassee, Florida
April 8, 2020

EXAMPLE MANAGEMENT LETTER

CONTACT INFORMATION



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FLAuditor.gov

Example of a Financial Audit Report

To be referenced during the Auditor General's presentation

Report No. 2021-105
January 2021

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

**LAFAYETTE COUNTY
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended
June 30, 2020

Report notated for presentation purposes only.



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2019-20 fiscal year, Robert (Robby) Edwards served as Superintendent of the Lafayette County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Darren Driver	1
Jeff Walker	2
Marion McCray, Vice Chair	3
Amanda Hickman, Chair	4
Taylor McGrew	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 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 or by telephone at (850) 412-2887.

This report and other reports prepared by the Auditor General are available at:

FLAuditor.gov

Printed copies of our reports may be requested by contacting us at:

State of Florida Auditor General

Claude Pepper Building, Suite G74 · 111 West Madison Street · Tallahassee, FL 32399-1450 · (850) 412-2722

**LAFAYETTE COUNTY DISTRICT SCHOOL BOARD
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(A) References Financial Significant Deficiencies, Material Weaknesses, and Material Noncompliance.

**LAFAYETTE COUNTY DISTRICT SCHOOL BOARD
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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of the Lafayette 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.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster was audited as a major Federal program. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on the Child Nutrition Cluster.

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:

- 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 program; and
- 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 program.

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, 2020. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
Fax: (850) 488-6975

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 Lafayette County District School Board, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statement of the school internal funds, which represents 29 percent and 100 percent, respectively, of the assets and liabilities of the aggregate remaining fund information. That statement was 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 Lafayette County District School Board, as of June 30, 2020, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Budgetary Comparison Schedule – General and Major Special Revenue Funds**, **Schedule of 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 January 14, 2021, 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
January 14, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Lafayette 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, 2020. 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 2019-20 fiscal year are as follows:

Page

11

- As of June 30, 2020, the assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$3,681,233 on the statement of net position.

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- The District's change in net position was a decrease of \$915,688 during the 2019-20 fiscal year.

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- At the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$2,660,863 an increase of \$37,017 in comparison with the prior fiscal year.

14 & 18

- At the end of the current fiscal year, the fund balance of the General Fund totaled **\$1,857,122** which is \$105,925 more than the prior fiscal year balance. The General Fund total assigned and unassigned fund balance was **\$922,481**, or approximately **8.6 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.

Fund Financial Statements

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

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Other 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.

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

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2020, compared to net position as of June 30, 2019:

Net Position, End of Year

Page 11

	Governmental Activities	
	6-30-20	6-30-19
Current and Other Assets	\$ 2,878,840.01	\$ 2,848,926.94
Capital Assets	10,812,178.26	10,730,808.66
Total Assets	13,691,018.27	13,579,735.60
Deferred Outflows of Resources	2,923,700.00	3,077,879.00
Long-Term Liabilities	11,561,467.33	10,719,568.92
Other Liabilities	217,976.97	225,081.28
Total Liabilities	11,779,444.30	10,944,650.20
Deferred Inflows of Resources	1,154,041.00	1,116,043.00
Net Position:		
Net Investment in Capital Assets	10,740,647.60	10,586,827.61
Restricted	1,727,099.20	1,796,113.34
Unrestricted (Deficit)	(8,786,513.83)	(7,786,019.55)
Total Net Position	\$ 3,681,232.97	\$ 4,596,921.40

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was primarily the result of accruing \$7,938,717 in net pension liability. **Page 44**

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2020, and June 30, 2019, are as follows:

Operating Results for the Fiscal Year Ended

Page 12

	Governmental Activities	
	6-30-20	6-30-19
Program Revenues:		
Charges for Services	\$ 27,150.62	\$ 45,002.63
Operating Grants and Contributions	610,191.20	582,071.47
Capital Grants and Contributions	94,229.93	178,801.26
General Revenues:		
Property Taxes, Levied for Operational Purposes	1,325,456.50	1,375,922.80
Property Taxes, Levied for Capital Projects	432,350.98	430,522.78
Grants and Contributions Not Restricted to Specific Programs	10,114,601.68	9,600,808.83
Unrestricted Investment Earnings	6,447.46	16,621.78
Miscellaneous	145,288.60	227,958.62
Total Revenues	12,755,716.97	12,457,710.17
Functions/Program Expenses:		
Instruction	6,886,575.43	6,556,470.17
Student Support Services	862,862.29	794,087.04
Instructional Media Services	95,192.98	133,407.58
Instruction and Curriculum Development Services	329,399.85	301,760.47
Instructional Staff Training Services	247,527.54	217,795.41
Instruction-Related Technology	380,320.38	231,010.64
Board	308,619.04	293,589.43
General Administration	311,448.72	297,381.59
School Administration	703,828.37	611,949.41
Facilities Acquisition and Construction	68,270.85	58,171.76
Fiscal Services	277,841.33	259,707.54
Food Services	621,902.02	562,824.75
Central Services	8,638.15	3,803.99
Student Transportation Services	676,817.92	677,743.62
Operation of Plant	758,382.65	688,520.96
Maintenance of Plant	414,639.46	389,802.40
Administrative Technology Services	167,921.50	166,469.78
Unallocated Interest on Long-Term Debt	6,431.79	2,684.59
Unallocated Depreciation Expense	544,785.13	531,625.15
Total Functions/Program Expenses	13,671,405.40	12,778,806.28
Change in Net Position	(915,688.43)	(321,096.11)
Net Position - Beginning	4,596,921.40	4,918,017.51
Net Position - Ending	\$ 3,681,232.97	\$ 4,596,921.40

The largest revenue source is the State of Florida (73.6 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.

Grants and contributions not restricted to specific programs revenues increased by \$513,793, or 5.4 percent, primarily due to an increase in State per student funding.

Instruction expenses represent 50.4 percent of total governmental expenses in the 2019-20 fiscal year. Instruction expenses increased by \$330,105, or 5 percent, from the previous fiscal year due mainly from pay increases and the allocation of pension expense.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

Pages 14 /15 and 18/19

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 \$37,017 during the fiscal year to \$2,660,863 at June 30, 2020. Approximately 29.4 percent of this amount is unassigned fund balance (\$782,892), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is (1) not in spendable form (\$34,083), (2) restricted for State required carryover programs (\$547,398), capital projects expenditures (\$566,727), food service expenditures (\$214,214), adult education expenditures (\$106,112), and other District purposes (\$269,849); and (3) assigned for Board-approved budget items (\$39,588) and funds set aside to cover self-insurance program deductibles (\$100,000).

