

Report No. 2020-177
March 2020

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

**HENDRY COUNTY
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended
June 30, 2019



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2018-19 fiscal year, Paul K. Puletti served as Superintendent of the Hendry County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Dwayne E. Brown, Chair from 11-20-18, Vice Chair through 11-19-18	1
Dr. Sally Berg, Vice Chair from 11-20-18	2
Amanda Nelson	3
Stephanie Busin	4
Jon Basquin, Chair through 11-19-18	5

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

The team leader was Claudia A. Salgado, and the audit was supervised by Ramon L. Bover, CPA.

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

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a significant deficiency, as summarized below. However, this significant deficiency is not considered to be a material weakness.

Significant Deficiency

Finding No. 2019-001: District financial reporting procedures need improvement to ensure that account balances and transactions are properly reported on the financial statements.

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

SUMMARY OF REPORT ON FEDERAL AWARDS

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

AUDIT OBJECTIVES AND SCOPE

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on the District's major Federal programs; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs.

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards, as of and for the fiscal year ended June 30, 2019. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were

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

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hendry County District School Board, as of and for the fiscal 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 statement of the school internal funds, which represents 11 percent and 84 percent, respectively, of the assets and liabilities of the aggregate remaining fund information. The statement was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hendry County District School Board, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Budgetary Comparison Schedule – General and Major Special Revenue Funds**, **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES**

OF FEDERAL AWARDS, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 25, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Hendry County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 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 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 \$29.6 million.
- In total, net position remained consistent with the 2017-18 fiscal year.
- General revenues total \$69.9 million, or 92.5 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$5.7 million, or 7.5 percent of all revenues.
- Expenses total \$75.5 million. Only \$5.7 million of these expenses was offset by program specific revenues, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$12 million, which is \$1.5 million more than the prior fiscal year balance. The General Fund assigned and unassigned fund balances total \$10.5 million, or 18.1 percent of total General Fund revenues.
- The long-term liabilities increased by \$3 million, or 5.8 percent, mainly because the District entered into an installment-purchase agreement to finance a guaranteed energy savings contract during the fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

- Governmental activities – This represents most of the District's services, including its educational programs such as basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Blended component unit – The District presents one separate legal entity in this report, which is the Hendry County School Board Leasing Corporation (Leasing Corporation). The Leasing Corporation was formed to facilitate financing for the acquisition of facilities and equipment for the District. Based on generally accepted accounting principles, as discussed in the notes to the financial statements, this entity has been included as an integral part of the primary government.

Fund Financial Statements

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

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

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

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

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

Proprietary Fund: Proprietary funds may be established to account for activities in which a fee is charged for services. The internal service fund is 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 fund to account for self-insurance activity for dental employee benefits. Since these services predominantly benefit governmental functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

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

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

Notes to Financial Statements

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

Other Information

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

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

	Governmental Activities	
	6-30-19	6-30-18
Current and Other Assets	\$ 26,791,222	\$ 19,891,690
Capital Assets	48,712,186	49,531,563
Total Assets	75,503,408	69,423,253
Deferred Outflows of Resources	14,984,007	16,019,986
Long-Term Liabilities	54,446,877	51,447,292
Other Liabilities	891,676	1,002,687
Total Liabilities	55,338,553	52,449,979
Deferred Inflows of Resources	5,516,069	3,371,715
Net Position:		
Net Investment in Capital Assets	43,878,660	45,054,298
Restricted	9,896,236	7,876,703
Unrestricted (Deficit)	(24,142,103)	(23,309,456)
Total Net Position	\$ 29,632,793	\$ 29,621,545

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 \$4.6 million in compensated absences payable, \$5.9 million in other postemployment benefit obligations, and \$34.9 million in net pension liability.

