

**DISTRICT SCHOOL BOARD OF
COLLIER COUNTY, FLORIDA**

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2019

And Report of Independent Auditor

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

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Report of Independent Auditor

The Honorable Members of the School Board
District School Board of Collier County, Florida
Naples, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District School Board of Collier County, Florida (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 9 percent of the assets and 34 percent of the liabilities of the aggregate remaining fund information in the accompanying financial statements. Additionally, we did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District School Board of Collier County, Florida, as of June 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity 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 the management's discussion and analysis and the other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 other supplementary information and the schedule of expenditures of federal awards are 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 December 13, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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.



Orlando, Florida
December 13, 2019

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2019

The management of the Collier County District School Board (the "District") has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2019. 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 the financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2018-19 fiscal year are as follows:

- As of June 30, 2019, the assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$823.3 million.
- In total, net position increased \$32.4 million, which represents a 4.1 percent increase over the 2017-18 fiscal year.
- General revenues total \$651.2 million, or 95.8 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$28.7 million, or 4.2 percent of all revenues.
- Expenses total \$647.6 million. Only \$28.7 million of these expenses were offset by program revenues, with the remaining paid from general revenues.
- During the current fiscal year, General Fund revenues and transfers in fell short of expenditures by \$1.5 million. This may be compared to last fiscal year's results, in which General Fund revenues and transfers in exceeded expenditures by \$3.5 million.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$94.2 million, which is \$1.5 million less than the prior fiscal year balance. The General Fund assigned and unassigned fund balances total \$88.8 million, or 18.8 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 the 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, and 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.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2019

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

- **Governmental Activities:** This represents most of the District's services, including its educational programs such as basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- **Component Units:** The District presents six separate legal entities in this report: Marco Island Charter Middle School, Inc.; Marco Island Academy, A Public Charter High School, Inc.; Gulf Coast Charter Academy South, Inc.; Mason Classical Academy, Inc.; BridgePrep Academy of Collier Charter School; and Collier Charter Academy. Although legally separate organizations, these entities meet the criteria for inclusion provided by generally accepted accounting principles.

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 entity-wide 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, Capital Projects - Local Capital Improvement Fund and Capital Projects - Other Capital Projects 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 Fund to demonstrate compliance with the budget.

Proprietary Funds: Proprietary funds may be established to account for activities in which a fee is charged for services. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses the internal service funds to account for group health insurance, workers' compensation insurance, and employee benefit plan. Since these services predominantly benefit governmental rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2019

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 the Financial Statements

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

Other Information

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

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2019

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, 2019, compared to net position as of June 30, 2018:

Net Position, End of Year		
(in millions of dollars)		
	Governmental Activities	
	June 30, 2019	June 30, 2018
Current and Other Assets	\$ 380.7	\$ 360.3
Capital Assets	928.3	942.5
Total Assets	1,309.0	1,302.8
Deferred Outflows of Resources	119.2	119.6
Long-Term Liabilities	546.7	572.9
Other Liabilities	28.0	26.3
Total Liabilities	574.7	599.2
Deferred Inflows of Resources	30.2	32.3
Net Position:		
Net Investment in Capital Assets	697.2	686.7
Restricted	216.8	184.7
Unrestricted (Deficit)	(90.7)	(80.5)
Total Net Position	\$ 823.3	\$ 790.9

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was the result, in part, of accruing \$34.9 million in compensated absences payable, \$4.5 million in other postemployment benefit obligations, and \$268.2 million in net pension liability.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2019

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2019 and June 30, 2018 are as follows:

Operating Results for the Fiscal Years Ended June 30, 2019 and 2018
(in millions of dollars)

	Governmental Activities	
	2018-19	2017-18
Program Revenues:		
Charges for Services	\$ 6.0	\$ 4.9
Operating Grants and Contributions	20.7	22.4
Capital Grants and Contributions	2.0	2.0
General Revenues:		
Property Taxes	450.7	437.1
Grants and Contributions Not Restricted to Specific Programs	169.9	153.1
Unrestricted Investment Earnings	8.8	5.3
Miscellaneous	21.8	10.1
Total Revenues	679.9	634.9
Functions/Program Expenses:		
Instruction	351.8	333.9
Student Support Services	23.1	21.5
Instructional Media Services	6.6	6.2
Instruction and Curriculum Development Services	15.1	13.9
Instructional Staff Training Services	11.0	9.9
Instruction-Related Technology	1.4	1.3
Board	1.3	1.3
General Administration	3.0	2.8
School Administration	33.5	33.0
Facilities Acquisition and Construction	68.1	63.4
Fiscal Services	3.4	3.0
Food Services	26.7	23.6
Central Services	9.8	9.3
Student Transportation Services	24.7	22.8
Operation of Plant	35.3	35.9
Maintenance of Plant	18.7	29.8
Administrative Technology Services	4.1	3.5
Unallocated Interest on Long-Term Debt	9.9	11.2
Total Functions/Program Expenses	647.5	626.3
Change in Net Position	32.4	8.6
Net Position - Beginning	790.9	785.5
Adjustment to Beginning Net Position (1)	-	(3.2)
Net Position - Beginning, as Restated	790.9	782.3
Net Position - Ending	\$ 823.3	\$ 790.9

Note: (1) Adjustment to beginning net position is due to the implementation of GASB Statement No. p75, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits.

The largest revenue source is the local property tax (66.3 percent), as discussed below. Revenues from State sources (16.1 percent) for current operations are primarily received through the Florida Education Finance

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2019

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.

Property tax revenues increased by \$13.6 million, or 3.1 percent, as a result of increased taxable values and collections, although there was a slight decrease in the required local effort millage.

Grants and contributions not restricted to specific programs revenues increased by \$16.8 million, or 11.0 percent, primarily due to an increase of \$7.8 million increased Capital Impact Fees collections, \$4.9 million State per student funding, \$2.1 million from the Immediate Aid to Restart School Operations Grant, \$1 million from Charter School Capital Outlay and \$1.0 million in other grants and contributions.

Miscellaneous revenue increased by \$11.7 million, or 115.8 percent. This increase is attributable to: \$2.3 million reimbursement for Hurricane Irma Shelter Costs, \$2 million increase in prior year refunds, \$2 million revenue for the Everglades Flood Mitigation Project, \$1.5 million for the Education Facilities Security Grant, \$1.3 million in Federal Emergency Management Agency (FEMA) Loss Recovery for Hurricane Irma, \$1.1 million increase in Insurance Loss Recovery and \$1.0 million in other miscellaneous local revenues.

Instruction expenses represent 54.3 percent of total governmental expenses in the 2018-19 fiscal year. Instruction expenses increased by \$17.9 million, or 5.3 percent, from the previous fiscal year due mainly to an increase of \$10.4 million in salary and benefit related costs, \$2.3 million increase in contractual charter school expenditures, \$1.5 million new School Resource Officers expenditures, \$3.4 million increase in classroom technology and \$0.3 million increase in other instructional related costs.

Student Support Services expenses increased \$1.6 million, or 7.4 percent, from the 2017-2018 fiscal year. This increase is mainly attributable to the increase of \$1 million in salary and benefit related costs and \$0.4 million increase in professional and technical contracted services.

Instructional and Curriculum Development Services expenses increased by \$1.2 million, or 8.6 percent, primarily due to salary and benefit costs.

Instruction Staff Training expenses increased \$1.1 million, or 11.1 percent, over the previous year, primarily due to salary and benefit costs.

The Facilities Acquisition and Construction costs increased \$4.7 million, or 7.4 percent, primarily from increased maintenance and renovations of facilities.

Food Services costs increased \$3.1 million, or 13.2 percent, primarily from increased maintenance.

Student Transportation Services increased by \$1.9 million, or 8.3 percent, of which \$1.4 million is attributable to salary and benefit costs, \$0.3 million to fuel costs and \$0.2 million in other transportation services costs.

The Maintenance of Plant costs decreased \$11.1 million, or 37.3 percent, of which the majority is attributable to repair and shelter costs associated with Hurricane Irma in the prior year.

The Unallocated Interest on Long-term Debt shows a net decrease in the amount of \$1.3 million, or 11.6 percent, primarily related to the District's initiative to decrease debt.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

The total fund balances of governmental funds increased by \$31.8 million during the fiscal year to \$313.6 million at June 30, 2019. Approximately 20 percent of this amount is unassigned fund balance (\$63.9 million), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, committed, or assigned to indicate that it is (1) not in spendable form (\$3.8 million), (2) restricted for particular purposes (\$218.1 million), or (3) assigned for particular purposes (\$27.8 million).

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, assigned fund balance is \$24.9 million and unassigned fund balance is \$63.9 million, while the total fund balance is \$94.2 million. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned General Fund balance is 18.8 percent of the total General Fund revenues, while total General Fund balance represents 20.0 percent of total General Fund revenues.

Total General Fund balance decreased by \$1.5 million during the fiscal year. Key factors impacting the change in fund balance are as follows:

- Increase in the local property tax rate and property values resulted in increased tax revenues of \$7.8 million.
- Increase in revenue from local sources of \$2.3 million attributable to reimbursement of prior year Hurricane Irma Shelter expenses.
- Increase in Other Financing Sources of \$2.3 million due to insurance and FEMA reimbursements for prior year Hurricane Irma expenses.
- Total expenditures increased by \$13.7 million, or 3 percent, due mainly to an increase in staff and employee benefit costs.

The Capital Projects – Local Capital Improvement (LCI) Fund has a total fund balance of \$122.4 million. These funds are restricted for the ad valorem (property) tax levy authorized by the Board to support capital improvements. All of the fund balance has been restricted for LCI projects.

The Capital Projects – Other Capital Projects Fund has a total fund balance of \$76 million. The fund balance increased in the current fiscal year due to impact fees being set aside for future school construction.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2019

Proprietary Funds

The District's proprietary funds provide the same type of information reported in the government-wide financial statements, but in more detail. Unrestricted net position of the Internal Service Fund decreased by \$3.9 million during the 2018-19 fiscal year to \$32.9 million at June 30, 2019. This decrease occurred primarily because of increases in health claims and workers' compensation claims.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2018-19 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$15.2 million, or 3.6 percent. At the same time, final appropriations are more than the original budgeted amounts by \$5.2 million. Budget revisions occurred primarily from additional grant awards, increased interest income and collection of additional taxes.

Actual revenues are \$2.6 million, or 0.5 percent, less than the final budget amounts while actual expenditures are \$11.0 million, or 2.3 percent, less than final budget amounts. This variance is due to a refund due to the State for a portion of Hurricane Education Recovery grant revenue (\$2.6 million), and due to the following restricted or required carry forwards: encumbrances (\$3.6 million), unspent categorical and restricted funds (\$1.6 million), and unspent carry forward funds on behalf of schools and departments (\$5.8 million). The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$8.5 million.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2019, amounts to \$928.3 million (net of accumulated depreciation). This investment in capital assets includes land and land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; audio visual materials; and computer software. The total decrease in capital assets for the current year was 1.5 percent. At June 30, 2019, construction in progress includes renovations at 17 locations.

Additional information on the District's capital assets can be found in *Note 3, Changes in Capital Assets*.

Debt Administration

At June 30, 2019, the District had total long-term debt outstanding of \$230.4 million, primarily composed of Lease-Purchase Agreements Payable. During the current fiscal year, retirement of debt was \$35.7 million.

Additional information on the District's long-term debt can be found in *Note 8, Lease-Purchase Agreements Payable* and *Note 10, Changes in Long-Term Liabilities*.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2019

OTHER MATTERS OF SIGNIFICANCE

Factors Bearing on the District's Future

At the time these financial statements were prepared, the District was aware of four existing circumstances that could significantly affect its financial future:

- Educational funding increases were moderate during the 2019-20 fiscal year. Approximately 49 percent of the funding increase was earmarked for new student safety, student mental health, turnaround schools, best and brightest awards and other restricted funding.
- Property values in the 2019-20 fiscal year show an increase, and State forecasts indicate property values will continue to show growth in future years.
- At the final budget hearing in September 2019, the District proposed a 2019-20 fiscal year budget which reflects deficit spending in the amount of \$7.6 million. Funding increases are not keeping pace with rising costs. The deficit will be funded with reserve funds set aside for future budgetary shortfalls. This reserve was created by the District to provide stability during periods of uncertain funding.
- The District has not finalized negotiations with two employee collective bargaining groups. The final settlement amounts will increase the projected deficit for the 2019-20 fiscal year. Additional funds will be removed from the reserve for future budgetary shortfalls to cover this increased deficit spending.