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 \$782,892, while the total fund balance is \$1,857,122. 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 8.6 percent of the total General Fund revenues, while total fund balance represents 17.3 percent of total General Fund revenues. The fund balance of the District's General Fund increased by \$105,925 during the 2019-20 fiscal year.

The Special Revenue – Other Fund has a zero fund balance at the end of the current fiscal year. Because revenue is recognized to the extent that eligible expenditures have been incurred, this fund does not generally accumulate a fund balance. This fund accounted for \$798,013 in revenues and \$798,013 in expenditures and other financing uses for the 2019-20 fiscal year.

The Capital Projects – Local Capital Improvement Fund has a fund balance of \$356,898, which is restricted for the acquisition, renovation and remodeling of capital assets, and debt service payments on an installment-purchase agreement. During the 2019-20 fiscal year, the District used resources in this fund for the payment on an installment-purchase for the purchase of two school buses, furniture and equipment, purchase of a tractor for maintenance, and site improvements and remodeling projects at Lafayette High and Lafayette Elementary Schools.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2019-20 fiscal year, the District amended its General Fund budget several times which resulted in an increase in revenue from the original budget to the final budget and final appropriations are more than the original budgeted amounts.

Actual revenues are \$60,595 more than the final budgeted amounts, while actual expenditures are \$1,335,016 less than final budget amounts, 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 \$1,509,780.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2020, is \$10,812,178 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software. During the 2019-20 fiscal year, the District purchased equipment, including a tractor for maintenance; performed a building re-roof; made classroom repairs for ceiling, lighting and insulation, and replaced air conditioners at Lafayette Elementary School; performed renovations for a single point of entry at Lafayette High School; and disposed of surplus capital assets.

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

Long-Term Debt

At June 30, 2020, the District has an outstanding obligation for an installment-purchase of \$71,531 for District school buses.

Additional information on the District's long-term debt can be found in Notes II.H.1. and II.H.2. to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

In an environment of uncertain State revenue sources, the District will continue to closely monitor its financial condition. If future revenue allocations from the State decrease, the District will face challenges that may require changes to keep the District financially sound.

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 Finance Department, Lafayette County School Board, 363 NE Crawford Street, Mayo, Florida 32066-9248.

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BASIC FINANCIAL STATEMENTS

**Lafayette County District School Board
Statement of Net Position
June 30, 2020**

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 2,706,002.48
Due from Other Agencies	38,754.45
Deposits Receivable	100,000.00
Inventories	34,083.08
Capital Assets:	
Nondepreciable Capital Assets	250,794.93
Depreciable Capital Assets, Net	<u>10,561,383.33</u>
TOTAL ASSETS	<u>13,691,018.27</u>
DEFERRED OUTFLOWS OF RESOURCES	
OPEB	150,692.00
Pensions	<u>2,773,008.00</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,923,700.00</u>
LIABILITIES	
Accrued Salaries and Benefits	143,273.27
Payroll Deductions and Withholdings	74,337.04
Accounts Payable	246.66
Due to Other Agencies	120.00
Long-Term Liabilities:	
Portion Due Within 1 Year	174,619.87
Portion Due After 1 Year	<u>11,386,847.46</u>
TOTAL LIABILITIES	<u>11,779,444.30</u>
DEFERRED INFLOWS OF RESOURCES	
OPEB	391,400.00
Pensions	<u>762,641.00</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,154,041.00</u>
NET POSITION	
Net Investment in Capital Assets	10,740,647.60
Restricted for:	
State Required Carryover Programs	547,397.85
Capital Projects	566,726.63
Food Service	237,014.09
Other Purposes	375,960.63
Unrestricted	<u>(8,786,513.83)</u>
TOTAL NET POSITION	<u>\$ 3,681,232.97</u>

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

**Lafayette County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2020**

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 6,886,575.43	\$ 19,126.25	\$ -
Student Support Services	862,862.29	-	-
Instructional Media Services	95,192.98	-	-
Instruction and Curriculum Development Services	329,399.85	-	-
Instructional Staff Training Services	247,527.54	-	-
Instruction-Related Technology Board	380,320.38	-	-
General Administration	308,619.04	-	-
School Administration	311,448.72	-	-
Facilities Acquisition and Construction	703,828.37	-	-
Fiscal Services	68,270.85	-	-
Food Services	277,841.33	-	-
Central Services	621,902.02	8,024.37	610,191.20
Student Transportation Services	8,638.15	-	-
Operation of Plant	676,817.92	-	-
Maintenance of Plant	758,382.65	-	-
Administrative Technology Services	414,639.46	-	-
Unallocated Interest on Long-Term Debt	167,921.50	-	-
Unallocated Depreciation Expense*	6,431.79	-	-
	544,785.13	-	-
Total Governmental Activities	\$ 13,671,405.40	\$ 27,150.62	\$ 610,191.20

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

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

		Net (Expense) Revenue and Changes in Net Position
Capital Grants and Contributions		Governmental Activities
\$	-	\$ (6,867,449.18)
	-	(862,862.29)
	-	(95,192.98)
	-	(329,399.85)
	-	(247,527.54)
	-	(380,320.38)
	-	(308,619.04)
	-	(311,448.72)
	-	(703,828.37)
	40,190.81	(28,080.04)
	-	(277,841.33)
	-	(3,686.45)
	-	(8,638.15)
	-	(676,817.92)
	-	(758,382.65)
	50,000.00	(364,639.46)
	-	(167,921.50)
	4,039.12	(2,392.67)
	-	(544,785.13)
\$	94,229.93	(12,939,833.65)

1,325,456.50
432,350.98
10,114,601.68
6,447.46
<u>145,288.60</u>
<u>12,024,145.22</u>
(915,688.43)
<u>4,596,921.40</u>
\$ 3,681,232.97