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 Year Ended

	Governmental Activities	
	6-30-19	6-30-18
Program Revenues:		
Charges for Services	\$ 367,766	\$ 222,318
Operating Grants and Contributions	4,826,114	4,356,029
Capital Grants and Contributions	465,013	468,370
General Revenues:		
Property Taxes, Levied for Operational Purposes	10,383,751	9,806,215
Property Taxes, Levied for Capital Projects	3,230,576	2,938,794
Grants and Contributions Not Restricted to Specific Programs	53,969,615	51,878,905
Unrestricted Investment Earnings	482,257	324,915
Miscellaneous	1,829,028	462,976
Total Revenues	75,554,120	70,458,522
Functions/Program Expenses:		
Instruction	40,061,317	40,093,817
Student Support Services	2,938,633	2,535,448
Instructional Media Services	757,469	504,169
Instruction and Curriculum Development Services	1,602,970	1,428,333
Instructional Staff Training Services	1,006,672	573,657
Instruction-Related Technology	534,905	677,664
Board	1,272,062	805,898
General Administration	1,119,063	1,159,894
School Administration	4,631,802	4,244,403
Facilities Acquisition and Construction	2,273,993	1,726,667
Fiscal Services	698,722	644,921
Food Services	4,696,927	4,266,287
Central Services	497,837	508,755
Student Transportation Services	3,220,979	2,846,850
Operation of Plant	4,375,007	4,160,164
Maintenance of Plant	1,381,762	1,569,839
Administrative Technology Services	1,543,533	1,510,946
Unallocated Interest on Long-Term Debt	39,863	56,034
Unallocated Depreciation Expense	2,801,085	2,798,681
Loss on Disposal of Capital Assets	88,271	36,594
Total Functions/Program Expenses	75,542,872	72,149,021
Change in Net Position	11,248	(1,690,499)
Net Position - Beginning	29,621,545	34,341,659
Adjustment to Beginning Net Position (1)	-	(3,029,615)
Net Position - Beginning, as Restated	29,621,545	31,312,044
Net Position - Ending	\$ 29,632,793	\$ 29,621,545

(1) Adjustment to beginning net position was due to the implementation of GASB Statement No. 75, which was a change in accounting principle that addressed accounting and financial reporting for other postemployment benefits.

The largest revenue source is the State of Florida (61.3 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula, which is accounted for as grants and contributions not restricted to specific programs. The FEFP funding formula utilizes student enrollment data and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs revenues increased by \$2.1 million, or 4 percent, primarily due to an increase in Federal funding.

Instruction expenses represent 53 percent of total governmental expenses in the 2018-19 fiscal year. Total program expenses increased by \$3.4 million, or 4.7 percent, from the previous fiscal year due mainly from an increase in staffing level, resulting in an increase in salaries and related benefits.

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 \$7 million during the fiscal year to \$24.8 million at June 30, 2019. Approximately 40.3 percent of this amount is unassigned fund balance (\$10 million), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is (1) not in spendable form (\$0.2 million), (2) restricted for particular purposes (\$14.1 million), or (3) assigned for particular purposes (\$0.5 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 \$0.5 million and unassigned fund balance is \$10 million, while the total fund balance is \$12 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 fund balance is approximately 18.1 percent of the total General Fund revenues, while total fund balance represents 20.7 percent of total General Fund revenues.

Total fund balance increased by \$1.5 million during the fiscal year, mainly due to an increase in FEFP funding and increased property taxes received, including a back-taxes payment.

The Special Revenue – Food Service Fund has a total fund balance of \$3 million which is restricted for the District's food service operations. During the fiscal year, total fund balance increased \$0.5 million, primarily due to an increase in donated foods.

The Special Revenue – Other Fund has a total fund balance of \$26,627. Total revenues and expenditures were \$7.7 million each and the funding was mainly used for instruction. The fund balance in the Special Revenue – Other Fund was substantially unchanged.

The Capital Projects – Other Fund has a total fund balance of \$4.2 million. This fund is restricted for the acquisition, construction, and maintenance of capital assets.

Proprietary Fund

The District's proprietary fund provides the same type of information reported in the government-wide financial statements, but in more detail. Unrestricted net position of the Internal Service Fund increased an insignificant amount during the 2018-19 fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2018-19 fiscal year, the District amended its General Fund budget twice, which resulted in an increase in total budgeted revenues of \$2.2 million, or 3.8 percent. At the same time, final appropriations are more than the original budgeted amounts by \$1.7 million. Budget revisions occurred primarily from changes in estimated State funding levels, including the Schools of Hope grant, and corresponding adjustments to planned expenditures.

Actual revenues are \$1.2 million less than the final budgeted amounts while actual expenditures are \$6.4 million less than final budgeted amounts. A major portion of the revenue variance is the Schools of Hope grant, which began late in the fiscal year and was not fully received, leaving a variance from budget to actual of \$834,000. Other variances in expenditures were due to categorical programs not being completed, some unexpected salary savings as positions were slow to fill, and some cost containment measures implemented by the District.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2019, is \$48.7 million (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and computer software.