REQUESTS FOR INFORMATION

The Annual Financial Report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances, and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Assistant Superintendent of Financial Services, The District School Board of Collier County, 5775 Osceola Trail, Naples, Florida 34109-0919.

BASIC FINANCIAL STATEMENTS

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

STATEMENT OF NET POSITION

JUNE 30, 2019

	Primary Government	
	Governmental Activities	Component Units
ASSETS		
Cash and cash equivalents	\$ 362,444,031	\$ 10,041,455
Investments	3,831,271	2,052,309
Accounts receivable, net	958,257	5,402,433
Interest receivable	-	1,883
Due from other agencies	9,592,042	1,284
Deposits receivable	-	24,735
Inventory	2,601,830	-
Prepaid items	1,212,921	262,998
Capital assets:		
Nondepreciable capital assets	146,319,459	4,248,646
Depreciable capital assets, net	781,986,571	27,151,444
Total Assets	1,308,946,382	49,187,187
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding of debt	7,971,666	489,953
Pension	110,719,288	1,390,883
Other postemployment benefits	475,720	-
Total Deferred Outflows of Resources	119,166,674	1,880,836
LIABILITIES		
Salaries, benefits, and payroll taxes payable	4,644,129	475,190
Payroll deductions and withholdings	1,528,089	-
Accounts payable	7,602,823	450,745
Construction contracts payable	5,878,231	-
Construction contracts payable - retainage percentage	2,760,536	-
Accrued interest	2,996,597	84,965
Deposits payable	1,000	33,080
Due to other agencies	2,175,114	-
Unearned revenue	409,762	-
Noncurrent liabilities:		
Portion due within one year:		
Notes payable	-	116,441
Obligations under capital leases	-	26,464
Bonds payable	44,788	430,000
Liability for compensated absences	16,186,882	9,007
Lease-purchase agreements payable	27,730,060	-
Estimated liability for unpaid claims	7,918,000	-
Net other post employment benefits obligation	264,669	-
Net pension liability	2,253,529	-
Portion due after one year:		
Notes payable	-	1,647,236
Obligations under capital leases	-	93,019
Bonds Payable	-	28,559,542
Liability for compensated absences	18,708,328	3,002
Lease-purchase agreements payable	202,641,877	-
Estimated liability for unpaid claims	698,000	-
Net other postemployment benefits obligation	4,259,096	-
Net pension liability	265,959,239	2,960,689
Other long-term liabilities	-	216,216
Total Liabilities	574,660,749	35,105,596

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

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
STATEMENT OF NET POSITION

JUNE 30, 2019

	Primary Government	
	Governmental Activities	Component Units
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue	\$ 569,276	\$ -
Pension	29,499,831	348,139
Other postemployment benefits	104,070	-
Total Deferred Inflows of Resources	30,173,177	348,139
NET POSITION		
Net investment in capital assets	697,222,203	982,179
Restricted for:		
Categorical carryover programs	3,312,615	-
Food service	12,819,130	-
Debt service	4,896,858	2,210,520
Capital projects	195,745,532	2,956,359
Other purposes	-	5,483,092
Unrestricted (Deficit)	(90,717,208)	3,982,138
Total Net Position	\$ 823,279,130	\$ 15,614,288

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>Component Units</u>
Primary government:						
Governmental activities:						
Instruction	\$ 351,778,388	\$ 2,167,899	\$ -	\$ -	\$ (349,610,489)	\$ -
Student support services	23,134,163	-	-	-	(23,134,163)	-
Instructional media services	6,616,022	-	-	-	(6,616,022)	-
Instruction and curriculum development services	15,120,691	-	-	-	(15,120,691)	-
Instructional staff training services	11,015,442	-	-	-	(11,015,442)	-
Instructional related technology	1,410,863	-	-	-	(1,410,863)	-
Board	1,350,804	-	-	-	(1,350,804)	-
General administration	3,014,469	-	-	-	(3,014,469)	-
School administration	33,473,182	-	-	-	(33,473,182)	-
Facilities acquisition and construction	68,083,807	-	-	1,959,539	(66,124,268)	-
Fiscal services	3,366,002	-	-	-	(3,366,002)	-
Food services	26,725,431	3,868,312	20,710,257	-	(2,146,862)	-
Central services	9,820,655	-	-	-	(9,820,655)	-
Student transportation services	24,680,432	-	-	-	(24,680,432)	-
Operation of plant	35,264,261	-	-	-	(35,264,261)	-
Maintenance of plant	18,717,959	-	-	-	(18,717,959)	-
Administrative technology services	4,073,211	-	-	-	(4,073,211)	-
Interest on long-term debt	9,923,353	-	-	34,955	(9,888,398)	-
Total governmental activities	<u>647,569,135</u>	<u>6,036,211</u>	<u>20,710,257</u>	<u>1,994,494</u>	<u>(618,828,173)</u>	<u>-</u>
Total primary government	<u>\$ 647,569,135</u>	<u>\$ 6,036,211</u>	<u>\$ 20,710,257</u>	<u>\$ 1,994,494</u>	<u>(618,828,173)</u>	<u>-</u>
Component units:						
Component units	<u>\$ 27,318,227</u>	<u>\$ 494,408</u>	<u>\$ 848,651</u>	<u>\$ 1,072,970</u>		<u>\$ (24,902,198)</u>
Total component units	<u>\$ 27,318,227</u>	<u>\$ 494,408</u>	<u>\$ 848,651</u>	<u>\$ 1,072,970</u>		<u>\$ (24,902,198)</u>
General revenues:						
Property taxes, levied for operational purposes					318,611,526	\$ -
Property taxes, levied for capital projects					132,117,173	-
Grants and contributions not restricted to specific programs					169,849,914	30,871,413
Investment earnings					8,821,281	57,047
Miscellaneous					21,777,007	45,541
Special item					-	2,000,000
Total general revenues					<u>651,176,901</u>	<u>32,974,001</u>
Change in net position					32,348,728	8,071,803
Net position - beginning of year					790,930,402	7,763,681
Restatement (see Note 1 to the financial statements regarding component unit audits)					-	(221,196)
Net position - beginning as restated					<u>790,930,402</u>	<u>7,542,485</u>
Net position - end of year					<u>\$ 823,279,130</u>	<u>\$ 15,614,288</u>

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

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**BALANCE SHEET –
GOVERNMENTAL FUNDS**

JUNE 30, 2019

	General Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 100,674,834	\$ 130,618,058	\$ 72,868,934	\$ 16,617,032	\$ 320,778,858
Investments	-	-	-	3,831,271	3,831,271
Accounts receivable, net	600,829	3,171	-	4,491	608,491
Due from budgetary funds	1,374,148	-	-	-	1,374,148
Due from other agencies	3,015,535	14,296	4,223,282	2,338,929	9,592,042
Inventory	926,068	-	-	1,675,762	2,601,830
Prepaid items	1,212,921	-	-	-	1,212,921
Total Assets	\$ 107,804,335	\$ 130,635,525	\$ 77,092,216	\$ 24,467,485	\$ 339,999,561
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Salaries, benefits and payroll taxes payable	\$ 4,036,273	\$ 47,554	\$ -	\$ 546,444	\$ 4,630,271
Payroll deductions and withholdings	1,328,683	24,370	-	168,485	1,521,538
Accounts payable	5,871,147	897,564	90,556	243,043	7,102,310
Construction contracts payable	-	4,764,632	585,380	528,219	5,878,231
Construction contracts payable - retained percentage	-	2,520,079	-	240,457	2,760,536
Deposits payable	1,000	-	-	-	1,000
Due to other agencies	1,884,127	26,586	-	256,986	2,167,699
Due to budgetary funds	-	-	311,459	1,062,689	1,374,148
Unearned revenue	109,885	-	-	299,877	409,762
Total Liabilities	13,231,115	8,280,785	987,395	3,346,200	25,845,495
Deferred inflows of resources:					
Deferred revenue	341,135	-	107,641	120,500	569,276
Fund Balances:					
Nonspendable:					
Inventory	926,068	-	-	1,675,762	2,601,830
Prepaid amounts	1,212,921	-	-	-	1,212,921
Restricted for:					
State required carryover programs	3,312,615	-	-	-	3,312,615
Debt service	-	-	-	7,893,454	7,893,454
Capital projects	-	122,354,740	73,102,591	288,201	195,745,532
Food service	-	-	-	11,143,368	11,143,368
Assigned to:					
General fund	24,889,562	-	-	-	24,889,562
Capital projects	-	-	2,894,589	-	2,894,589
Unassigned	63,890,919	-	-	-	63,890,919
Total Fund Balances	94,232,085	122,354,740	75,997,180	21,000,785	313,584,790
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 107,804,335	\$ 130,635,525	\$ 77,092,216	\$ 24,467,485	\$ 339,999,561

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION

JUNE 30, 2019

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

Ending fund balance - governmental funds		\$ 313,584,790
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		928,306,030
Internal service funds are used by management to charge the cost of certain activities such as insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		32,870,602
Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due.		(2,996,597)
The difference between the acquisition price and the net carrying amount of refunded debt is reported as a deferred outflow of resources in the government-wide statements, but is not reported in the governmental funds.		7,971,666
The deferred outflows and inflows related to pensions and other post employment benefits are applied to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows related to other post employment benefits	\$ 475,720	
Deferred inflows related to other post employment benefits	(104,070)	
Deferred outflows related to pension	110,719,288	
Deferred inflows related to pension	(29,499,831)	<u>81,591,107</u>
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year-end consist of:		
Lease-purchase agreements payable	(230,371,937)	
Bonds payable	(44,788)	
Compensated absences payable	(34,895,210)	
Other post-employment benefits obligation	(4,523,765)	
Net pension liability	(268,212,768)	<u>(538,048,468)</u>
Total net position of governmental activities		<u>\$ 823,279,130</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