**Lafayette County District School Board
Balance Sheet – Governmental Funds
June 30, 2020**

	<u>General Fund</u>	<u>Special Revenue - Other Fund</u>	<u>Capital Projects - Local Capital Improvement Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,929,638.36	\$ 5,001.66	\$ 356,898.27
Due from Other Funds	29,935.48	-	-
Due from Other Agencies	4,242.55	24,933.82	-
Deposits Receivable	100,000.00	-	-
Inventories	11,282.90	-	-
TOTAL ASSETS	<u>\$ 2,075,099.29</u>	<u>\$ 29,935.48</u>	<u>\$ 356,898.27</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ 143,273.27	\$ -	\$ -
Payroll Deductions and Withholdings	74,337.04	-	-
Accounts Payable	246.66	-	-
Due to Other Funds	-	29,935.48	-
Due to Other Agencies	120.00	-	-
Total Liabilities	<u>217,976.97</u>	<u>29,935.48</u>	<u>-</u>
Fund Balances:			
Nonspendable:			
Inventories	11,282.90	-	-
Restricted for:			
State Required Carryover Programs	547,397.85	-	-
Capital Projects	-	-	356,898.27
Food Service	-	-	-
Adult Education	106,111.67	-	-
Other Purposes	269,848.96	-	-
Total Restricted Fund Balance	<u>923,358.48</u>	<u>-</u>	<u>356,898.27</u>
Assigned for:			
Board-Approved Budget Items	39,588.59	-	-
Other Purposes	100,000.00	-	-
Total Assigned Fund Balance	<u>139,588.59</u>	<u>-</u>	<u>-</u>
Unassigned Fund Balance	<u>782,892.35</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>1,857,122.32</u>	<u>-</u>	<u>356,898.27</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,075,099.29</u>	<u>\$ 29,935.48</u>	<u>\$ 356,898.27</u>

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

Financial Condition Ratio

Total Assigned and Unassigned Fund Balance = \$922, 480.94. That amount/\$10,765,823.75 (GF Revenues) = 8.6%.

Other Governmental Funds	Total Governmental Funds
\$ 414,464.19	\$ 2,706,002.48
-	29,935.48
9,578.08	38,754.45
-	100,000.00
<u>22,800.18</u>	<u>34,083.08</u>
\$ 446,842.45	\$ 2,908,775.49
\$ -	\$ 143,273.27
-	74,337.04
-	246.66
-	29,935.48
-	120.00
<u>-</u>	<u>247,912.45</u>
<u>22,800.18</u>	<u>34,083.08</u>
-	547,397.85
209,828.36	566,726.63
214,213.91	214,213.91
-	106,111.67
-	269,848.96
<u>424,042.27</u>	<u>1,704,299.02</u>
-	39,588.59
-	100,000.00
-	139,588.59
-	782,892.35
<u>446,842.45</u>	<u>2,660,863.04</u>
\$ 446,842.45	\$ 2,908,775.49

**Lafayette County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2020**

Total Fund Balances - Governmental Funds \$ 2,660,863.04

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. 10,812,178.26

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 OPEB	\$ 150,692.00	
Deferred Outflows Related to Pensions	2,773,008.00	
Deferred Inflows Related to OPEB	(391,400.00)	
Deferred Inflows Related to Pensions	<u>(762,641.00)</u>	1,769,659.00

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:

Installment-Purchase Payable	\$ (71,530.66)	
Compensated Absences Payable	(846,819.67)	
Net Pension Liability	(7,938,717.00)	
Total OPEB Liability	<u>(2,704,400.00)</u>	<u>(11,561,467.33)</u>

Net Position - Governmental Activities \$ 3,681,232.97

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

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**Lafayette County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2020**

	General Fund	Special Revenue - Other Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Through State and Local State	\$ 29,862.91 9,287,708.32	\$ 797,674.91 -	\$ - -
Local:			
Property Taxes	1,325,456.50	-	432,350.98
Charges for Services	19,126.25	-	-
Miscellaneous	103,669.77	338.36	629.91
Total Local Revenues	<u>1,448,252.52</u>	<u>338.36</u>	<u>432,980.89</u>
Total Revenues	10,765,823.75	798,013.27	432,980.89
Expenditures			
Current - Education:			
Instruction	5,827,470.13	389,660.44	-
Student Support Services	631,161.78	171,875.09	-
Instructional Media Services	85,507.02	-	-
Instruction and Curriculum Development Services	222,590.46	73,149.04	-
Instructional Staff Training Services	96,033.60	126,726.94	-
Instruction-Related Technology Board	374,386.24 285,870.88	- -	- -
General Administration	253,244.00	34,615.38	-
School Administration	633,127.43	-	-
Facilities Acquisition and Construction	669.90	-	67,600.94
Fiscal Services	250,273.15	-	-
Food Services	-	-	-
Central Services	8,479.18	-	-
Student Transportation Services	539,386.75	1,975.00	-
Operation of Plant	725,180.68	-	-
Maintenance of Plant	384,912.61	-	-
Administrative Technology Services	156,481.58	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	259,512.42	-	281,084.25
Other Capital Outlay	39,779.82	-	27,958.98
Debt Service:			
Principal	-	-	68,450.39
Interest and Fiscal Charges	-	-	6,299.15
Total Expenditures	10,774,067.63	798,001.89	451,393.71
Excess (Deficiency) of Revenues Over Expenditures	(8,243.88)	11.38	(18,412.82)
Other Financing Sources (Uses)			
Transfers In	114,169.06	-	-
Transfers Out	-	(11.38)	(107,105.93)
Total Other Financing Sources (Uses)	114,169.06	(11.38)	(107,105.93)
Net Change in Fund Balances	105,925.18	-	(125,518.75)
Fund Balances, Beginning	1,751,197.14	-	482,417.02
Fund Balances, Ending	\$ 1,857,122.32	\$ 0.00	\$ 356,898.27