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

Long-Term Debt

At June 30, 2019, the District had total long-term debt outstanding of \$9 million, composed of \$1.3 million of bonds payable, \$3.1 million of certificates of participation payable, and \$4.6 million of installment-purchase payable. During the current fiscal year, retirement of debt was \$0.1 million.

State school bonds outstanding at June 30, 2019, totaling less than \$0.1 million, 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. Revenue bonds of \$1.3 million are secured by pari-mutuel tax proceeds. The District's certificates of participation are not secured by specified revenue sources.

Additional information on the District's long-term debt can be found in Notes I.F.6. and II.I. to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

Employer contributions to the Florida Retirement System increased for regular employees from 8.26 percent to 8.47 percent of payroll for the 2019-20 fiscal year.

Housing prices are expected to increase the taxable assessed property value for the 2018-19 fiscal year resulting in increased property tax revenues.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Superintendent, Hendry County District School Board, 25 East Hickpoochee Avenue, LaBelle, Florida 33935.

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BASIC FINANCIAL STATEMENTS

Hendry County District School Board Statement of Net Position June 30, 2019

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 18,177,497
Investments	86
Accounts Receivable	167
Due from Other Agencies	1,792,736
Inventories	145,561
Restricted Cash and Cash Equivalents	4,246,861
Restricted Investments	2,428,314
Capital Assets:	
Nondepreciable Capital Assets	2,003,190
Depreciable Capital Assets, Net	46,708,996
TOTAL ASSETS	75,503,408
DEFERRED OUTFLOWS OF RESOURCES	
Other Postemployment Benefits	358,971
Pensions	14,625,036
TOTAL DEFERRED OUTFLOWS OF RESOURCES	14,984,007
LIABILITIES	
Accounts Payable	564,101
Unearned Revenue	255,520
Estimated Liability for Self-Insurance Program	72,055
Long-Term Liabilities:	
Portion Due Within 1 Year	1,399,784
Portion Due After 1 Year	53,047,093
TOTAL LIABILITIES	55,338,553
DEFERRED INFLOWS OF RESOURCES	
Other Postemployment Benefits	323,265
Pensions	5,192,804
TOTAL DEFERRED INFLOWS OF RESOURCES	5,516,069
NET POSITION	
Net Investment in Capital Assets	43,878,660
Restricted for:	
Federal Programs	26,627
State Required Carryover Programs	929,851
Debt Service	2,713,113
Capital Projects	2,822,534
Food Service	2,989,621
Other Purposes	414,490
Unrestricted	(24,142,103)
TOTAL NET POSITION	\$ 29,632,793

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

**Hendry County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 40,061,317	\$ 55,392	\$ -
Student Support Services	2,938,633	-	-
Instructional Media Services	757,469	-	-
Instruction and Curriculum Development Services	1,602,970	-	-
Instructional Staff Training Services	1,006,672	-	-
Instruction-Related Technology	534,905	-	-
Board	1,272,062	-	-
General Administration	1,119,063	-	-
School Administration	4,631,802	-	-
Facilities Acquisition and Construction	2,273,993	-	-
Fiscal Services	698,722	-	-
Food Services	4,696,927	226,490	4,826,114
Central Services	497,837	-	-
Student Transportation Services	3,220,979	85,884	-
Operation of Plant	4,375,007	-	-
Maintenance of Plant	1,381,762	-	-
Administrative Technology Services	1,543,533	-	-
Unallocated Interest on Long-Term Debt	39,863	-	-
Unallocated Depreciation Expense	2,801,085	-	-
Loss on Disposal of Capital Assets	88,271	-	-
Total Governmental Activities	\$ 75,542,872	\$ 367,766	\$ 4,826,114

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

		Net (Expense) Revenue and Changes in Net Position	
<u>Capital Grants and Contributions</u>		<u>Governmental Activities</u>	
\$	-	\$	(40,005,925)
	-		(2,938,633)
	-		(757,469)
	-		(1,602,970)
	-		(1,006,672)
	-		(534,905)
	-		(1,272,062)
	-		(1,119,063)
	-		(4,631,802)
	458,024		(1,815,969)
	-		(698,722)
	-		355,677
	-		(497,837)
	-		(3,135,095)
	-		(4,375,007)
	-		(1,381,762)
	-		(1,543,533)
	6,989		(32,874)
	-		(2,801,085)
	-		(88,271)
<u>\$</u>	<u>465,013</u>		<u>(69,883,979)</u>