	General Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Federal direct	\$ 488,628	\$ -	\$ -	\$ 4,555,936	\$ 5,044,564
Federal through state and local	2,220,691	-	-	54,562,693	56,783,384
State sources	101,105,210	-	4,986,862	3,219,354	109,311,426
Local sources	333,670,546	137,815,783	25,588,319	5,781,074	502,855,722
Total Revenues	<u>437,485,075</u>	<u>137,815,783</u>	<u>30,575,181</u>	<u>68,119,057</u>	<u>673,995,096</u>
Expenditures:					
Current:					
Instruction	299,719,984	-	-	20,533,029	320,253,013
Student support services	19,620,655	-	-	2,693,680	22,314,335
Instructional media services	6,239,815	-	-	53,970	6,293,785
Instruction and curriculum development services	7,597,767	-	-	6,777,112	14,374,879
Instructional staff training services	4,827,540	-	-	5,794,594	10,622,134
Instruction related technology	1,338,678	-	-	2,573	1,341,251
Board	1,284,007	-	-	-	1,284,007
General administration	1,585,456	-	-	1,363,905	2,949,361
School administration	31,663,908	-	-	152,432	31,816,340
Facilities acquisition and construction	1,591,836	36,956,422	1,558,826	3,652,303	43,759,387
Fiscal services	3,214,613	-	-	-	3,214,613
Food services	-	-	-	25,331,949	25,331,949
Central services	9,045,886	-	-	275,782	9,321,668
Student transportation services	22,814,043	-	-	276,315	23,090,358
Operation of plant	35,103,462	-	-	34,708	35,138,170
Maintenance of plant	17,879,456	-	-	101,931	17,981,387
Administrative technology services	3,959,711	-	-	-	3,959,711
Capital outlay:					
Facilities acquisition and construction	4,776	22,220,637	867,315	-	23,092,728
Other capital outlay	5,544,563	-	-	1,105,367	6,649,930
Debt service:					
Principal	-	-	-	34,085,000	34,085,000
Interest	-	-	-	9,817,158	9,817,158
Total Expenditures	<u>473,036,156</u>	<u>59,177,059</u>	<u>2,426,141</u>	<u>112,051,808</u>	<u>646,691,164</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,551,081)</u>	<u>78,638,724</u>	<u>28,149,040</u>	<u>(43,932,751)</u>	<u>27,303,932</u>
Other Financing Sources (Uses):					
Proceeds from the sale of capital assets	5,902	190,453	-	10,980	207,335
Loss recoveries	4,246,939	-	-	-	4,246,939
Transfers in	29,783,582	-	43,448,824	86,332,492	159,564,898
Transfers out	-	(113,872,855)	(1,419,542)	(44,272,501)	(159,564,898)
Total Other Financing Sources (Uses)	<u>34,036,423</u>	<u>(113,682,402)</u>	<u>42,029,282</u>	<u>42,070,971</u>	<u>4,454,274</u>
Net change in fund balances	(1,514,658)	(35,043,678)	70,178,322	(1,861,780)	31,758,206
Fund balance - beginning	<u>95,746,743</u>	<u>157,398,418</u>	<u>5,818,858</u>	<u>22,862,565</u>	<u>281,826,584</u>
Fund balance - ending	<u>\$ 94,232,085</u>	<u>\$ 122,354,740</u>	<u>\$ 75,997,180</u>	<u>\$ 21,000,785</u>	<u>\$ 313,584,790</u>

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

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

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

Net change in fund balances - total governmental funds	\$	31,758,206
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current period:</p>		
Capital outlays net of amounts not capitalized	\$	30,273,803
Depreciation expense		<u>(44,318,032)</u>
		(14,044,229)
<p>The gain or loss on disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets.</p>		
		(168,178)
<p>Premiums and refunding costs are reported in governmental funds in the year debt is issued, but are deferred and amortized over the life of the debt in the government-wide statements.</p>		
		(734,532)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of lease-purchase agreements and bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceeded proceeds in the current period.</p>		
		34,085,000
<p>Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrued in the government-wide statements.</p>		
		628,336
<p>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 year.</p>		
		(1,295,382)
<p>Pensions and other post-employment benefit costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net change in these liabilities, related deferred inflows of resources, and related deferred outflows of resources in the current fiscal year.</p>		
		(13,974,151)
<p>Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities.</p>		
		<u>(3,906,342)</u>
Change in net position of governmental activities	\$	<u><u>32,348,728</u></u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2019

	Governmental Activities Internal Service Funds
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 41,665,173
Accounts receivable, net	349,765
Total Assets	42,014,938
LIABILITIES	
Current Liabilities:	
Salaries, benefits, and payroll taxes payable	13,858
Payroll deductions and withholding	6,551
Accounts payable	500,512
Due to other agencies	7,415
Estimated unpaid claims - self-insurance program	7,918,000
Total Current Liabilities	8,446,336
Noncurrent Liabilities:	
Estimated liability for long-term claims	698,000
Total Liabilities	9,144,336
NET POSITION	
Unrestricted	32,870,602
Total Net Position	\$ 32,870,602

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2019

	Governmental Activities Internal Service Funds
Operating Revenues:	
Premium revenue	\$ 52,925,504
Total Operating Revenues	<u>52,925,504</u>
Operating Expenses:	
Salaries	538,832
Employee benefits	146,702
Purchased services	6,129,234
Materials and supplies	1,095
Other expenses	50,991,168
Total Operating Expenses	<u>57,807,031</u>
Operating Loss	<u>(4,881,527)</u>
Nonoperating revenues:	
Investment income	<u>975,185</u>
Change in net position	(3,906,342)
Total net position - beginning of year	<u>36,776,944</u>
Total net position - end of year	<u><u>\$ 32,870,602</u></u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES –
FIDUCIARY FUNDS

JUNE 30, 2019

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 6,422,190
Total Assets	<u>\$ 6,422,190</u>
LIABILITIES	
Internal accounts payable	\$ 6,422,190
Total Liabilities	<u>\$ 6,422,190</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1—Summary of Significant Accounting Policies

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 non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities are supported by taxes, intergovernmental revenues, and other non-exchange transactions. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Reporting Entity – The Collier 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 Collier County School District (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 appointed Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Collier County.

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

Blended Component Unit – The Collier County School Board Foundation, Inc. (Foundation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 8 – *Certificates of Participation Payable*. Due to the substantive economic relationship between the District and the Foundation, the financial activities of the Foundation are included in the accompanying basic financial statements. Separate financial statements for the Foundation are not published.

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

The following charter schools are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter schools operate under charters approved by their sponsor, the Collier County District School Board. The charter schools are considered to be component units of the District. Because of the financial relationship to the District and oversight responsibility of the District, it was determined they met the misleading to exclude criteria.

- Marco Island Charter Middle School, Inc.
- Marco Island Academy, A Public Charter High School, Inc.
- Gulf Coast Charter Academy South, Inc.
- Mason Classical Academy, Inc.
- Collier Charter Academy
- Bridgeprep Academy of Collier Charter School

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1—Summary of Significant Accounting Policies (continued)

The financial data reported on the accompanying statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2019. The audit reports are filed in the District's administrative offices at 5775 Osceola Trail, Naples, Florida 34109-0919. The Gulf Coast Charter Academy South, Inc. beginning net position at June 30, 2018 was restated by (\$221,196) to reflect certain accrued wages payable, amounts due from other agencies, and accounts payable in their proper period.

Bridgeprep Academy of Collier Charter School is a new charter school and as such was not reported as a discretely presented component unit in the prior fiscal year.

The Redlands Christian Migrant Association Immokalee Community School (School) is considered a program of the Redlands Christian Migrant Association, Inc. The School is not a component unit of the District and is not reported in the District's financial statements for the 2018-19 fiscal year.

Basis of Presentation - Government-wide Financial Statements – Government-wide financial statements (i.e., the statement of net position and the statement of activities) present information about the District as a whole. These statements include the nonfiduciary financial activity of the District and its component units.

Government-wide financial statements are prepared using the economic resources measurement focus. 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 is allocated to functions based upon the specific programs or activities with which the capital assets are associated.

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. 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.

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

Basis of Presentation - Fund Financial Statements – The fund financial statements provide information about the District in the governmental, proprietary, and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on certificates of participation.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1—Summary of Significant Accounting Policies (continued)

- Capital Projects – Other Capital Projects – to account for the financial resources generated by local school impact fees and other local capital resources. Impact fees are the primary source of revenues within this fund and are utilized for new school construction or expanding capacity of current schools.

Additionally, the District reports the following proprietary and fiduciary fund types:

- Internal Service Funds – to account for the District's individual self-insurance programs and employee benefits plan.
- 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.

Measurement Focus and Basis of Accounting – The basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. 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 in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary fund statements are prepared under the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement basis focus but utilize the accrual basis of accounting for reporting assets and liabilities.

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

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

- *Cash and Cash Equivalents* - The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term highly 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.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1—Summary of Significant Accounting Policies (continued)

- Cash deposits are held by banks qualified as public depositories under Florida law or through the Federally Insured Cash Account program, which complies with the provisions of Section 218.415(23), Florida Statutes, and is therefore exempt from Florida's public deposits program pursuant to Section 280.03(3)(f), Florida Statutes. 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.
- *Investments* – Investments consist of amounts placed in the SBA debt service accounts for investment of debt service moneys, amounts placed with the SBA for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes, and those made locally. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

Investments placed in SBA debt service accounts are reported at fair value.

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

Investments made locally consist of a repurchase agreement and are reported at fair value. Types and amounts of investments held at fiscal year end is described in a subsequent note.

- *Inventories and Prepaid Items* – Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on a moving weighted-average basis for the maintenance, transportation, and food service inventories, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution, and any textbooks inventory is stated at last invoice price. The costs of inventories are recorded as expenditures when used rather than purchased for all inventories except donated foods.

Prepaid items are reported in the governmental funds under the purchases method.

The inventories and prepaid items at fiscal year end are reported as nonspendable fund balance.

- *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 with a unit cost of \$1,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1—Summary of Significant Accounting Policies (continued)

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	20 years
Buildings and Fixed Equipment	40 years
Furniture, Fixtures, and Equipment	5 - 20 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.

- *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.

- *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. Bond and certificates of participation (COPs) premiums and discounts are deferred and amortized over the life of the debt using the interest method. Bonds and COPs liabilities are reported net of the applicable bond premium or discount. Certain costs resulting from debt refundings are reported as deferred outflow of resources.

In the governmental fund financial statements, bonds, COPs, 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.

- *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 three items that qualify for reporting in this category. The first is the deferred loss on refunding of debt reported in the government-wide statement of net position resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is the deferred amount on pension reported in the government-wide statement of net position. The deferred outflows of resources related to pensions are discussed in a subsequent note. The third is the deferred amount on other post-employment benefits (OPEB) reported in the government-wide statement of net position. The deferred outflows of resources related to OPEB are discussed in a subsequent note.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1—Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of net position and the balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The deferred inflows of resources related to pensions and OPEB are reported only in the government-wide statement of net position and are discussed in subsequent notes. Both the government-wide statement of net position and the governmental fund balance sheet report as *deferred revenue* certain revenues related to FEMA claims, a state grant designated for charter schools, and a time-restricted local grant designated by the grantor for the upcoming fiscal year.

- *Net Position Flow Assumption* – The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.
- *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.
- *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, 2019.

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 adoption of policy authorized the finance director to assign 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.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1—Summary of Significant Accounting Policies (continued)

In addition, the District has adopted Board Policy 6210 which provides that the Board shall strive to maintain strategic and contingency reserves in its operating funds totaling 5 percent of the current year's annual estimated General Fund revenues. The 5 percent is divided into two parts. The first part is a strategic reserve in the amount of 4 percent which may only be used by a super majority vote of the Board. The second is a contingency reserve in the amount of 1 percent to be reserved for contingency purposes. The Superintendent has authority to utilize the contingency reserve and must report such use to the Board at a subsequent Board meeting. The Board is currently maintaining at least a combined balance of 5 percent within these two reserves.

Revenues and Expenditures/Expenses

- *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.
- *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. Accordingly, the District recognizes the allocation of Public Education Capital Outlay funds as advanced revenue until such time as an encumbrance authorization is received.

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

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1—Summary of Significant Accounting Policies (continued)

- *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 Collier County Property Appraiser, and property taxes are collected by the Collier County Tax Collector.

The Board adopted the 2018 tax levy on September 11, 2018. 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 Collier 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.

- *Educational Impact Fees* – Collier County imposes an educational impact fee based on an ordinance adopted by the County Commission in 1992. This ordinance was most recently amended in November 2015, when the Board of County Commissioners adopted updated educational impact fees. The educational impact fee is collected for most new residential construction by the County and each municipality within the County based on an interlocal agreement. The fees are to be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development and are not to be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include, but are not limited to, land acquisition; facility design and construction costs; furniture and equipment; and payment of principal, interest, and related costs of indebtedness necessitated by new residential development.
- *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.
- *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.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1—Summary of Significant Accounting Policies (continued)

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

Note 2—Cash Deposits and Investments

Cash Deposits with Financial Institutions - Custodial Credit Risk – In the case of deposits, this is the risk that, in the event of a bank failure, the District’s deposits may not be returned to the District. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

- *Investments* – The District’s investments at June 30, 2019, are reported as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
State Board of Administration:		
Florida PRIME (1)	28 Day Average	\$ 28,261,592
Debt Service Accounts (1)	6 Months	440
Master Repurchase Agreement with Bank of America (2)	November 18, 2021	3,831,271
Total Investments, Reporting Entity		\$ 32,093,303

- (1) These investments are reported as cash equivalents for financial statement reporting purposes.
- (2) Investment is held under a paying agent agreement in connection with the Qualified Zone Academy Bond at US Bank in United States Treasury Inflation Protected Securities for \$3,831,271. See Note 8, *Lease-Purchase Agreements Payable*.