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 603,125.20	\$ 1,430,663.02
100,651.47	9,388,359.79
-	1,757,807.48
8,024.37	27,150.62
<u>47,098.02</u>	<u>151,736.06</u>
<u>55,122.39</u>	<u>1,936,694.16</u>
<u>758,899.06</u>	<u>12,755,716.97</u>
-	6,217,130.57
-	803,036.87
-	85,507.02
-	295,739.50
-	222,760.54
-	374,386.24
-	285,870.88
-	287,859.38
-	633,127.43
-	68,270.84
-	250,273.15
587,722.88	587,722.88
-	8,479.18
-	541,361.75
-	725,180.68
-	384,912.61
-	156,481.58
100,000.00	640,596.67
3,380.84	71,119.64
4,000.00	72,450.39
<u>132.64</u>	<u>6,431.79</u>
<u>695,236.36</u>	<u>12,718,699.59</u>
<u>63,662.70</u>	<u>37,017.38</u>
-	114,169.06
<u>(7,051.75)</u>	<u>(114,169.06)</u>
<u>(7,051.75)</u>	<u>-</u>
56,610.95	37,017.38
<u>390,231.50</u>	<u>2,623,845.66</u>
<u>\$ 446,842.45</u>	<u>\$ 2,660,863.04</u>

**Lafayette 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, 2020**

Net Change in Fund Balances - Governmental Funds \$ 37,017.38

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. 81,369.60

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments in the current fiscal year. 72,450.39

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year. (123,277.80)

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	\$	(61,900.00)	
Increase in Deferred Outflows of Resources - OPEB		126,688.00	
Increase in Deferred Inflows of Resources - OPEB		(163,700.00)	(98,912.00)

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	\$	532,103.00	
HIS Pension Contribution		117,830.00	
FRS Pension Expense		(1,368,159.00)	
HIS Pension Expense		(166,110.00)	(884,336.00)

Change in Net Position - Governmental Activities **\$ (915,688.43)**

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

**Lafayette County District School Board
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds
June 30, 2020**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 181,667.00</u>
LIABILITIES	
Internal Accounts Payable	<u>\$ 181,667.00</u>

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Lafayette County School District (District). All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

The 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 Lafayette 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 Lafayette 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 these criteria, no component units are included within the District's reporting entity.

C. Basis of Presentation: Government-Wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, new and replacement equipment, motor vehicle purchases, and debt service payments on the installment purchase of buses.

Additionally, the District reports the following fiduciary fund type:

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

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, transfers between the funds included in governmental activities are eliminated in the preparation of the government-wide 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 agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

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

1. Cash and Cash Equivalents

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

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

2. Investments

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

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

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

3. Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at last invoice, which approximates the first-in, first-out basis, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when purchased during the year and are adjusted at 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 \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value at the date of donation.

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	5 - 35 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 reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The deferred inflows of resources related to pensions and OPEB are discussed in subsequent notes.

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2020.

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

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

related data. Normally, such adjustments are treated as reductions or additions of revenue in the fiscal year when the adjustments are made.

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

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

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

3. District Property Taxes

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

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

The Board adopted the 2019 tax levy on September 9, 2019. 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 Lafayette County Tax Collector at fiscal year end but not yet remitted to the District.

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

4. Federal Revenue Sources

The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by,

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

5. Compensated Absences

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

B. Investments

The District's investment at June 30, 2020, is reported as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	53 days	<u>\$ 38,597.16</u>

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District 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 use 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, 2020, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

Credit Risk

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

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

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	\$ 250,794.93	\$ -	\$ -	\$ 250,794.93
Construction in Progress	22,034.00	640,596.67	662,630.67	-
Total Capital Assets Not Being Depreciated	<u>272,828.93</u>	<u>640,596.67</u>	<u>662,630.67</u>	<u>250,794.93</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,126,415.61	-	-	1,126,415.61
Buildings and Fixed Equipment	19,758,613.43	662,630.67	-	20,421,244.10
Furniture, Fixtures, and Equipment	1,334,665.67	48,489.71	48,351.30	1,334,804.08
Motor Vehicles	1,625,127.46	22,629.92	-	1,647,757.38
Audio Visual Materials and Computer Software	32,821.73	-	-	32,821.73
Total Capital Assets Being Depreciated	<u>23,877,643.90</u>	<u>733,750.30</u>	<u>48,351.30</u>	<u>24,563,042.90</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	833,660.77	32,908.77	-	866,569.54
Buildings and Fixed Equipment	10,517,568.20	402,763.87	-	10,920,332.07
Furniture, Fixtures, and Equipment	902,221.01	109,112.49	48,351.30	962,982.20
Motor Vehicles	1,133,392.46	85,561.57	-	1,218,954.03
Audio Visual Materials and Computer Software	32,821.73	-	-	32,821.73
Total Accumulated Depreciation	<u>13,419,664.17</u>	<u>630,346.70</u>	<u>48,351.30</u>	<u>14,001,659.57</u>
Total Capital Assets Being Depreciated, Net	<u>10,457,979.73</u>	<u>103,403.60</u>	<u>-</u>	<u>10,561,383.33</u>
Governmental Activities Capital Assets, Net	<u>\$ 10,730,808.66</u>	<u>\$ 744,000.27</u>	<u>\$ 662,630.67</u>	<u>\$ 10,812,178.26</u>

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 85,561.57
Unallocated	<u>544,785.13</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 630,346.70</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).

The District's FRS and HIS pension expense totaled \$1,534,269 for the fiscal year ended June 30, 2020.

FRS Pension Plan

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

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

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

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

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2019-20 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	8.47
FRS, Elected County Officers	3.00	48.82
DROP – Applicable to Members from All of the Above Classes	0.00	14.60
FRS, Reemployed Retiree	(2)	(2)

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

The District's contributions to the Plan totaled \$532,103 for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the District reported a liability of \$5,658,008 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The District's proportionate share of the net pension liability was based on the District's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the District's proportionate share was 0.016429258 percent, which was a decrease of 0.000297861 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the District recognized the Plan pension expense of \$1,368,159. 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	\$ 335,593	\$ 3,511
Change of Assumptions	1,453,220	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	313,031
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	11,160	176,021
District FRS Contributions Subsequent to the Measurement Date	532,103	-
Total	\$ 2,332,076	\$ 492,563

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$532,103, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. 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>
2021	\$ 495,795
2022	112,752
2023	350,187
2024	270,352
2025	63,251
Thereafter	15,073
Total	\$ 1,307,410