10,383,751
3,230,576
53,969,615
482,257
<u>1,829,028</u>
<u>69,895,227</u>
11,248
<u>29,621,545</u>
<u>\$ 29,632,793</u>

**Hendry County District School Board
Balance Sheet – Governmental Funds
June 30, 2019**

	<u>General Fund</u>	<u>Special Revenue - Food Service Fund</u>	<u>Special Revenue - Other Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 11,878,255	\$ 2,287,096	\$ 5,320
Investments	-	-	-
Accounts Receivable	167	-	-
Due from Other Funds	307,203	690,283	-
Due from Other Agencies	4,233	116,583	1,313,091
Inventories	145,561	-	-
Restricted Cash and Cash Equivalents	-	-	-
Restricted Investments	-	-	-
TOTAL ASSETS	\$ 12,335,419	\$ 3,093,962	\$ 1,318,411
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 320,557	\$ 102,133	\$ 51,754
Due to Other Funds	-	2,208	1,240,030
Unearned Revenue	-	-	-
Total Liabilities	320,557	104,341	1,291,784
Fund Balances:			
Nonspendable:			
Inventories	145,561	-	-
Restricted for:			
Federal Programs	-	-	26,627
State Required Carryover Programs	929,851	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Food Service	-	2,989,621	-
Other Purposes	414,490	-	-
Total Restricted Fund Balance	1,344,341	2,989,621	26,627
Assigned for:			
Purchases on Order	543,647	-	-
Unassigned Fund Balance	9,981,313	-	-
Total Fund Balances	12,014,862	2,989,621	26,627
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,335,419	\$ 3,093,962	\$ 1,318,411

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,812,048	\$ 16,982,719
-	86	86
-	-	167
-	244,752	1,242,238
255,520	103,309	1,792,736
-	-	145,561
4,210,066	36,795	4,246,861
-	2,428,314	2,428,314
<u>\$ 4,465,586</u>	<u>\$ 5,625,304</u>	<u>\$ 26,838,682</u>
\$ -	\$ 89,657	\$ 564,101
-	-	1,242,238
255,520	-	255,520
<u>255,520</u>	<u>89,657</u>	<u>2,061,859</u>
-	-	145,561
-	-	26,627
-	-	929,851
-	2,713,113	2,713,113
4,210,066	2,822,534	7,032,600
-	-	2,989,621
-	-	414,490
<u>4,210,066</u>	<u>5,535,647</u>	<u>14,106,302</u>
-	-	543,647
-	-	9,981,313
<u>4,210,066</u>	<u>5,535,647</u>	<u>24,776,823</u>
<u>\$ 4,465,586</u>	<u>\$ 5,625,304</u>	<u>\$ 26,838,682</u>

**Hendry County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019**

Total Fund Balances - Governmental Funds \$ 24,776,823

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 48,712,186

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 1,122,723

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

Installment-Purchase Payable	\$ (4,637,379)	
Certificates of Participation Payable	(3,068,200)	
Bonds Payable	(1,338,013)	
Other Postemployment Benefits Payable	(5,900,540)	
Compensated Absences Payable	(4,644,836)	
Net Pension Liability	<u>(34,857,909)</u>	(54,446,877)

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

Deferred Outflows Related to OPEB	\$ 358,971	
Deferred Outflows Related to Pensions	14,625,036	
Deferred Inflows Related to OPEB	(323,265)	
Deferred Inflows Related to Pensions	<u>(5,192,804)</u>	<u>9,467,938</u>

Net Position - Governmental Activities \$ 29,632,793

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

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**Hendry County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2019**