- *Fair Value Measurement* – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District’s investments in SBA debt service accounts are valued using Level 1 inputs. The District’s investments under the Master Repurchase Agreement with Bank of America are valued using Level 2 inputs.
- *Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District’s investment policy limits investments of current short-term funds to a maximum of 12 months. Investments of bond reserves, construction moneys, and other core funds shall have a term appropriate to the need for moneys, and in accordance with debt covenants, but in no event shall exceed 3 years.

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

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 2—Cash Deposits and Investments (continued)

For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days.” As of June 30, 2019, 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 (SEC) 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 investments to Florida PRIME; United States Treasury securities, including but not limited to notes, bills, bonds, strips, and State and local government series; obligations of United States Government agencies and instrumentalities; SEC registered money market funds with the highest rating and in compliance with Title 17, Section 270.2a-7, Code of Federal Regulations; securities or other interest in any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940; certificates of deposit in State qualified public depositories; and other investments permitted by State statute and not prohibited by this policy.

The District’s investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State’s Comprehensive Annual Financial Report.

As of June 30, 2019, the District’s investment in Florida PRIME is rated AAAM by Standard & Poor’s.

The District’s investment in a master repurchase agreement with Bank of America is authorized under a forward delivery agreement with the Qualified Zone Academy Bonds (QZABs) paying agent. The forward delivery agreement also authorizes the investment of available sinking fund amounts in certain eligible securities, including, without limitation, direct obligations of the Department of the Treasury of the United States of America, and obligations of the following Federal agencies and instrumentalities, which obligations represent the full faith and credit of the United States of America: Farmers Home Administration, General Services Administration, Small Business Administration, Government National Mortgage Association, United States Department of Housing and Urban Development, and Federal Housing Administration.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 2—Cash Deposits and Investments (continued)

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

The District's investment policy requires that securities, with the exception of certificates of deposit, shall be held with a third-party custodian; and all securities purchased by, and all collateral obtained by the District be properly designated as an asset of the District. A third-party custodian is defined as any bank depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State of Florida. Certificates of deposit shall be placed in the provider's safekeeping department for the term of the deposit.

- *Concentration of Credit Risk* – The District does not have a formal investment policy that limits the amount the District may invest in any one issuer. More than 5 percent of the District's investments consist of a repurchase agreement associated with its QZABs. These investments are 11.9 percent of the District's total investments and 27.5 percent of the investments reported in the nonmajor funds on the governmental funds' balance sheet.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 3—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	\$ 90,761,863	\$ -	\$ -	\$ 90,761,863
Land Improvements	33,922,905	-	-	33,922,905
Construction in Progress	12,898,323	10,217,049	1,480,681	21,634,691
Total Capital Assets				
Not Being Depreciated	<u>137,583,091</u>	<u>10,217,049</u>	<u>1,480,681</u>	<u>146,319,459</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	42,203,799	374,261	-	42,578,060
Buildings and Fixed Equipment	1,274,148,442	2,888,492	153,114	1,276,883,820
Furniture, Fixtures, and Equipment	89,866,279	8,255,949	3,658,563	94,463,665
Motor Vehicles	40,835,722	9,995,302	3,155,024	47,676,000
Audio Visual Materials	41,332	-	1,350	39,982
Computer Software	8,911,871	23,431	3,147	8,932,155
Total Capital Assets				
Being Depreciated	<u>1,456,007,445</u>	<u>21,537,435</u>	<u>6,971,198</u>	<u>1,470,573,682</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	22,189,872	2,124,354	-	24,314,226
Buildings and Fixed Equipment	523,851,452	31,978,096	133,562	555,695,986
Furniture, Fixtures, and Equipment	72,650,299	7,198,198	3,591,830	76,256,667
Motor Vehicles	23,677,453	2,908,751	3,073,131	23,513,073
Audio Visual Materials	41,332	-	1,350	39,982
Computer Software	8,661,691	108,633	3,147	8,767,177
Total Accumulated Depreciation	<u>651,072,099</u>	<u>44,318,032</u>	<u>6,803,020</u>	<u>688,587,111</u>
Total Capital Assets				
Being Depreciated, Net	<u>804,935,346</u>	<u>(22,780,597)</u>	<u>168,178</u>	<u>781,986,571</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 942,518,437</u>	<u>\$ (12,563,548)</u>	<u>\$ 1,648,859</u>	<u>\$ 928,306,030</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 3—Changes in Capital Assets (continued)

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Instruction	\$ 18,376,442
Student Personnel Services	20,120
Instructional Media Services	1,313
Instruction and Curriculum Development Services	148,807
Instructional Staff Training Services	54,227
Board	26,646
General Administration	33,885
School Administration	56,278
Facilities Acquisition and Construction	24,468,602
Fiscal Services	24,822
Food Services	658,467
Central Services	173,398
Student Transportation Services	139,152
Operation of Plant	16,358
Maintenance of Plant	119,163
Administrative Technology Services	352
Total Depreciation Expense - Governmental Activities	<u>\$ 44,318,032</u>

Note 4—Retirement Plans

Florida Retirement System – 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 pension expense totaled \$36,834,543 for the fiscal year ended June 30, 2019.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 4—Retirement Plans (continued)

• **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 as follows:

- *Regular* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers* – Members who hold specified elective offices in local government.
- *Senior Management Service* – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. 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:

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 4—Retirement Plans (continued)

<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
Senior Management Service	2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is 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 2018-19 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	8.26
FRS, Elected County Officers	3.00	48.70
FRS, Senior Management Service	3.00	24.06
DROP - Applicable to		
Members from All of the Above Classes	0.00	14.03
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 \$16,666,373 for the fiscal year ended June 30, 2019.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 4—Retirement Plans (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the District reported a liability of \$176,145,240 for its proportionate share of the Plan’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The District’s proportionate share of the net pension liability was based on the District’s 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the District’s proportionate share was 0.584801490 percent, which was an increase of 0.007729266 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized the Plan pension expense of \$29,899,550. 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	\$ 14,922,150	\$ 541,604
Change of Assumptions	57,555,698	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	13,609,367
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	2,016,738	4,278,324
District FRS Contributions Subsequent to the Measurement Date	18,086,000	-
Total	<u>\$ 92,580,586</u>	<u>\$ 18,429,295</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 4—Retirement Plans (continued)

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$18,086,000, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. 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>
2020	\$ 22,226,676
2021	14,590,999
2022	1,174,744
2023	9,937,821
2024	7,028,997
Thereafter	1,106,054
Total	\$ 56,065,291

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
Investment Rate of Return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	2.9%	2.9%	1.8%
Fixed Income	18%	4.4%	4.3%	4.0%
Global Equity	54%	7.6%	6.3%	17.0%
Real Estate (Property)	11%	6.6%	6.0%	11.3%
Private Equity	10%	10.7%	7.8%	26.5%
Strategic Investments	6%	6.0%	5.7%	8.6%
Total	100%			
Assumed Inflation - Mean			2.6%	1.9%

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

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 4—Retirement Plans (continued)

Discount Rate – The discount rate used to measure the total pension liability was 7 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 2018 valuation was updated from 7.1 percent to 7 percent.

Sensitivity of the District’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
District’s Proportionate Share of the Net Pension Liability	\$ 321,472,452	\$ 176,145,240	\$ 55,442,400

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.

Payables to the Pension Plan – At June 30, 2019, the District reported a payable of \$1,635,709 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2019.

- **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, 2019, 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, 2019, 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.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 4—Retirement Plans (continued)

The District's contributions to the HIS Plan totaled \$4,832,083 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the District reported a liability of \$92,067,528 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, 2018, 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 liabilities as of July 1, 2018. The District's proportionate share of the net pension liability was based on the District's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the District's proportionate share was 0.869865375 percent, which was an increase of 0.014834900 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized the HIS Plan pension expense of \$6,934,993. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 1,409,513	\$ 156,419
Change of Assumptions	10,239,047	9,734,149
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	55,574	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	1,602,485	1,179,968
District HIS Contributions Subsequent to the Measurement Date	4,832,083	-
Total	<u>\$ 18,138,702</u>	<u>\$ 11,070,536</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 4—Retirement Plans (continued)

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$4,832,083, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. 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>
2020	\$ 1,353,488
2021	1,348,802
2022	858,799
2023	178,937
2024	(1,165,029)
Thereafter	(338,914)
Total	\$ 2,236,083

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	3.87 percent

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

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate – The discount rate used to measure the total pension liability was 3.87 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 3.58 percent to 3.87 percent.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 4—Retirement Plans (continued)

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 3.87 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 (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
District's Proportionate Share of the Net Pension Liability	\$ 104,859,519	\$ 92,067,528	\$ 81,404,661

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.

Payables to the Pension Plan – At June 30, 2019, the District reported a payable of \$364,273 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2019.

- **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 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 2018-19 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Elected County Officers	11.34
FRS, Senior Management Service	7.67

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 4—Retirement Plans (continued)

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, 2019, 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 \$4,517,705 for the fiscal year ended June 30, 2019.

Payables to the Investment Plan – At June 30, 2019, the District reported a payable of \$544,363 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2019.

Note 5—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 self-insured health and hospitalization plan for medical and prescription drug benefits and fully-insured 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 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 meets the criteria in paragraph 4 of Governmental Accounting Standards Statement No. 75.

Benefits Provided – The OPEB Plan provides self-insured health and hospitalization plan for medical and prescription drug benefits and fully-insured life insurance coverage benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 5—Other Postemployment Benefit Obligations (continued)

Employees Covered by Benefit Terms – At June 30, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	188
Active Employees	<u>5,216</u>
Total	<u><u>5,404</u></u>

Total OPEB Liability –The District’s total OPEB liability of \$4,523,765 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0 percent, annually
Salary Increases	3.0 percent, annually
Discount Rate	2.3 percent
Healthcare Cost Trend Rates	6.0 percent for 2020 through 2021, then 5.0 percent for 2022 and later years

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Index.

Mortality rates were based on the RP-2014 Mortality Fully Generational using Projection Scale MP-2018.

Changes in the Total OPEB Liability

	<u>Amount</u>
Balance at June 30, 2018	<u>\$ 3,977,080</u>
Changes for the year:	
Service Cost	205,854
Interest	127,628
Differences Between Expected and Actual Experience	158,099
Changes of Assumptions or Other Inputs	317,621
Benefit Payments	<u>(262,517)</u>
Net Changes	<u>546,685</u>
Balance at June 30, 2019	<u><u>\$ 4,523,765</u></u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 5—Other Postemployment Benefit Obligations (continued)

Changes of assumptions and other inputs reflect a change in the discount rate from 3.15 percent as of June 30, 2018, to 2.30 percent as of June 30, 2019. The mortality assumption has been updated from RP-2014 Mortality Fully Generational using Projection Scale MP-2017 to RP-2014 Mortality Fully Generational using Projection Scale MP-2018. All other assumptions are consistent with those used in the prior valuation.