Actuarial Assumptions. The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	6.90 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. This is a change from the prior year mortality assumption which was based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2019, 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%	3.3%	3.3%	1.2%
Fixed Income	18%	4.1%	4.1%	3.5%
Global Equity	54%	8.0%	6.8%	16.5%
Real Estate (Property)	10%	6.7%	6.1%	11.7%
Private Equity	11%	11.2%	8.4%	25.8%
Strategic Investments	6%	5.9%	5.7%	6.7%
Total	100%			
Assumed inflation - Mean			2.6%	1.7%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.9 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 2019 valuation was updated from 7 percent to 6.9 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 6.9 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 (5.9 percent) or 1 percentage point higher (7.9 percent) than the current rate:

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
District's Proportionate Share of the Net Pension Liability	\$ 9,780,811	\$ 5,658,008	\$ 2,214,769

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, 2020, 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, 2020, 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 \$117,830 for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the District reported a net pension liability of \$2,280,709 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, and update procedures were used to determine the net pension liability as of June 30, 2019. The District's proportionate share of the net pension liability was based on the District's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the District's proportionate share was 0.020383491 percent, which was a decrease of 0.000130761 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the District recognized the HIS Plan pension expense of \$166,110. 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	\$ 27,702	\$ 2,793
Change of Assumptions	264,085	186,407
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	1,472	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	29,843	80,878
District HIS Contributions Subsequent to the Measurement Date	<u>117,830</u>	<u>-</u>
Total	<u>\$ 440,932</u>	<u>\$ 270,078</u>

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$117,830, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. 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>
2021	\$ 35,533
2022	28,700
2023	12,992
2024	(27,939)
2025	(8,688)
Thereafter	12,426
Total	\$ 53,024

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	3.50 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 3.5 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 3.87 percent to 3.5 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.5 percent) or 1 percentage point higher (4.5 percent) than the current rate:

	<u>1% Decrease (2.5%)</u>	<u>Current Discount Rate (3.5%)</u>	<u>1% Increase (4.5%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 2,603,546	\$ 2,280,709	\$ 2,011,822

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 2019-20 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2020, 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 \$132,792.84 for the fiscal year ended June 30, 2020.

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 that provides OPEB for all employees who satisfy the District's retirement eligibility provisions. Pursuant to Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical, prescription drug, dental, vision, 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 through action from the Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. The OPEB Plan provides healthcare and life insurance benefits for retirees and their dependents. In addition to the implicit subsidy described above, the District pays a portion of the cost of healthcare benefits for certain retired employees (explicitly subsidized). Pursuant to the current instructional and school-related employee contracts, current employees, who retire within the first year of eligibility (30 years of service or age 62 and vested with the FRS) and file a Notice of Intent to Retire within the designated timelines, are eligible to receive the benefit. The benefits provided under this defined benefit plan continue until the employees reach 65 years of age or become eligible for the Federal Medicare program, whichever comes first. The plan also provides all retirees with the option of purchasing \$5,000 or \$10,000 of life insurance benefits, as well as, dental and vision benefits.

Employees Covered by Benefit Terms. At July 1, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	38
Active Employees	<u>143</u>
Total	<u>181</u>

Total OPEB Liability. The District's total OPEB liability of \$2,704,400 was measured as of July 1, 2019, and was determined by an actuarial valuation as that date.

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	2.50 percent
Discount Rate	3.13 percent
Healthcare Cost Trend Rates	6.5 percent for 2020, decreasing 0.25 percent per year to an ultimate rate of 5 percent
Aging Factors	Based on the 2013 SOA Study "Health Care Costs – From Birth to Death."
Mortality	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2019.

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

Demographic assumptions employed in the actuarial valuation were the same as those employed in the July 1, 2015, actuarial valuation of the FRS Defined Benefit Pension Plan. These demographic assumptions were developed by FRS from an actuarial experience study, and therefore are appropriate for use in the OPEB Plan actuarial valuation. These include assumed rates of future termination, mortality, disability, and retirement.

Changes in the Total OPEB Liability.

	<u>Amount</u>
Balance at June 30, 2019	<u>\$ 2,642,500</u>
Changes for the year:	
Service Cost	70,100
Interest	97,800
Differences Between Expected and Actual Experience	(227,200)
Changes of Assumptions or Other Inputs	145,200
Benefit Payments	<u>(24,000)</u>
Net Changes	<u>61,900</u>
Balance at June 30, 2020	<u>\$ 2,704,400</u>

Changes of assumptions or other inputs reflect a change in the discount rate from 3.62 percent in 2018, to 3.13 percent in 2019. In addition, the mortality table was updated from mortality improvement scale MP-2018 to mortality improvement scale MP-2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.13 percent) or 1 percentage point higher (4.13 percent) than the current rate:

	<u>1% Decrease (2.13%)</u>	<u>Current Discount Rate (3.13%)</u>	<u>1% Increase (4.13%)</u>
Total OPEB Liability	\$ 3,035,200	\$ 2,704,400	\$ 2,417,800

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 (5.5 percent decreasing to 4 percent) or 1 percentage point higher (7.5 percent decreasing to 6 percent) than the current healthcare cost trend rates:

	1% Decrease (5.5% decreasing to 4%)	Healthcare Cost Trend Rates (6.5% decreasing to 5%)	1% Increase (7.5% decreasing to 6%)
Total OPEB Liability	\$ 2,381,700	\$ 2,704,400	\$ 3,084,100

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$130,300. At June 30, 2020, 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	\$ -	\$ 378,900
Changes of Assumptions or Other Inputs	125,800	12,500
Benefits Paid Subsequent to the Measurement Date	24,892	-
Total	\$ 150,692	\$ 391,400

The deferred outflows of resources related to OPEB resulting from benefits paid subsequent to the measurement date, totaling \$24,892, will be recognized as a reduction of the total OPEB liability in the fiscal year ending June 30, 2021. 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>
2021	\$ (44,100)
2022	(44,100)
2023	(44,100)
2024	(44,100)
2025	(44,100)
Thereafter	(45,100)
Total	\$ (265,600)

F. Other Significant Commitments

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

The following is a schedule of encumbrances at June 30, 2020:

Major Funds				
General	Special Revenue - Other	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<u>\$ 15,584.84</u>	<u>\$ 638.65</u>	<u>\$ 38,609.70</u>	<u>\$ 114,524.00</u>	<u>\$ 169,357.19</u>

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 District participates in a group self-insurance programs administered by the Florida School Boards Association, Inc. The District's covered risks related to comprehensive property and liability insurance, general liability, workers' compensation, money and securities, employee fidelity and faithful performance are included in the group program. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. This program is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts.