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ -	\$ -	\$ 172,819
Federal Through State and Local	457,347	4,767,608	7,543,968
State	45,656,387	58,506	-
Local:			
Property Taxes	10,383,751	-	-
Charges for Services - Food Service	-	226,490	-
Miscellaneous	1,630,813	60,725	52
Total Local Revenues	<u>12,014,564</u>	<u>287,215</u>	<u>52</u>
Total Revenues	<u>58,128,298</u>	<u>5,113,329</u>	<u>7,716,839</u>
Expenditures			
Current - Education:			
Instruction	34,193,445	-	4,784,706
Student Support Services	2,176,101	-	695,494
Instructional Media Services	736,060	-	4,129
Instruction and Curriculum Development Services	726,779	-	819,680
Instructional Staff Training Services	377,040	-	606,667
Instruction-Related Technology	522,703	-	-
Board	1,243,043	-	-
General Administration	826,782	-	266,752
School Administration	4,521,845	-	4,294
Facilities Acquisition and Construction	106,829	-	257,566
Fiscal Services	682,782	-	-
Food Services	-	4,385,370	-
Central Services	461,512	-	24,968
Student Transportation Services	3,125,378	-	22,123
Operation of Plant	4,275,202	-	-
Maintenance of Plant	1,348,895	-	1,346
Administrative Technology Services	1,508,321	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	-	-	39,734
Other Capital Outlay	-	204,409	169,225
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>56,832,717</u>	<u>4,589,779</u>	<u>7,696,684</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,295,581</u>	<u>523,550</u>	<u>20,155</u>
Other Financing Sources (Uses)			
Transfers In	54,990	-	-
Proceeds of Installment-Purchase Agreement	-	-	-
Loss Recoveries	134,130	-	-
Transfers Out	-	-	-
Total Other Financing Sources	<u>189,120</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,484,701	523,550	20,155
Fund Balances, Beginning	10,530,161	2,466,071	6,472
Fund Balances, Ending	<u>\$ 12,014,862</u>	<u>\$ 2,989,621</u>	<u>\$ 26,627</u>

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 172,819
-	-	12,768,923
-	604,107	46,319,000
-	3,230,576	13,614,327
-	-	226,490
36,425	104,670	1,832,685
<u>36,425</u>	<u>3,335,246</u>	<u>15,673,502</u>
<u>36,425</u>	<u>3,939,353</u>	<u>74,934,244</u>
-	-	38,978,151
-	-	2,871,595
-	-	740,189
-	-	1,546,459
-	-	983,707
-	-	522,703
-	-	1,243,043
-	-	1,093,534
-	-	4,526,139
463,738	1,840,488	2,668,621
-	-	682,782
-	-	4,385,370
-	-	486,480
-	-	3,147,501
-	-	4,275,202
-	-	1,350,241
-	-	1,508,321
-	1,148,880	1,188,614
-	507,731	881,365
-	71,052	71,052
-	39,863	39,863
<u>463,738</u>	<u>3,608,014</u>	<u>73,190,932</u>
<u>(427,313)</u>	<u>331,339</u>	<u>1,743,312</u>
-	158,133	213,123
4,637,379	-	4,637,379
-	485,746	619,876
-	(213,123)	(213,123)
<u>4,637,379</u>	<u>430,756</u>	<u>5,257,255</u>
4,210,066	762,095	7,000,567
-	4,773,552	17,776,256
<u>\$ 4,210,066</u>	<u>\$ 5,535,647</u>	<u>\$ 24,776,823</u>

**Hendry County District School Board
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2019**

Net Change in Fund Balances - Governmental Funds \$ 7,000,567

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year. (731,106)

The loss on the 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. (88,271)

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceed repayments in the current fiscal year.

Debt Issued	(4,637,379)	
Debt Repayments	\$ 71,052	(4,566,327)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year. 44,188

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

Increase in OPEB Liability	(44,170)	
Increase in Deferred Outflows of Resources - OPEB	25,296	
Decrease in Deferred Inflows of Resources - OPEB	\$ 22,288	3,414

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

FRS Pension Contribution	2,452,804	
HIS Pension Contribution	602,890	
FRS Pension Expense	(3,987,251)	
HIS Pension Expense	\$ (729,636)	(1,661,193)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of the internal service fund is reported with governmental activities. 9,976

Change in Net Position - Governmental Activities \$ 11,248

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

**Hendry County District School Board
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2019**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premium Revenue from Board and Participants' Funds	\$ 583,367
OPERATING EXPENSES	
Insurance Claims	512,055
Other	69,969
Total Operating Expenses	582,024
Operating Income	1,343
NONOPERATING REVENUES	
Interest	8,633
Change in Net Position	9,976
Total Net Position - Beginning	1,112,747
Total Net Position - Ending	\$ 1,122,723

