

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Members of the Board
Clay County District School Board

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Clay County District School Board (the District) for the year ended June 30, 2019, and have issued our report thereon dated March 20, 2020. Other auditors audited the financial statements of the aggregate discretely presented component units as described in our report on the District's financial statements. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 28, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed for the year ended June 30, 2019. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of depreciation which is based on the useful life of the asset.
- Management's estimate of Other Postemployment Health Care Benefits (OPEB), which is based on actuarial valuations and assumptions.
- Management's estimate of insurance claims payable, which is based on actuarial valuations and assumptions.

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- Pension Actuarial Methods and Assumptions—As discussed in Note 17, the District has reported their proportionate share of the Net Pension Liability for their participation in the Florida Retirement System (FRS) and the Health Insurance Subsidy Pension Plan (HIS) as of June 30, 2019. Financial and actuarial information was provided by the Florida Department of Management Services, Division of Retirement. The District’s proportionate share of the Net Pension Liability is derived from the District’s annual contributions in respect to total contributions received from all participating entities in the FRS.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit’s financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 20, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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The following is an audit matter that we would like to bring to the attention of management and Members of the Board:

- Governmental Accounting Standards Board (GASB) has recently issued two new and relatively significant accounting and financial reporting pronouncements which will become effective in the Districts 2020 and 2021 fiscal year ends; GASB Statement No. 84 – Fiduciary Activities and GASB Statement No. 87 – Leases.
 - GASB Statement No. 84, effective in 2020, deals with financial reporting of Fiduciary Activities and no longer permits the use of Agency Funds which will require a change to the way the District has been reporting its Internal Accounts. Depending upon the degree of administrative involvement (defined primarily as degree of spending control) maintained by the District, Internal Account activity will now be reported in either Fiduciary Custodial Accounts, the General Fund or possibly Special Revenue Funds. We recommend that the District review the activities of the Internal Accounts and determine the level of administrative involvement/spending control that it would like to maintain which will inform the financial reporting treatment of this activity under the new standard.
 - GASB Statement No. 87, effective in 2021 dealing with Leases, with certain exceptions, will now require that all long-term, non-cancelable leases be recorded as long term liabilities on the balance sheet with a corresponding “right to use” asset, both of which will be reduced over the life of the lease agreement. The District has many agreements which may meet the definition of a lease under the new standard, so we recommend that the District begin preparations to implement the new standard by making a list of all applicable lease agreements with their key terms such as duration, renewal options, payment amounts and escalation clauses, cancellability, etc., for evaluation under the new standard.

Other Matters

We applied certain limited procedures to management’s discussion and analysis, budget, and the pension of other postemployment benefits schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Expenditures of Federal Awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of Members of the Board and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to thank the Board, the Superintendent, and your staff for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, accompanying reports, or other matters.

A handwritten signature in blue ink that reads "Purvis Gray". The signature is written in a cursive style with a large initial "P".

March 20, 2020
Ocala, Florida