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 (1.3 percent) or 1 percentage point higher (3.3 percent) than the current rate:

	1% Decrease (1.3%)	Current Discount Rate (2.3%)	1% Increase (3.3%)
Total OPEB Liability	\$ 4,939,776	\$ 4,523,765	\$ 4,150,261

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 (5.0 percent decreasing to 4.0 percent) or 1 percentage point higher (7.0 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (5.0% decreasing to 4.0%)	Healthcare Cost Trend Rates (6.0% decreasing to 5.0%)	1% Increase (7.0% decreasing to 6.0%)
Total OPEB Liability	\$ 4,058,690	\$ 4,523,765	\$ 5,070,839

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$320,208. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 158,099	\$ 104,070
Changes of Assumptions	317,621	-
Total	\$ 475,720	\$ 104,070

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 5—Other Postemployment Benefit Obligations (continued)

The 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>
2020	\$ 39,820
2021	39,820
2022	39,820
2023	39,820
2024	39,820
Thereafter	<u>172,550</u>
Total	<u>\$ 371,650</u>

Note 6—Construction and 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, 2019:

<u>Major Funds</u>				
<u>General</u>	<u>Capital Projects - Local Capital Improvement</u>	<u>Capital Projects - Other Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>\$ 3,661,768</u>	<u>\$ 50,741,412</u>	<u>\$ 6,844,903</u>	<u>\$ 4,242,014</u>	<u>\$ 65,490,097</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 6—Construction and Other Significant Commitments (continued)

Construction Contracts – Encumbrances include the following major construction contract commitments at June 30, 2019:

PROJECT	CONTRACT AMOUNT	COMPLETED TO DATE	BALANCE COMMITTED
GULF COAST HIGH SCHOOL			
RENOVATE TERMINAL A/C AND UPGRADE CONTROL SYSTEM CONTRACTOR-OWEN-AMES-KIMBALL COMPANY	\$ 2,863,354	\$ 2,650,214	\$ 213,140
DIRECT MATERIALS	71,995	29,045	42,950
GOLDEN GATE MIDDLE SCHOOL			
REPLACE AIR HANDLING UNITS AND ELECTRICAL SWITCH GEAR AND RENOVATE CONTRACTOR - OWEN-AMES-KIMBALL COMPANY	3,858,554	3,200,450	658,104
EVERGLADES CITY SCHOOL			
COVERED PE PAVILION AND DRAINAGE IMPROVEMENTS/DESIGN ARCHITECT - R.G.ARCHITECTS	29,000	27,500	1,500
DR. MLK JR. ADMINSTRATIVE CENTER			
REPLACE CHILLER PLANT AND CONSTRUCT THERMAL STORAGE CONTRACTOR - GATES BUTZ	3,810,409	3,637,992	172,417
ELEMENTARY L LAND IMPROVEMENTS			
ENGINEER - Q. GRADY MINOR	51,700	44,385	7,315
CONTRACTOR - OWEN-AMES-KIMBALL	1,456,786	1,400,526	56,260
LELY ELEMENTARY			
REPLACE ICE TANKS WITH WATER TANKS CONTRACTOR - ARTEC GROUP INC.	1,407,300	1,310,558	96,742
GULF COAST HIGH SCHOOL			
RENOVATE TERMINAL A/C EQUIPMENT CONTRACTOR - OWEN-AMES-KIMBALL	1,360,947	1,015,699	345,248
TOMMIE BARFIELD ELEMENTARY SCHOOL			
REPLACE BLDG 1, 2 AND 6 AIR HANDLING UNITS CONTRACTOR - EBL PARTNERS LLC	1,800,694	1,463,685	337,009
IMMOKALEE MIDDLE SCHOOL			
CONSTRUCT ELEVATED WALKWAY BETWEEN BLDGS 1 AND 10 CONTRACTOR - OWEN-AMES-KIMBALL	771,351	618,672	152,679
GOLDEN GATE HIGH SCHOOL			
REPLACE ICE TANKS WITH WATER TANK, REPLACE CHILL WATER LINES CONTRACTOR - OWEN-AMES-KIMBALL	2,647,918	2,344,076	303,842
PALMETTO RIDGE HIGH SCHOOL			
REPLACE ICE TANKS WITH WATER TANK CONTRACTOR - OWEN-AMES-KIMBALL	2,851,342	2,418,738	432,604
EVERGLADES CITY SCHOOL			
CONSTRUCT FLOOD WALL AND FLOOD GATES CONTRACTOR - OWEN-AMES-KIMBALL	4,306,496	685,639	3,620,857
HIGH SCHOOL GGG			
NEW HIGH SCHOOL ARCHITECT - ZYSCOVICH INC.	5,276,650	152,813	5,123,837
LAUREL OAK ELEMENTARY			
CONSTRUCT ALTERNATIVE PE PAVILION CONTRACTOR - OWEN-AMES-KIMBALL	320,190	24,472	295,718
PALMETTO ELEMENTARY SCHOOL			
CONSTRUCT ADD'L BUS LOOP CANOPY,FENCING, AND CONNECTING SIDEWALK CONTRACTOR - OWEN-AMES-KIMBALL	318,744	24,656	294,088
GULF COAST HIGH SCHOOL			
CONSTRUCT PEDESTRIAN CONNECTION CONTRACTOR - OWEN-AMES-KIMBALL	20,026	3,268	16,758
CYPRESS PALM MIDDLE AND SABAL PALM ELEMENTARY			
REPLACE CHILLER PLANT WITH THERMAL ENERGY STORAGE CONTRACTOR - OWEN-AMES-KIMBALL	5,446,529	582,303	4,864,226
TOTAL	\$ 38,669,985	\$ 21,634,691	\$ 17,035,294

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 7—Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Preferred Governmental Insurance Trust (Trust) under which local governmental entities have established a combined limited self-insurance program for property and automobile protection by the participating members of the Trust. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Board of Trustees for the Trust is composed of elected or appointed officials from the participating members. The Trust is administered by Public Risk Underwriters.

The District has contracted with a third-party administrator (TPA) to manage the health and hospitalization self-insurance program, including the processing, investigating, and payment of claims. The TPA notifies the District of the scheduled claims disbursements, and the District transfers the required funds into the District's Health Care Claims Account. The TPA then draws on this account to pay claims submitted by District employees, their dependents, and participating retirees. Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past 3 fiscal years. A liability for unpaid healthcare claims in the amount of \$6,349,000 was actuarially determined at June 30, 2019.

The District provides a medical and dependent care flexible benefits plan that allows employees to utilize pre-tax dollars, thus reducing their taxable income and taxes. The District has contracted with a TPA to manage this plan. The TPA notifies the District of scheduled claims disbursements, and the District transfers the required funds into the District's Flexible Benefits Account. The TPA then draws on this account to pay claims submitted by District employees. The District has limited liability for this plan as it is funded by employee payroll deductions. Settled claims have not exceeded the resources within the fund for the past 3 years.

The District also contracts with a TPA to manage its workers' compensation self-insurance program that includes provisions for specific excess loss reinsurance. The TPA handles the processing, investigating, and payment of claims. The District's program is reviewed annually by an actuary to determine the long-term exposure for workers' compensation claims. The trend over the last few years has been stable and claims exposure and related long-term liabilities have remained relatively constant. The liability for workers' compensation at June 30, 2019, of \$2,267,000 was discounted to net present value using an annual rate of 2.5 percent.

A liability in the amount of \$8,616,000 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable for the health and hospitalization and workers' compensation self-insurance programs at June 30, 2019.

The following schedule represents the changes in claims liability for the past 2 fiscal years for the District's self-insurance program:

	Beginning of Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2017-18	\$ 7,474,000	\$ 44,284,134	\$ (44,704,134)	\$ 7,054,000
2018-19	7,054,000	51,221,103	(49,659,103)	8,616,000

Other required insurance coverage such as general liability, automobile, and student accident is being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

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

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 8—Lease-Purchase Agreements Payable

Certificates of Participation – COPs at June 30, 2019, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 2005A, Refunding	\$ 54,795,000	5.25	2022	\$ 106,345,000
Series 2005-QZAB	4,192,000	None	2021	4,192,000
Series 2010, COPs Refunding	6,675,000	2.74	2022	27,675,000
Series 2014A, COPs Refunding	157,550,000	3.05	2026	164,765,000
Series 2015, COPs Refunding	4,740,000	5	2020	36,225,000
Subtotal	227,952,000			
Plus: Unamortized Premiums	2,419,937			
Total Certificates of Participation	\$ 230,371,937			

The District entered into a master financing arrangement on August 1, 1992, which was characterized as a lease-purchase agreement, with the Collier County School Board Foundation, Inc. (Foundation), whereby the District secured financing of various educational facilities. The financing was accomplished through the issuance of COPs to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, for each project against which the trustee has rights, the District has given a ground lease on District property to the Foundation, with a rental fee of \$10 per year. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. The master lease-purchase agreement, together with the lease schedule related to each project, is renewable for successive 1-year terms through the final maturity of the applicable series of certificates. If the District fails to renew any lease and provide for the rent payments through maturity, the District may be required to surrender the sites included under the ground leases for the benefit of the owners of the COPs for the remaining term of the ground leases.

The District properties included in the various ground leases under this arrangement include Immokalee Middle School, Lely Elementary School, Lake Trafford Elementary School, Vineyards Elementary School, Laurel Oak Elementary School, Oakridge Middle School, Barron Collier High School, Pine Ridge Middle School, Highlands Elementary School, Manatee Middle School, Manatee Elementary School, Gulfview Middle School, Immokalee High School, Lorenzo Walker Institute of Technology, Everglades City School, Gulf Coast High School, Pelican Marsh Elementary School, Calusa Park Elementary School, Sabal Palm Elementary School, North Naples Middle School, Palmetto Ridge High School, Golden Gate High School, Pinecrest Elementary School, Golden Gate Middle School, Village Oaks Elementary School, Mike Davis Elementary School, Marco Charter Middle School, Immokalee High School Renovations, Immokalee Technical Center, Naples High School Gymnasium, and Lorenzo Walker Technical High School.,

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 8—Lease-Purchase Agreements Payable (continued)

With the exception of the Series 2005-QZABs, the lease payments are payable by the District semiannually, on August 15 and February 15, and must be remitted by the District as of the preceding June and January 15, respectively.

The 2005-QZABs were issued by the Foundation under a special program whereby the certificates, bearing an original issue date of November 18, 2005, will mature in full on November 18, 2021. There is no interest cost for borrowing moneys under this program. The District entered into a forward delivery agreement under which mandatory deposits (rent payments) of \$523,907 for 5 consecutive years began on November 18, 2005. The forward delivery agreement provides a guaranteed investment return whereby the required deposits, along with accrued interest, will be sufficient to redeem the certificates at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a trust agreement until the certificates mature. The certificates are secured by the assets held under the trust agreement in the event of cancellation or default.

The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 34,296,907	\$ 26,195,000	\$ 8,101,907
2021	35,632,403	28,840,000	6,792,403
2022	41,035,697	35,517,000	5,518,697
2023	36,955,700	32,765,000	4,190,700
2024	37,001,367	33,810,000	3,191,367
2025-2026	74,082,095	70,825,000	3,257,095
Total Minimum Lease Payments	259,004,169	227,952,000	31,052,169
Plus: Unamortized Premiums	2,419,937	2,419,937	-
Total	\$ 261,424,106	\$ 230,371,937	\$ 31,052,169

Note 9—Bonds Payable

Bonds payable at June 30, 2019, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2014B, Refunding	\$ 36,000	2 - 5	2020
Plus: Unamortized Premiums	8,788		
Total Bonds Payable	\$ 44,788		

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 9—Bonds Payable (continued)

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2019, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2020	\$ 36,720	\$ 36,000	\$ 720
Total State School Bonds	36,720	36,000	720
Plus: Unamortized Premiums	8,788	8,788	-
Total	\$ 45,508	\$ 44,788	\$ 720

Note 10—Changes In Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
GOVERNMENTAL ACTIVITIES					
Lease-Purchase Agreements Payable, Net	\$ 266,020,863	\$ -	\$ 35,648,926	\$ 230,371,937	\$ 27,730,060
Bonds Payable, Net	88,576	-	43,788	44,788	44,788
Other Postemployment Benefits Payable	3,977,080	809,202	262,517	4,523,765	264,669
Estimated Insurance Claims Payable	7,054,000	51,221,103	49,659,103	8,616,000	7,918,000
Compensated Absences Payable	33,599,828	17,482,264	16,186,882	34,895,210	16,186,882
Net Pension Liability	262,117,895	142,863,925	136,769,052	268,212,768	2,253,529
Total Governmental Activities	\$ 572,858,242	\$ 212,376,494	\$ 238,570,268	\$ 546,664,468	\$ 54,397,928