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

**Hendry County District School Board
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2019**

	<u>Governmental Activities - Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Board and Participants' Funds	\$ 583,367
Cash Payments for Insurance Claims	(512,055)
Cash Payments for Purchased Services and Other	<u>(69,969)</u>
Net Cash Provided by Operating Activities	<u>1,343</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>8,633</u>
Net Increase in Cash and Cash Equivalents	9,976
Cash and Cash Equivalents, Beginning	<u>1,184,802</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 1,194,778</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating Income	\$ <u>1,343</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	<u>-</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,343</u></u>

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

**Hendry County District School Board
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds
June 30, 2019**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 676,629
Investments	156,233
TOTAL ASSETS	<u>\$ 832,862</u>
LIABILITIES	
Internal Accounts Payable	<u>\$ 832,862</u>

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Hendry County School District's (District) governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The Hendry County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education (FDOE), and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Hendry County.

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

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

C. Basis of Presentation: Government-Wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Food Service Fund – to account for food service revenues and expenditures.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Capital Projects – Other Fund – to account for various financial resources to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

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

- Internal Service Fund – to account for the District's employee dental benefit program.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

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

E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under installment purchase are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds do not have a measurement focus but utilize the accrual basis of accounting to recognize assets and liabilities.

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

1. Cash and Cash Equivalents

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

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

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

2. Investments

Investments consist of amounts placed 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.

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 fair value, which is amortized cost.

Investments made locally consist of money market funds and Federal Agricultural Mortgage Corporation (Farmer Mac) discount note held by a trustee under a paying agent agreement in connection with the QZAB financing arrangement (see Note II.I.1.).

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

3. Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Central warehouse, maintenance, and transportation inventories are stated at cost on a moving-average basis. The costs of inventories are recorded as expenditures when used rather than purchased.

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing \$1,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value at the date of donation.

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	10 and 20 years
Buildings and Fixed Equipment	20 - 50 years
Furniture, Fixtures, and Equipment	5 and 10 years
Motor Vehicles	4 and 10 years
Computer Software	3 years

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

5. Pensions

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

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

6. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. Debt premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. The face amount of debt issued is reported as other financing sources.

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

7. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*,

represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The deferred inflows of resources related to pensions and OPEB are discussed in subsequent notes.

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

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

In addition, the District has adopted Board Policy 6220 which provides for a minimum fund balance of at least 6 percent of the General Fund's annual revenues.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

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

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

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

3. District Property Taxes

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

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

The Board adopted the 2018 tax levy on September 6, 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 Hendry County Tax Collector at fiscal year end but not yet remitted to the District.

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

4. Federal Revenue Sources

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

5. Compensated Absences

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

6. Proprietary Fund Operating and Nonoperating Revenues and Expenses

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

B. Investments

The District's investments at June 30, 2019, are reported as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	28 Day Average	\$ 9,497,085
Debt Service Accounts	6 months	86
Fidelity Investments Money Market (1) (2)	26 Day Average	4,210,066
United States Government Instrumentality Obligations:		
Farmer Mac Discount Note (3)	December 16, 2019	2,428,314
Total Investments		<u>\$ 16,135,551</u>

(1) These investments are reported as cash equivalents for financial statement reporting purposes.

(2) This investment is held by an escrow agent in connection with an installment-purchase financing arrangement (see Note II.H.).

(3) This investment is held by a trustee under a paying agent agreement in connection with the QZAB financing arrangement (see Note II.I.1.).

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 and the Farmer Mac discount note are valued using Level 1 inputs.

Interest Rate Risk

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

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

For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 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 registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that limits its investment choices.

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.

The District's investment in Florida PRIME and the Fidelity Investments Money Market are rated AAAM by Standard & Poor's.

The District's investment in the United States Government instrumentality obligations is authorized under a forward delivery agreement with the QZAB paying agent. The investment must have a maturity date on or before December 15, 2021. The District's investment in the Farmer Mac discount note was not rated.

Custodial Credit Risk

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

United States Government instrumentality obligations are held by the trustee in the name of the District.

Concentration of Credit Risk

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

More than 5 percent of the District's investments are in a Farmer Mac discount note, a government sponsored enterprise of the United States Federal Government. This investment is 15 percent of the District's total investments and 100 percent of the investments in the Debt Service – Other Fund. This investment is made pursuant to a forward delivery agreement related to the District's QZAB (see Note II.I.1.).