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

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

H. Long-Term Liabilities

1. Installment-Purchase Payable

Two school buses with a total cost of \$212,368 are being acquired under an installment-purchase agreement at a stated interest rate of 4.5 percent. Future minimum installment-purchase payments as of June 30, 2020, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2021	<u>\$ 74,749.54</u>	<u>\$ 71,530.66</u>	<u>\$ 3,218.88</u>

2. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Installment-Purchase Payable	\$ 139,981.05	\$ -	\$ 68,450.39	\$ 71,530.66	\$ 71,530.66
Bonds Payable	4,000.00	-	4,000.00	-	-
Compensated Absences Payable	723,541.87	152,596.37	29,318.57	846,819.67	40,392.21
Net Pension Liability	7,209,546.00	2,309,905.00	1,580,734.00	7,938,717.00	38,697.00
Total OPEB Liability	2,642,500.00	313,100.00	251,200.00	2,704,400.00	24,000.00
Total Governmental Activities	\$10,719,568.92	\$2,775,601.37	\$1,933,702.96	\$11,561,467.33	\$174,619.87

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:

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 29,935.48	\$ -
Special Revenue:		
Other	-	29,935.48
Total	\$ 29,935.48	\$ 29,935.48

The receivable in the General Fund was established when paying obligations of the Special Revenue – Other Fund prior to receiving cash from the grantor agency. The amount is expected to be repaid within 1 year.

K. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2019-20 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 7,347,819.00
Categorical Educational Program - Class Size Reduction	1,208,773.00
Hurricane Loss Mitigation Program Funds	252,762.42
School Recognition	117,778.00
Workforce Development Program	72,535.00
Voluntary Prekindergarten Program	71,559.45
Gross Receipts Tax (Public Education Capital Outlay)	50,000.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	44,229.93
Miscellaneous	222,902.99
Total	\$ 9,388,359.79

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 2019 tax roll for the 2019-20 fiscal year:

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	3.858	\$ 1,132,093
Basic Discretionary Local Effort	0.748	219,493
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	440,161
Total	6.106	\$ 1,791,747

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	\$ 114,169.06	\$ -
Special Revenue:		
Other	-	11.38
Capital Projects:		
Local Capital Improvement	-	107,105.93
Nonmajor Governmental	-	7,051.75
Total	\$ 114,169.06	\$ 114,169.06

Transfers from the Capital Project – Local Capital Improvement Fund were to reimburse the General Fund for risk management property insurance premium payments and equipment repairs. Transfers from the nonmajor governmental funds were for special maintenance funds transfers to the General Fund.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2020

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Through State and Local	\$ 25,000.00	\$ 25,000.00	\$ 29,862.91	\$ 4,862.91
State	8,882,309.38	9,290,831.33	9,287,708.32	(3,123.01)
Local:				
Property Taxes	1,281,175.00	1,281,175.00	1,325,456.50	44,281.50
Charges for Services	-	-	19,126.25	19,126.25
Miscellaneous	58,000.00	108,222.48	103,669.77	(4,552.71)
Total Local Revenues	1,339,175.00	1,389,397.48	1,448,252.52	58,855.04
Total Revenues	10,246,484.38	10,705,228.81	10,765,823.75	60,594.94
Expenditures				
Current - Education:				
Instruction	6,372,544.56	6,478,486.46	5,827,470.13	651,016.33
Student Support Services	694,877.76	708,998.22	631,161.78	77,836.44
Instructional Media Services	118,798.04	116,379.02	85,507.02	30,872.00
Instruction and Curriculum Development Services	224,821.88	233,148.92	222,590.46	10,558.46
Instructional Staff Training Services	142,201.79	136,541.79	96,033.60	40,508.19
Instruction-Related Technology	461,947.05	498,138.22	374,386.24	123,751.98
Board	306,718.02	299,910.87	285,870.88	14,039.99
General Administration	246,517.38	256,029.00	253,244.00	2,785.00
School Administration	634,533.00	638,531.32	633,127.43	5,403.89
Facilities Acquisition and Construction	15,417.53	18,573.34	669.90	17,903.44
Fiscal Services	249,499.00	255,524.00	250,273.15	5,250.85
Central Services	8,546.29	12,126.29	8,479.18	3,647.11
Student Transportation Services	588,919.37	586,493.56	539,386.75	47,106.81
Operation of Plant	702,839.27	773,721.33	725,180.68	48,540.65
Maintenance of Plant	313,442.00	395,867.31	384,912.61	10,954.70
Administrative Technology Services	159,890.00	161,210.00	156,481.58	4,728.42
Fixed Capital Outlay:				
Facilities Acquisition and Construction	5,000.00	273,882.42	259,512.42	14,370.00
Other Capital Outlay	289,668.42	265,521.40	39,779.82	225,741.58
Total Expenditures	11,536,181.36	12,109,083.47	10,774,067.63	1,335,015.84
Excess (Deficiency) of Revenues Over Expenditures	(1,289,696.98)	(1,403,854.66)	(8,243.88)	1,395,610.78
Other Financing Sources (Uses)				
Transfers In	-	-	114,169.06	114,169.06
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	114,169.06	114,169.06
Net Change in Fund Balances	(1,289,696.98)	(1,403,854.66)	105,925.18	1,509,779.84
Fund Balances, Beginning	1,751,197.14	1,751,197.14	1,751,197.14	-
Fund Balances, Ending	\$ 461,500.16	\$ 347,342.48	\$ 1,857,122.32	\$ 1,509,779.84