For the governmental activities, compensated absences, pensions, and other postemployment benefits are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with the resources of the internal service funds, as discussed in *Note 7, Risk Management Programs*.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 11—Fund Balance Reporting

The following is a schedule of fund balances by category at June 30, 2019:

	Major Funds					Total Governmental Funds
	General	Capital Projects - Local Capital Improvement	Capital Projects - Other Capital Projects	Total Major Funds	Nonmajor Governmental Funds	
Fund Balances						
Nonspendable:						
Prepaid Items	\$ 1,212,921	\$ -	\$ -	\$ 1,212,921	\$ -	\$ 1,212,921
Inventories	926,068	-	-	926,068	1,675,762	2,601,830
Restricted:						
State Categoricals	1,677,769	-	-	1,677,769	-	1,677,769
Food Service	-	-	-	-	11,143,368	11,143,368
Debt Service	-	-	-	-	7,893,454	7,893,454
Capital Projects	-	122,354,740	73,102,591	195,457,331	288,201	195,745,532
Workforce Programs	1,310,077	-	-	1,310,077	-	1,310,077
School Improvement	324,769	-	-	324,769	-	324,769
Assigned:						
Next FY Deficit	7,139,647	-	-	7,139,647	-	7,139,647
General Fund Purchases						
Outstanding at Year End	3,114,757	-	-	3,114,757	-	3,114,757
School Carry Forwards	5,845,158	-	-	5,845,158	-	5,845,158
FTE Audit	90,000	-	-	90,000	-	90,000
Low Perform Schools	1,200,000	-	-	1,200,000	-	1,200,000
Enterprise SW	5,000,000	-	-	5,000,000	-	5,000,000
FTE Shortfall/Prorated	2,500,000	-	-	2,500,000	-	2,500,000
Capital Projects	-	-	2,564,859	2,564,859	-	2,564,859
Capital Projects Purchases						
Outstanding at Year End	-	-	329,730	329,730	-	329,730
Unassigned:						
Reserve for Future						
Budget Shortfalls	41,140,919	-	-	41,140,919	-	41,140,919
Strategic Reserve	17,860,000	-	-	17,860,000	-	17,860,000
Contingency Reserve	4,890,000	-	-	4,890,000	-	4,890,000
Total Fund Balances	\$ 94,232,085	\$ 122,354,740	\$ 75,997,180	\$ 292,584,005	\$ 21,000,785	\$ 313,584,790

Minimum Fund Balance Policy – Pursuant to Board Policy 6210, the Board has set a goal of 4 percent of annual resources designated as a strategic reserve. The strategic reserve shall only be utilized by a supermajority vote from members of the Board. As of June 30, 2019, the Board had designated \$17.86 million of the unassigned fund balance as a strategic reserve. Pursuant to Board Policy 6210, the Board has set a goal of 1 percent of annual resources designated as a contingency reserve. The Superintendent has the authority to utilize the contingency reserve, and is required to report such use to the Board at a subsequent Board meeting. As of June 30, 2019, the District had \$4.89 million of unassigned fund balance designated for contingencies to meet any unanticipated needs.

In addition to committed and assigned fund balance categories discussed in the Fund Balance Policies portion of *Note 1, Summary of Significant Accounting Policies*, 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.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 11—Fund Balance Reporting (continued)

- *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.

Note 12—Interfund Receivables, Payables, and Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major:		
General	\$ 1,374,148	\$ -
Capital Projects:		
Other Capital Projects	-	311,459
Nonmajor Governmental	-	1,062,689
Total	\$ 1,374,148	\$ 1,374,148

At fiscal year end, the District had expenditures in its nonmajor governmental funds for special revenue projects that had not yet been reimbursed by the grantor agencies. These expenditures were paid from the General Fund.

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	\$ 29,783,582	\$ -
Capital Projects:		
Local Capital Improvement	-	113,872,855
Other Capital Projects	43,448,824	1,419,542
Nonmajor Governmental	86,332,492	44,272,501
Total	\$ 159,564,898	\$ 159,564,898

Transfers to the General Fund were to reimburse expenditures for repairs and maintenance projects, property casualty insurance premiums, equipment purchases, and for other operational purposes. Transfers to the Debt Service – Other Fund (nonmajor governmental) were to provide moneys for scheduled debt service payments for principal, interest, and other debt service costs.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 13—Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2018-19 fiscal year:

<u>Source</u>	<u>Amount</u>
Categorical Educational Program - Class Size Reduction	\$ 54,569,322
Florida Education Finance Program	28,480,821
Workforce Development Program	9,543,265
Florida Best and Brightest Teacher Scholarship Program	3,468,631
School Recognition	2,819,871
Everglades Flood Mitigation	2,000,000
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,994,494
Educational Facilities Security Grant	1,547,737
Charter School Capital Outlay Funding	1,419,542
Voluntary Prekindergarten Program	1,287,010
Gross Receipts Tax (Public Education Capital Outlay)	823,676
Sales Tax Distribution	446,500
Food Service Supplement	265,187
Discretionary Lottery Funds	172,454
State License Tax	108,352
Workforce Performance Based Initiative	68,812
Miscellaneous	295,752
Total	\$ 109,311,426

Accounting policies relating to certain State revenue sources are described in *Note 1, Summary of Significant Accounting Policies*.

Note 14—Property Taxes

The following is a summary of millages and taxes levied on the 2018 tax roll for the 2018-19 fiscal year:

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	2.821	\$ 260,660,003
Basic Discretionary Local Effort	0.748	69,115,095
 Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.480	136,751,792
Total	5.049	\$ 466,526,890

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

Note 15—Internal Service Funds

The following is a summary of financial information as reported in the internal service funds for the 2018-19 fiscal year:

	<u>Total</u>	<u>Group Health Insurance</u>	<u>Workers' Compensation Insurance</u>	<u>Employee Benefit Plan</u>
Total Assets	\$ 42,014,938	\$ 28,769,413	\$ 12,870,509	\$ 375,016
Liabilities and Net Position:				
Accrued Salaries and Benefits	\$ 13,858	\$ 11,637	\$ 2,221	\$ -
Payroll Deductions and Withholdings Payable	6,551	5,411	1,140	-
Accounts Payable	500,512	485,152	9,445	5,915
Due to Other Agencies	7,415	5,628	1,787	-
Estimated Liability for Self-Insurance Program	8,616,000	6,349,000	2,267,000	-
Unrestricted Net Position	32,870,602	21,912,585	10,588,916	369,101
Total Liabilities and Net Position	\$ 42,014,938	\$ 28,769,413	\$ 12,870,509	\$ 375,016
Revenues:				
Premium Contributions	\$ 52,925,504	\$ 50,042,519	\$ 1,530,078	\$ 1,352,907
Investment Income	975,185	676,162	292,728	6,295
Total Revenues	53,900,689	50,718,681	1,822,806	1,359,202
Total Expenses	(57,807,031)	(54,486,386)	(2,008,592)	(1,312,053)
Change in Net Position	\$ (3,906,342)	\$ (3,767,705)	\$ (185,786)	\$ 47,149

Note 16—Summary Disclosure of Significant Contingencies

Litigation – The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District’s legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL –
GENERAL FUND

YEAR ENDED JUNE 30, 2019

Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2019

	General Fund			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 490,000	\$ 488,628	\$ 488,628	\$ -
Federal Through State and Local	1,450,000	4,782,823	2,220,691	(2,562,132)
State	96,646,988	101,105,210	101,105,210	-
Local:				
Property Taxes	316,941,775	318,611,526	318,611,526	-
Miscellaneous	9,362,863	15,059,020	15,059,020	-
Total Local Revenues	<u>326,304,638</u>	<u>333,670,546</u>	<u>333,670,546</u>	<u>-</u>
Total Revenues	<u>424,891,626</u>	<u>440,047,207</u>	<u>437,485,075</u>	<u>(2,562,132)</u>
Expenditures				
Current - Education:				
Instruction	305,461,121	308,374,841	299,719,984	8,654,857
Student Support Services	19,799,034	19,747,414	19,620,655	126,759
Instructional Media Services	5,915,448	6,334,042	6,239,815	94,227
Instruction and Curriculum Development Services	7,568,252	7,602,866	7,597,767	5,099
Instructional Staff Training Services	4,401,403	5,344,822	4,827,540	517,282
Instruction-Related Technology	1,553,904	1,338,678	1,338,678	-
Board	1,503,191	1,458,832	1,284,007	174,825
General Administration	1,391,010	1,585,456	1,585,456	-
School Administration	31,126,001	31,806,381	31,663,908	142,473
Facilities Acquisition and Construction	139,758	1,651,576	1,591,836	59,740
Fiscal Services	3,162,157	3,253,115	3,214,613	38,502
Central Services	8,876,616	9,156,485	9,045,886	110,599
Student Transportation Services	21,807,797	22,888,022	22,814,043	73,979
Operation of Plant	41,099,483	35,882,339	35,103,462	778,877
Maintenance of Plant	19,556,852	18,141,246	17,879,456	261,790
Administrative Technology Services	3,623,983	3,961,511	3,959,711	1,800
Capital Outlay:				
Facilities Acquisition and Construction	-	4,776	4,776	-
Other Capital Outlay	-	5,544,563	5,544,563	-
Total Expenditures	<u>476,986,010</u>	<u>484,076,965</u>	<u>473,036,156</u>	<u>11,040,809</u>
Deficiency of Revenues Over Expenditures	<u>(52,094,384)</u>	<u>(44,029,758)</u>	<u>(35,551,081)</u>	<u>8,478,677</u>
Other Financing Sources				
Sale of Capital Assets	10,000	5,902	5,902	-
Loss Recoveries	-	4,246,939	4,246,939	-
Transfers In	35,669,436	29,783,582	29,783,582	-
Total Other Financing Sources	<u>35,679,436</u>	<u>34,036,423</u>	<u>34,036,423</u>	<u>-</u>
Net Change in Fund Balances	(16,414,948)	(9,993,335)	(1,514,658)	8,478,677
Fund Balances, Beginning	<u>95,746,743</u>	<u>95,746,743</u>	<u>95,746,743</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 79,331,795</u>	<u>\$ 85,753,408</u>	<u>\$ 94,232,085</u>	<u>\$ 8,478,677</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
OTHER REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2019

**Schedule of Changes in the District's
Total Other Postemployment Benefit Plans (OPEB)
Liability and Related Ratios
Last 10 Fiscal Years (1) (2)**

	2019	2018
Total OPEB Liability		
Service Cost	\$ 205,854	\$ 193,755
Interest	127,628	128,817
Differences Between Expected and Actual Experience	158,099	(117,344)
Changes of Assumptions or Other Inputs	317,621	-
Benefit Payments	(262,517)	(247,657)
Net Change in Total OPEB Liability	546,685	(42,429)
Total OPEB Liability - Beginning	3,977,080	4,019,509
Total OPEB Liability - Ending	\$ 4,523,765	\$ 3,977,080
Covered-Employee Payroll	\$ 248,030,068	\$ 241,183,040
Total OPEB Liability as a Percentage of Covered-Employee Payroll	1.82%	1.65%

Notes:

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) Information is presented for the years when data is available until ten years of information can be provided.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
OTHER REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2019

**Schedule of the District's Proportionate Share
of the Net Pension Liability –
Florida Retirement System Pension Plan
Last 10 Fiscal Years (1) (2)**

Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability As A Percentage of District's Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2013	0.608615952%	\$ 104,769,893	\$ 236,841,725	44.24%	88.54%
2014	0.632654076%	38,601,202	260,243,604	14.83%	96.09%
2015	0.629605084%	81,321,941	264,464,333	30.75%	92.00%
2016	0.582544320%	147,092,898	266,701,427	55.15%	84.88%
2017	0.577072224%	170,694,092	272,584,491	62.62%	83.89%
2018	0.584801490%	176,145,240	284,214,915	61.98%	84.26%