C. Changes in Capital Assets

Changes in capital assets are presented in the following table:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,278,483	\$ -	\$ -	\$ 1,278,483
Construction in Progress	739,320	347,076	361,689	724,707
Total Capital Assets Not Being Depreciated	<u>2,017,803</u>	<u>347,076</u>	<u>361,689</u>	<u>2,003,190</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,019,250	656,824	-	4,676,074
Buildings and Fixed Equipment	86,970,840	308,921	73,411	87,206,350
Furniture, Fixtures, and Equipment	8,589,212	712,739	877,301	8,424,650
Motor Vehicles	6,688,720	401,569	509,689	6,580,600
Computer Software	199,200	4,539	105,917	97,822
Total Capital Assets Being Depreciated	<u>106,467,222</u>	<u>2,084,592</u>	<u>1,566,318</u>	<u>106,985,496</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	3,765,012	87,907	-	3,852,919
Buildings and Fixed Equipment	43,801,138	1,857,426	73,091	45,585,473
Furniture, Fixtures, and Equipment	6,117,072	563,754	795,118	5,885,708
Motor Vehicles	5,073,723	290,563	503,921	4,860,365
Computer Software	196,517	1,435	105,917	92,035
Total Accumulated Depreciation	<u>58,953,462</u>	<u>2,801,085</u>	<u>1,478,047</u>	<u>60,276,500</u>
Total Capital Assets Being Depreciated, Net	<u>47,513,760</u>	<u>(716,493)</u>	<u>88,271</u>	<u>46,708,996</u>
Governmental Activities Capital Assets, Net	<u>\$ 49,531,563</u>	<u>\$ (369,417)</u>	<u>\$ 449,960</u>	<u>\$ 48,712,186</u>

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

D. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

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

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

The District's FRS and HIS pension expense totaled \$4,716,887 for the fiscal year ended June 30, 2019.

FRS Pension Plan

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

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

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

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 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 \$2,452,804 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 \$23,745,448 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 0.078834793 percent, which was a decrease of 0.004701049 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 \$3,987,251. 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	\$ 2,011,596	\$ 73,011
Change of Assumptions	7,758,858	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	1,834,625
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	301,878	1,371,017
District FRS Contributions Subsequent to the Measurement Date	2,452,804	-
Total	<u>\$ 12,525,136</u>	<u>\$ 3,278,653</u>

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$2,452,804, 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	\$ 2,952,812
2021	1,841,609
2022	(19,764)
2023	1,155,581
2024	778,339
Thereafter	85,102
Total	\$ 6,793,679

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.

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 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 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:

	<u>1% Decrease (6%)</u>	<u>Current Discount Rate (7%)</u>	<u>1% Increase (8%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 43,336,439	\$ 23,745,448	\$ 7,473,972

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

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 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.

The District's contributions to the HIS Plan totaled \$602,890 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 net pension liability of \$11,112,461 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. 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 0.104991905 percent, which was a decrease of 0.004573986 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 \$729,636. 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	\$ 170,127	\$ 18,880
Change of Assumptions	1,235,843	1,174,902
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	6,708	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	84,332	720,369
District HIS Contributions Subsequent to the Measurement Date	602,890	-
Total	<u>\$ 2,099,900</u>	<u>\$ 1,914,151</u>

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$602,890, 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	\$ 55,668
2021	55,102
2022	(21,172)
2023	(104,647)
2024	(250,455)
Thereafter	(151,637)
Total	\$ (417,141)

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 Projection Scale BB.

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

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

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:

	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 12,656,442	\$ 11,112,461	\$ 9,825,463

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

2. FRS – Defined Contribution Pension Plan

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

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

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 \$705,695 for the fiscal year ended June 30, 2019.

E. Other Postemployment Benefit Obligations

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

Benefits Provided. The OPEB Plan provides health and hospitalization plans for medical and prescription drug benefits as well as its self-insured dental plan coverage benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible.

Employees Covered by Benefit Terms. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	323
Active Employees	<u>741</u>
Total	<u>1,064</u>

Total OPEB Liability. The District's total OPEB liability of \$5,900,540 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017, and update procedures were used to determine the total OPEB liability as of June 30, 2018.