Special Revenue - Other Fund

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$	31,956.63	\$ 913,375.96	\$ 797,674.91	\$ (115,701.05)
	-	-	-	-
	-	-	-	-
	-	338.36	338.36	-
	-	338.36	338.36	-
	<u>31,956.63</u>	<u>913,714.32</u>	<u>798,013.27</u>	<u>(115,701.05)</u>
	7,396.86	448,669.49	389,660.44	59,009.05
	1,371.71	176,293.46	171,875.09	4,418.37
	-	-	-	-
	1,706.45	80,827.72	73,149.04	7,678.68
	17,814.34	162,283.91	126,726.94	35,556.97
	-	-	-	-
	-	-	-	-
	917.27	38,128.36	34,615.38	3,512.98
	-	-	-	-
	-	-	-	-
	-	-	-	-
	2,750.00	7,500.00	1,975.00	5,525.00
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	<u>31,956.63</u>	<u>913,702.94</u>	<u>798,001.89</u>	<u>115,701.05</u>
	-	11.38	11.38	-
	-	-	-	-
	-	(11.38)	(11.38)	-
	-	(11.38)	(11.38)	-
	-	-	-	-
	-	-	-	-
\$	0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service Cost	\$ 70,100	\$ 74,500	\$ 72,700
Interest	97,800	100,300	96,100
Differences Between Expected and Actual Experience	(227,200)	(244,100)	-
Changes of Assumptions or Other Inputs	145,200	(16,700)	-
Benefit Payments	<u>(24,000)</u>	<u>(30,200)</u>	<u>(71,800)</u>
Net Change in Total OPEB Liability	61,900	(116,200)	97,000
Total OPEB Liability - Beginning	<u>2,642,500</u>	<u>2,758,700</u>	<u>2,661,700</u>
Total OPEB Liability - Ending	<u>\$ 2,704,400</u>	<u>\$ 2,642,500</u>	<u>\$ 2,758,700</u>
Covered-Employee Payroll	\$ 6,042,600	\$ 6,701,282	\$ 6,727,630
Total OPEB Liability as a Percentage of Covered-Employee Payroll	44.76%	39.43%	41.01%

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the FRS Net Pension Liability	0.016429258%	0.016727119%	0.017003738%	0.017637143%	0.018381704%	0.018315858%	0.017213105%
District's Proportionate Share of the FRS Net Pension Liability	\$ 5,658,008	\$ 5,038,295	\$ 5,029,592	\$ 4,453,392	\$ 2,374,244	\$ 1,117,537	\$ 2,963,141
District's Covered Payroll	\$ 6,822,655	\$ 6,701,282	\$ 6,727,630	\$ 6,639,424	\$ 6,328,127	\$ 6,175,577	\$ 6,098,988
District's Proportionate Share of the FRS Net Pension Liability as a Percentage of Its Covered Payroll	82.93%	75.18%	74.76%	67.07%	37.52%	18.10%	48.58%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required FRS Contribution	\$ 532,103	\$ 509,426	\$ 476,709	\$ 442,649	\$ 430,110	\$ 448,162	\$ 401,195
FRS Contributions in Relation to the Contractually Required Contribution	<u>(532,103)</u>	<u>(509,426)</u>	<u>(476,709)</u>	<u>(442,649)</u>	<u>(430,110)</u>	<u>(448,162)</u>	<u>(401,195)</u>
FRS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 7,096,795	\$ 6,822,655	\$ 6,701,282	\$ 6,727,630	\$ 6,639,424	\$ 6,328,127	\$ 6,175,577
FRS Contributions as a Percentage of Covered Payroll	7.50%	7.47%	7.11%	6.58%	6.48%	7.08%	6.50%

(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)**

	2019	2018	2017	2016	2015	2014	2013
District's Proportion of the HIS Net Pension Liability	0.020383491%	0.020514252%	0.021101415%	0.021505376%	0.020800302%	0.020785185%	0.020994245%
District's Proportionate Share of the HIS Net Pension Liability	\$ 2,280,709	\$ 2,171,251	\$ 2,256,261	\$ 2,506,362	\$ 2,121,304	\$ 1,943,466	\$ 1,827,825
District's Covered Payroll	\$ 6,822,655	\$ 6,701,282	\$ 6,727,630	\$ 6,639,424	\$ 6,328,127	\$ 6,175,577	\$ 6,098,988
District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	33.43%	32.40%	33.54%	37.75%	33.52%	31.47%	29.97%
HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

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

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

	2020	2019	2018	2017	2016	2015	2014
Contractually Required HIS Contribution	\$ 117,830	\$ 113,188	\$ 111,249	\$ 111,675	\$ 110,229	\$ 79,512	\$ 71,203
HIS Contributions in Relation to the Contractually Required Contribution	(117,830)	(113,188)	(111,249)	(111,675)	(110,229)	(79,512)	(71,203)
HIS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 7,096,795	\$ 6,822,655	\$ 6,701,282	\$ 6,727,630	\$ 6,639,424	\$ 6,328,127	\$ 6,175,577
HIS Contributions as a Percentage of Covered Payroll	1.66%	1.66%	1.66%	1.66%	1.66%	1.26%	1.15%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

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

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

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

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

Changes of Assumptions. The discount rate decreased from 3.62 percent in 2018 to 3.13 percent in 2019 and the mortality assumption was updated.

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

Changes of Assumptions. In 2019, the long-term expected rate of return was decreased from 7 percent to 6.9 percent, and the mortality assumption was changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018.

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

Changes of Assumptions. In 2019, the municipal bond rate used to determine total pension liability was decreased from 3.87 percent to 3.5 percent.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Lafayette County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Total Expenditures
Clustered			
Child Nutrition Cluster			
United States Department of Agriculture:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	20002	\$ 89,694.00
National School Lunch Program	10.555	19001, 20001	513,035.48
Total Child Nutrition Cluster			602,729.48
Special Education Cluster			
United States Department of Education:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	263,325.50
Special Education - Preschool Grants	84.173	267	10,993.03
Total Special Education Cluster			274,318.53
Not Clustered			
United States Department of Education			
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	38,240.00
Title I Grants to Local Educational Agencies	84.010	212	346,409.66
Migrant Education - State Grant Program	84.011	217	8,526.06
Career and Technical Education - Basic Grants to States	84.048	161	22,177.95
Education for Homeless Children and Youth	84.196	127	22,693.14
Rural Education	84.358	110	18,303.17
English Language Acquisition Grants	84.365	102	4,493.93
Supporting Effective Instruction State Grants	84.367	224	52,827.97
Student Support and Academic Enrichment Program	84.424	241	9,684.50
Hurricane Education Recovery	84.938	106	9,111.00
Total United States Department of Education			532,467.38
Total Expenditures of Federal Awards			\$ 1,409,515.39

The notes below are an integral part of this Schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Lafayette County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position.
- (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 \$48,727.48 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (5) Hurricane Education Recovery. The District incurred \$9,111 in expenditures for the Hurricane Education Recovery grant in the 2018-19 fiscal year.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
Fax: (850) 488-6975

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 Lafayette County District School Board as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 14, 2021, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statement 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*.