**Schedule of District Contributions –
Florida Retirement System Pension Plan
Last 10 Fiscal Years (1) (2)**

Fiscal Year Ended June 30	Contractually Required Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contribution as a % of Covered Payroll
2014	\$ 13,857,809	\$ 13,857,809	\$ -	\$ 260,243,604	5.32%
2015	15,350,307	15,350,307	-	264,464,333	5.80%
2016	14,206,272	14,206,272	-	266,701,427	5.33%
2017	15,022,611	15,022,611	-	272,584,491	5.51%
2018	16,670,000	16,670,000	-	284,214,915	5.87%
2019	17,919,382	17,919,382	-	291,226,683	6.15%

Notes:

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) Information is presented for the years when data is available until ten years of information can be provided.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
OTHER REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2019

**Schedule of the District's Proportionate Share
of the Net Pension Liability –
Health Insurance Subsidy Pension Plan
Last 10 Fiscal Years (1) (2)**

Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability As A Percentage of District's Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2013	0.863233755%	\$ 75,155,848	\$ 236,841,725	31.73%	1.78%
2014	0.874825796%	81,798,347	260,243,604	31.43%	0.99%
2015	0.871462424%	88,875,459	264,464,333	33.61%	0.50%
2016	0.863915180%	100,685,735	266,701,427	37.75%	0.97%
2017	0.855030475%	91,423,803	272,584,491	33.54%	1.64%
2018	0.869865375%	92,067,528	284,214,915	32.39%	2.15%

**Schedule of District Contributions –
Health Insurance Subsidy Pension Plan
Last 10 Fiscal Years (1) (2)**

Fiscal Year Ended June 30	Contractually Required Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contribution as a % of Covered Payroll
2014	\$ 2,996,859	\$ 2,996,859	\$ -	\$ 260,243,604	1.15%
2015	3,331,272	3,331,272	-	264,464,333	1.26%
2016	4,428,116	4,428,116	-	266,701,427	1.66%
2017	4,525,068	4,525,068	-	272,584,491	1.66%
2018	4,714,936	4,714,936	-	284,214,915	1.66%
2019	4,834,875	4,834,875	-	291,226,683	1.66%

Notes:

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) Information is presented for the years when data is available until ten years of information can be provided.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2019

1. Budgetary Basis of Accounting

The Board follows procedures established by State law and 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 meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of Assumptions:

- The discount rate was changed from 3.15 percent as of June 30, 2018, to 2.30 percent as of June 30, 2019.
- The mortality assumption has been updated from RP-2014 Mortality Fully Generational using Projection Scale MP-2017 to RP-2014 Mortality Fully Generational using Projection Scale MP-2018.

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

Changes of Assumptions: The long-term expected rate of return was decreased from 7.1 percent to 7.0 percent, and the active member mortality assumption was updated.

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

Changes of Assumptions: The municipal bond rate used to determine total pension liability was increased from 3.58 percent to 3.87 percent.

OTHER SUPPLEMENTARY INFORMATION

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2019

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 12,041,325	\$ 4,062,183	\$ 513,524	\$ 16,617,032
Investments	-	3,831,271	-	3,831,271
Accounts receivable, net	4,491	-	-	4,491
Due from other agencies	2,304,516	-	34,413	2,338,929
Inventory	1,675,762	-	-	1,675,762
Total Assets	\$ 16,026,094	\$ 7,893,454	\$ 547,937	\$ 24,467,485
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Salaries, benefits and payroll taxes payable	\$ 546,444	\$ -	\$ -	\$ 546,444
Payroll deductions and withholdings	168,485	-	-	168,485
Accounts payable	243,043	-	-	243,043
Construction contracts payable	395,729	-	132,490	528,219
Construction contracts payable - retained percentage	113,211	-	127,246	240,457
Due to other agencies	256,986	-	-	256,986
Due to budgetary funds	1,062,689	-	-	1,062,689
Unearned revenue	299,877	-	-	299,877
Total Liabilities	3,086,464	-	259,736	3,346,200
Deferred inflow of resources:				
Deferred revenues	120,500	-	-	120,500
Fund Balances:				
Nonspendable:				
Inventory	1,675,762	-	-	1,675,762
Restricted for:				
Debt service	-	7,893,454	-	7,893,454
Capital projects	-	-	288,201	288,201
Food service	11,143,368	-	-	11,143,368
Total Fund Balances	12,819,130	7,893,454	288,201	21,000,785
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 16,026,094	\$ 7,893,454	\$ 547,937	\$ 24,467,485

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2019

	Special Revenue Funds	Debt Service Fund	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues:				
Federal direct	\$ 4,555,936	\$ -	\$ -	\$ 4,555,936
Federal through state and local	54,562,693	-	-	54,562,693
State sources	430,556	34,955	2,753,843	3,219,354
Local sources	5,512,028	269,046	-	5,781,074
Total Revenues	<u>65,061,213</u>	<u>304,001</u>	<u>2,753,843</u>	<u>68,119,057</u>
Expenditures:				
Current:				
Instruction	20,533,029	-	-	20,533,029
Student support services	2,693,680	-	-	2,693,680
Instructional media services	53,970	-	-	53,970
Instruction and curriculum development services	6,777,112	-	-	6,777,112
Instructional staff training services	5,794,594	-	-	5,794,594
Instruction related technology	2,573	-	-	2,573
General administration	1,363,905	-	-	1,363,905
School administration	152,432	-	-	152,432
Facilities acquisition and construction	2,012,215	-	1,640,088	3,652,303
Food services	25,331,949	-	-	25,331,949
Central services	275,782	-	-	275,782
Student transportation services	276,315	-	-	276,315
Operation of plant	34,708	-	-	34,708
Maintenance of plant	101,931	-	-	101,931
Capital outlay:				
Other capital outlay	1,105,367	-	-	1,105,367
Debt service:				
Principal	-	34,085,000	-	34,085,000
Interest	-	9,815,280	1,878	9,817,158
Total Expenditures	<u>66,509,562</u>	<u>43,900,280</u>	<u>1,641,966</u>	<u>112,051,808</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,448,349)</u>	<u>(43,596,279)</u>	<u>1,111,877</u>	<u>(43,932,751)</u>
Other Financing Sources (Uses):				
Proceeds from the sale of capital assets	10,980	-	-	10,980
Transfers in	-	86,332,492	-	86,332,492
Transfers out	-	(43,448,825)	(823,676)	(44,272,501)
Total Other Financing Sources (Uses)	<u>10,980</u>	<u>42,883,667</u>	<u>(823,676)</u>	<u>42,070,971</u>
Net change in fund balances	(1,437,369)	(712,612)	288,201	(1,861,780)
Fund balance - beginning	<u>14,256,499</u>	<u>8,606,066</u>	<u>-</u>	<u>22,862,565</u>
Fund balance - ending	<u>\$ 12,819,130</u>	<u>\$ 7,893,454</u>	<u>\$ 288,201</u>	<u>\$ 21,000,785</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**COMBINING BALANCE SHEET –
NONMAJOR SPECIAL REVENUE FUNDS**

JUNE 30, 2019

	Food Service	Other Federal Programs	Total Nonmajor Special Revenue Funds
ASSETS			
Cash and cash equivalents	\$ 11,871,622	\$ 169,703	\$ 12,041,325
Accounts receivable, net	4,491	-	4,491
Due from other agencies	251,086	2,053,430	2,304,516
Inventory	1,675,762	-	1,675,762
Total Assets	\$ 13,802,961	\$ 2,223,133	\$ 16,026,094
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Salaries, benefits and payroll taxes payable	\$ 72,161	\$ 474,283	\$ 546,444
Payroll deductions and withholdings	35,025	133,460	168,485
Accounts payable	76,115	166,928	243,043
Construction contracts payable	395,729	-	395,729
Construction contracts payable - retained percentage	113,211	-	113,211
Due to other agencies	54,829	202,157	256,986
Due to budgetary funds	-	1,062,689	1,062,689
Unearned revenue	236,761	63,116	299,877
Total Liabilities	983,831	2,102,633	3,086,464
Deferred inflow of resources:			
Deferred revenues	-	120,500	120,500
Fund Balances:			
Nonspendable:			
Inventory	1,675,762	-	1,675,762
Restricted for:			
Food service	11,143,368	-	11,143,368
Total Fund Balances	12,819,130	-	12,819,130
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 13,802,961	\$ 2,223,133	\$ 16,026,094

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES –
NONMAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2019

	<u>Food Service</u>	<u>Other Federal Programs</u>	<u>Total Nonmajor Special Revenue Funds</u>
Revenues:			
Federal direct	\$ -	\$ 4,555,936	\$ 4,555,936
Federal through state and local	20,445,070	34,117,623	54,562,693
State sources	265,187	165,369	430,556
Local sources	4,132,154	1,379,874	5,512,028
Total Revenues	<u>24,842,411</u>	<u>40,218,802</u>	<u>65,061,213</u>
Expenditures:			
Current:			
Instruction	-	20,533,029	20,533,029
Student support services	-	2,693,680	2,693,680
Instructional media services	-	53,970	53,970
Instruction and curriculum development services	-	6,777,112	6,777,112
Instructional staff training services	-	5,794,594	5,794,594
Instruction related technology	-	2,573	2,573
General administration	-	1,363,905	1,363,905
School administration	-	152,432	152,432
Facilities acquisition and construction	-	2,012,215	2,012,215
Food services	25,331,949	-	25,331,949
Central services	-	275,782	275,782
Student transportation services	-	276,315	276,315
Operation of plant	-	34,708	34,708
Maintenance of plant	-	101,931	101,931
Capital outlay:			
Other capital outlay	958,811	146,556	1,105,367
Total Expenditures	<u>26,290,760</u>	<u>40,218,802</u>	<u>66,509,562</u>
Excess of revenues over expenditures	<u>(1,448,349)</u>	<u>-</u>	<u>(1,448,349)</u>
Other Financing Sources:			
Proceeds from the sale of capital assets	<u>10,980</u>	<u>-</u>	<u>10,980</u>
Net change in fund balances	(1,437,369)	-	(1,437,369)
Fund balance - beginning	<u>14,256,499</u>	<u>-</u>	<u>14,256,499</u>
Fund balance - ending	<u>\$ 12,819,130</u>	<u>\$ -</u>	<u>\$ 12,819,130</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
COMBINING BALANCE SHEET –
NONMAJOR DEBT SERVICE FUNDS

JUNE 30, 2019

	<u>State Board of Education</u>	<u>Other Debt Service</u>	<u>Total Nonmajor Debt Service Funds</u>
ASSETS			
Cash and cash equivalents	\$ 440	\$ 4,061,743	\$ 4,062,183
Investments	-	3,831,271	3,831,271
Total Assets	<u>\$ 440</u>	<u>\$ 7,893,014</u>	<u>\$ 7,893,454</u>
FUND BALANCES			
Restricted for:			
Debt service	\$ 440	\$ 7,893,014	\$ 7,893,454
Total Fund Balances	<u>\$ 440</u>	<u>\$ 7,893,014</u>	<u>\$ 7,893,454</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES –
NONMAJOR DEBT SERVICE FUNDS

YEAR ENDED JUNE 30, 2019

	<u>State Board of Education</u>	<u>Other Debt Service</u>	<u>Total Nonmajor Debt Service Funds</u>
Revenues:			
State sources	\$ 34,955	\$ -	\$ 34,955
Local sources	-	269,046	269,046
Total Revenues	<u>34,955</u>	<u>269,046</u>	<u>304,001</u>
Expenditures:			
Debt service:			
Principal	35,000	34,050,000	34,085,000
Interest	<u>2,485</u>	<u>9,812,795</u>	<u>9,815,280</u>
Total Expenditures	<u>37,485</u>	<u>43,862,795</u>	<u>43,900,280</u>
Deficiency of revenues under expenditures	<u>(2,530)</u>	<u>(43,593,749)</u>	<u>(43,596,279)</u>
Other Financing Sources (Uses)			
Transfers in	-	86,332,492	86,332,492
Transfers out	<u>-</u>	<u>(43,448,825)</u>	<u>(43,448,825)</u>
Total other financing sources (uses)	<u>-</u>	<u>42,883,667</u>	<u>42,883,667</u>
Net change in fund balances	(2,530)	(710,082)	(712,612)
Fund balance - beginning	<u>2,970</u>	<u>8,603,096</u>	<u>8,606,066</u>
Fund balance - ending	<u>\$ 440</u>	<u>\$ 7,893,014</u>	<u>\$ 7,893,454</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**COMBINING BALANCE SHEET –
NONMAJOR CAPITAL PROJECTS FUNDS**

JUNE 30, 2019

	<u>Public Education Capital Outlay</u>	<u>Capital Outlay and Debt Service (CO & DS)</u>	<u>Total Nonmajor Capital Projects Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 513,524	\$ 513,524
Due from other agencies	-	34,413	34,413
Total Assets	<u>\$ -</u>	<u>\$ 547,937</u>	<u>\$ 547,937</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Construction contracts payable	\$ -	132,490	\$ 132,490
Construction contracts payable - retained percentage	-	127,246	127,246
Total Liabilities	<u>-</u>	<u>259,736</u>	<u>259,736</u>
Fund Balances:			
Restricted for:			
Capital projects	-	288,201	288,201
Total Fund Balances	<u>-</u>	<u>288,201</u>	<u>288,201</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 547,937</u>	<u>\$ 547,937</u>

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES –
NONMAJOR CAPITAL PROJECTS FUNDS

YEAR ENDED JUNE 30, 2019

	Public Education Capital Outlay	Capital Outlay and Debt Service (CO & DS)	Total Nonmajor Capital Projects Funds
Revenues:			
State sources	\$ 823,676	\$ 1,930,167	\$ 2,753,843
Total Revenues	<u>823,676</u>	<u>1,930,167</u>	<u>2,753,843</u>
Expenditures:			
Current:			
Facilities acquisition and construction	-	1,640,088	1,640,088
Interest	-	1,878	1,878
Total Expenditures	<u>-</u>	<u>1,641,966</u>	<u>1,641,966</u>
Excess of revenues over expenditures	823,676	288,201	1,111,877
Other Financing Sources (Uses):			
Transfers out	<u>(823,676)</u>	<u>-</u>	<u>(823,676)</u>
Total Other Financing Sources (Uses)	<u>(823,676)</u>	<u>-</u>	<u>(823,676)</u>
Net change in fund balances	-	288,201	288,201
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 288,201</u>	<u>\$ 288,201</u>

COMPLIANCE AND SINGLE AUDIT

**Report of Independent Auditor 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 Honorable Members of the School Board
District School Board of Collier County, Florida
Naples, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District School Board of Collier County, Florida (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 2019. Our report includes reference to other auditors who audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 the 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Orlando, Florida
December 13, 2019

**Report of Independent Auditor on Compliance for
Each Major Program and on Internal Control over
Compliance Required by the Uniform Guidance**

The Honorable Members of the School Board
District School Board of Collier County, Florida
Naples, Florida

Report on Compliance for Each Major Federal Program

We have audited the District School Board of Collier County, Florida's (the "District") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Hurricane Education Recovery (Emergency Impact Aid)

As described in item 2019-001 in the accompanying schedule of findings and questioned costs, the District did not comply with the requirements regarding eligibility. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on Hurricane Education Recovery (Emergency Impact Aid)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Hurricane Education Recovery (Emergency Impact Aid) for the year ended June 30, 2019.

Unqualified Opinion on Each of the Other Major Federal Programs

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

Other Matters

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District 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 requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is 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.



Orlando, Florida
December 13, 2019

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor Number	Amount of Expenditures
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553		\$ 4,093,374
National School Lunch Program	10.555		14,133,167
Summer Food Service Program for Children	10.559		288,903
Total Child Nutrition Cluster			18,515,444
Farm to School Grant Program	10.575	24491/25422	52,500
Fresh Fruit and Vegetable Program	10.582		331,497
Florida Department of Health:			
Child & Adult Care Food Program	10.558	4750	1,280,380
Total United States Department of Agriculture			20,179,821
United States Department of Labor:			
Indirect:			
Florida Department of Education:			
National Farmworker Jobs Program	17.264	405	383,208
Total United States Department of Labor			383,208
United States Department of Education:			
Direct:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	N/A	10,989
Federal Pell Grant Program	84.063	N/A	1,447,221
Total Student Financial Assistance Cluster			1,458,210
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	9,799,263
Special Education - Preschool Grants	84.173	267	353,966
Total Special Education Cluster			10,153,229
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191,193	872,571
Title I Grants to Local Educational Agencies	84.010	212,223,226	10,758,960
Migrant Education - State Grant Program	84.011	217	4,387,428
Vocational Education - Basic Grants to States	84.048	161	603,477
Education for Homeless Children and Youth	84.196	127	73,500
Charter Schools	84.282	298	255,933
English Language Acquisition State Grants	84.365	102	975,794
Student Support and Academic Enrichment Program	84.424	241	551,580
Supporting Effective Instruction State Grant	84.367	224	1,485,930
Title 1 School Improvement Grants	84.377	126	1,503,977
Hurricane Education Recovery			
Hurricane Education Recovery (Restart)	84.938A	105	2,112,036
Hurricane Education Recovery (Emergency Impact Aid)	84.938C	105	581,458
Total Hurricane Education Recovery			2,693,494
Total Florida Department of Education			24,162,644
Total United States Department of Education			35,774,083

See notes to the Schedule of Expenditures of Federal Awards.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor Number	Amount of Expenditures
United States Department of Health and Human Services:			
Direct:			
Head Start	93.600	04CH4718-05	\$ 3,097,726
Total United States Department of Health and Human Services			3,097,726
United States Department of Homeland Security:			
Indirect:			
Florida Department of Community Affairs: Disaster Grants - Public Assistance	97.036	PA-00-09-21-14-095	1,279,577
Total United States Department of Homeland Security			1,279,577
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	12.U01	N/A	488,628
Total United States Department of Defense			488,628
Total Expenditures of Federal Awards			\$ 61,203,043

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

Note 1—Summary of significant accounting policies

Basis of Presentation – The Schedule of Expenditures of Federal Awards (the "Schedule") represents amounts expended from Federal Programs, during the 2018-19 fiscal year, as determined based on the modified accrual basis of accounting. Amounts are reported for disaster grants as qualified expenditures are identified and were incurred in a prior year. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported. The District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 2—Program clusters

The Uniform Guidance defines a cluster of programs as a grouping of closely related programs that share common compliance requirements. According to this definition, similar programs deemed to be a cluster of programs are tested accordingly.

Note 3—Contingency

The grant revenue amounts received are subject to audit and adjustment. If expenditures were disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the District. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable Federal and State laws and regulations.

Note 4—Catalog of Federal Domestic Assistance ("CFDA") Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2019 Catalog of Federal Domestic Assistance.

Note 5—Noncash assistance

National School Lunch Program – The amount reported for Food Donation represents the donated food used during the year ended June 30, 2019. Commodities are valued at fair market value as determined at the time of donation.

Note 6—Head Start

Expenditures include \$216 for program year 04CH4718/04 and \$3,097,510 for program year 04CH4718/05.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2019

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards Section

Internal control over major programs:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? yes x none reported

Type of auditor's report on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) x yes no

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

Part I - Summary of Auditor's Results (continued)

Federal Awards Section (continued)

Identification of major programs:

<u>Name of Program or Cluster</u>	<u>CFDA Number</u>
Special Education Cluster	84.027 / 84.173
Hurricane Education Recovery (Restart / Emergency Impact Aid)	84.938A / 84.938C
Head Start	93.600

Dollar threshold used to determine Type A and Type B programs:

Federal \$ 1,836,091

Auditee qualified as low-risk auditee for federal purposes? x yes no

Part II - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2019

Part III - Federal Award Findings and Questioned Costs

FINDING #2019-001

U.S. Department of Education - CFDA #84.938C - Hurricane Education Recovery (Emergency Impact Aid) - passed through the Florida Department of Education (FDOE)

Material Noncompliance – Eligibility

Criteria: Eligible displaced student enrolled within the District and reported on specific quarterly service dates.

Condition: A significant number of children and youth who did not meet the federal program definition of displaced students were reported as being displaced students.

Cause: District staff charged with accumulating participant student data inadvertently interpreted the term "displaced students" to mean displaced from their homes as a result of the covered disaster, instead of using the program definition of being displaced from the schools they were enrolled in, or eligible to enroll in, as a result of the covered disaster.

Effect: Eligible student enrollment, which was originally overstated, has been recomputed by quarter based on revised student eligibility.

Questioned Costs: Recomputed eligible enrollment by quarter generated a refund due to the FDOE in the amount of \$2,562,132.

Context: This finding is not systemic to the District's Federal Programs taken as a whole. The last program participation date was August 31, 2018 and the program did not extend into future periods. Federal pass through assistance for this program was based on specific student eligibility requirements and 100% of the reported population was examined in determining the Questioned Costs.

Recommendation: The District's general ledger and related financial statements should reflect a refund due to the DOE as of June 30, 2019 and District management should contact FDOE representatives concerning the best way to facilitate such refund.

Views of Responsible Officials: Management concurs with this statement of condition and the resultant recommendation. See the corrective action plan in the management response

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2019

No findings in prior year.

DISTRICT SCHOOL BOARD OF COLLIER COUNTY, FLORIDA

**CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019**

FEDERAL AWARD FINDING

2019-001 - Hurricane Education Recovery (Emergency Impact Aid), CFDA #84.938C, Compliance – Eligibility for program assistance.

Corrective Action Plan:

District accounting Staff recorded the refund due to the Florida Department of Education (FDOE) in the amount of \$2,562,132 in the District's general ledger and resultant financial statements as of June 30, 2019 and District management contacted the FDOE concerning the subsequent refund.

Anticipated Completion Date:

The refund to the FDOE was completed on December 6, 2019.

Responsible Party:

Assistant Superintendent, Financial Services, Robert C. Spencer

OTHER INFORMATION

Independent Auditor's Management Letter

Honorable Chairman and Members of the School Board
District School Board of Collier County, Florida
Naples, Florida

Report of the Financial Statements

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the District School Board of Collier County, Florida (the "District") as of and for the year ended June 30, 2019, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 2019. We did not audit the financial statements of the discretely presented component units nor the fiduciary funds; those financial statements were audited by other auditors.

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 Audit Requirements for Federal Awards* ("Uniform Guidance"); and Chapter 10.800, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Report of Independent Auditor 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*, Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance, Schedule of Findings and Questioned Costs, and our Report of Independent Accountant on Compliance with Local Government Investment Policies. Disclosures in the schedule and those reports, which are dated December 13, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.804(1)(f)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. No findings or recommendations were made in the preceding annual financial audit report.

Financial Condition

Section 10.804(1)(f)2., Rules of the Auditor General, requires us to communicate whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, the results of our tests did not indicate the District met any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.804(1)(f)5.a. and 10.805(7), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District'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 10.804(1)(f)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Transparency

Section 10.804(1)(f)6., Rules of the Auditor General, requires that we communicate the results of our determination as to whether the District maintains on its website the information specified in Section 1011.035, Florida Statutes. In connection with our audit, we determined that the District maintained on its website the information specified in Section 1011.035, Florida Statutes.

Additional Matters

Section 10.804(1)(f)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that has occurred, or is likely to have occurred, that has 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 had one such finding with related recommendations which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

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, District School Board members, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Orlando, Florida
December 13, 2019

**Report of Independent Accountant on Compliance
with Local Government Investment Policies**

Honorable Chairman and Members of the School Board
District School Board of Collier County, Florida
Naples, Florida

We have examined the District School Board of Collier County, Florida's (the "District's") compliance with the local government investment policy requirements of Section 218.415, Florida Statutes, during the year ended June 30, 2019. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with the specified requirements.

In our opinion, the District complied, in all material respects, with the local investment policy requirements of Section 218.415, Florida Statutes, during the year ended June 30, 2019.

The purpose of this report is to comply with the audit requirements of Section 218.415, Florida Statutes, and Rules of the Auditor General.



Orlando, Florida
December 13, 2019