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,

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with a large initial 'S'.

Sherrill F. Norman, CPA
Tallahassee, Florida
January 14, 2021



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
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Phone: (850) 412-2722
Fax: (850) 488-6975

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

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

Report on Compliance for the Major Federal Program

We have audited the Lafayette 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 the District's major Federal program for the fiscal year ended June 30, 2020. The District's major Federal program is 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 the District's major Federal program 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 the major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the 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 its major Federal program for the fiscal year ended June 30, 2020.

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 the major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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
January 14, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Federal Awards

Internal control over the major Federal program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Type of auditor’s report issued on compliance for the major Federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of the major Federal program:	
CFDA Numbers: 10.553 and 10.555	Name of Federal Program or Cluster: Child Nutrition Cluster
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.

PRIOR AUDIT FOLLOW-UP

There were no prior financial statement or Federal award findings requiring follow-up.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The District did not have prior audit findings required to be reported under 2 CFR 200.511.

Example of a Management Letter

To be referenced during the Auditor General's presentation



Certified Public Accountants

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

The Honorable Mayor and
Members of the City Commission
City of Tallahassee, Florida

Report on the Financial Statements

We have audited the basic financial statements of the City of Tallahassee, Florida (the City) as of and for the year ended September 30, 2019, and have issued our report thereon dated April 8, 2020.

Auditor's Responsibility

We conducted our audit 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, the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, *Rules of the Auditor General*; and the *Passenger Facility Charge Audit Guide for Public Agencies*.

Other Reporting Requirements

We have issued our Independent Auditors' 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*; Independent Auditors' Report on Compliance for Each Major Federal Program, Major State Project, and the Passenger Facility Charge Program and on Internal Control over Compliance and Report on Schedule of Expenditures of Federal Awards and State Financial Assistance and Schedule of Passenger Facility Charges Required by the Uniform Guidance, Chapter 10.550, *Rules of the Auditor General*, and *Passenger Facility Charge Audit Guide for Public Agencies*; Schedule of Findings and Questioned Costs and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT.C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated April 8, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with the preceding audit, the current year status of prior audit findings is as follows:

2018-001 Capital Assets Accounting

Current Year Status: Repeated in the current year as Finding 2019.002, Capital Asset Reconciliation in the Schedule of Findings and Questioned Costs.

The Honorable Mayor and
 Members of the City Commission
 City of Tallahassee, Florida

2018-002 Communication and Financial Services Department

Current Year Status: We consider this finding partially resolved, see current year finding 2019-004 for aspects of this finding that are still applicable.

2018-003 Financial Reporting Division

Current Year Status: Fully resolved.

2018-004 Bank Reconciliations

Current Year Status: Fully resolved.

2018-005 P-card Program

Current Year Status: No instances of non-compliance noted in our testing, we consider this comment fully resolved.

2018-006 Subrecipient Monitoring

Current Year Status: Fully resolved.

2018-007 Procurement of Contracts with Davis-Bacon Provisions

Current Year Status: Fully resolved.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority is disclosed in the notes to the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that **the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.**

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, **we applied financial condition assessment procedures for the City.** It is management’s responsibility to monitor the City’s financial condition, and our financial condition assessment was based, in part, on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, **we have the following recommendations:**

2019-003 – Utility Accounts Receivable Aging Reports

Criteria:

Utility accounts receivable aging reports are an important tool to determine if the City’s customer accounts receivable is properly valued. It can also be used to assist the City with determining if there are any issues with collections.

Condition:

During our testing of utility accounts receivable, it was noted that the City was not able to produce a detailed utility accounts receivable aging by customer.

The Honorable Mayor and
Members of the City Commission
City of Tallahassee, Florida

Cause:

The City's Customer Information System ("CIS") does not have the capability to generate the report.

Effect:

The City may not be able to properly analyze its utility customer A/R including: the general aging of receivables, are there significant aged credit balances and which customers are significantly past due.

Recommendation:

The City is currently considering upgrading to a new CIS software. We recommend that the City require that the detailed accounts receivable customer aging reports be part of the reporting package for the new CIS software. We also recommend that the City include the Financial Services Department ("FSD") as part of the evaluation and conversion team for any new CIS software.

Views of responsible officials and plan corrective action:

The City has included the requirement in the RFP for the new CIS software that a detailed accounts receivable aging report can be produced to tie to the General Ledger. Communication has been established between the CIS Team and the Financial Services Department and the latter will be included as part of the evaluation and conversion team. Pending implementation of the new software, a report will be created to simulate such a report as closely as possible.

2019-004 – Communication with Financial Services Department**Criteria:**

All agreements that have a financial impact to the City should be communicated to the FSD so that they can properly evaluate and record the agreements in accordance with applicable accounting and reporting standards. Ideally, FSD would be part of the process prior to finalization of such agreements but, at a minimum, this information should be provided to them timely in order to ensure the proper accounting and reporting of these agreements.

Condition:

During our audit, the FSD notified us that two capital lease agreements were not properly reported in the financial statements.

Cause:

Due to the reliance of the FSD on other City departments to provide them financial agreements, agreements are not timely provided or not provided at all to FSD. Therefore, FSD is unable to ensure the proper reporting of all financial agreements.

Effect:

FSD was required to make adjusting journal entries to properly record the capital leases in the general ledger after they had understood that all agreements were properly recorded. Also, the risk that the City may not have all agreements properly recorded in the financial statements is increased due to the reliance of FSD on other departments.

Recommendation:

We recommend that the City develop a process which ensures that FSD is part of the information flow related to any agreements that will have a financial statement impact to the City.

The Honorable Mayor and
Members of the City Commission
City of Tallahassee, Florida

Views of responsible officials and plan corrective action:

Financial Services will work with other City departments to develop a process which will ensure that Financial Services is part of the finalization process of all agreements that will have a financial statement impact.

Special District Component Units

Section 10.554(1)(i)5.c, *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor, City Council, and applicable management and is not intended to be, and should not be, used by anyone other than these specified parties.

MSL, P.A.

Certified Public Accountants

Tallahassee, Florida
April 8, 2020