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

Inflation	2.5 percent
Salary Increases	3.7 – 7.8 percent, average, including inflation
Discount Rate	3.62 percent
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend starting at 27 percent dropping to 6.75 percent for 2019, and gradually decreasing to an ultimate trend rate of 4.24 percent plus 0.6 percent increase for excise tax.
Aging Factors	Based on the 2013 SOA Study “Health Care Costs – From Birth to Death”.
Expenses	Administrative expenses are included in the per capita health costs.

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

Demographic assumptions employed in the actuarial valuation were the same as those employed in the July 1, 2016, actuarial valuation of the FRS Defined Benefit Pension Plan. These demographic assumptions were developed by FRS from an actuarial experience study, and therefore are appropriate for use in the OPEB Plan actuarial valuation. These include assumed rates of future termination, mortality, disability, and retirement. In addition, salary increase assumptions (for development of the pattern of the normal cost increases) were the same as those used in the July 1, 2016, actuarial valuation of the FRS Defined Benefit Pension Plan. Assumptions used in valuation of benefits for participants of the FRS Investment Plan are the same as for similarly situated participants of the FRS Defined Benefit Pension Plan.

Changes in the Total OPEB Liability.

	<u>Amount</u>
Balance at June 30, 2018	\$ 5,856,370
Changes for the year:	
Service Cost	204,336
Interest	209,822
Changes of Assumptions or Other Inputs	(36,313)
Benefit Payments	<u>(333,675)</u>
Net Changes	<u>44,170</u>
Balance at June 30, 2019	<u>\$ 5,900,540</u>

Changes of assumptions or other inputs reflect a change in the discount rate from 3.56 percent as of the beginning of the measurement period to 3.62 percent as of June 30, 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it

were calculated using a discount rate that is 1 percentage point lower (2.62 percent) or 1 percentage point higher (4.62 percent) than the current rate:

	<u>1% Decrease (2.62%)</u>	<u>Current Discount Rate (3.62%)</u>	<u>1% Increase (4.62%)</u>
Total OPEB Liability	\$ 6,544,141	\$ 5,900,540	\$ 5,344,463

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 (26 percent decreasing to 3.84 percent) or 1 percentage point higher (28 percent decreasing to 5.84 percent) than the current healthcare cost trend rates:

	<u>1% Decrease (26% decreasing to 3.84%)</u>	<u>Healthcare Cost Trend Rates (27% decreasing to 4.84%)</u>	<u>1% Increase (28% decreasing to 5.84%)</u>
Total OPEB Liability	\$ 5,049,311	\$ 5,900,540	\$ 6,962,285

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 \$355,557. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions or Other Inputs	\$ -	\$ 323,265
Benefits Paid Subsequent to the Measurement Date	358,971	-
Total	<u>\$ 358,971</u>	<u>\$ 323,265</u>

The amount reported as deferred outflows of resources related to OPEB, totaling \$358,971, resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2020. The amount reported as 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	\$ (58,601)
2021	(58,601)
2022	(58,601)
2023	(58,601)
2024	(58,601)
Thereafter	(30,260)
Total	<u>\$ (323,265)</u>

F. 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:

Major Funds				
General	Special Revenue - Food Service	Special Revenue - Other	Nonmajor Governmental Funds	Total Governmental Funds
\$ 455,304	\$ 88,743	\$ 192,839	\$ 1,226,588	\$ 1,963,474

G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; third-party injuries and/or property damage; and natural disasters. The District is a member of the South Central Educational Risk Management Program (SCERMP), a consortium under which seven district school boards have established a public entity risk sharing pool for property protection, general liability, automobile liability, workers' compensation, governmental crime; and other coverage deemed necessary by the members of the SCERMP. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The interlocal agreement and bylaws of SCERMP provide that risk of loss is transferred to the consortium. SCERMP is self-sustaining through member contributions (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. Member school boards are also subject to supplemental contributions in the event of a deficiency, except to the extent that the deficiency results from a specific claim against a member school board in excess of the coverage available, then such deficiency is solely the responsibility of that member school board.

The Board of Directors for SCERMP is composed of superintendents, finance directors or authorized representatives of all participating districts. Relation Insurance Services, serves as the third-party administrator, insurance broker, and fiscal agent for SCERMP.

Property damage coverage is managed by SCERMP by purchase of excess property coverage through commercial insurance carriers for property loss claims in excess of \$100,000 (except named wind and flood). The named windstorm and hurricane deductible is 3 percent of replacement cost value with a minimum of \$100,000 per occurrence and a maximum of \$25 million per occurrence. The deductible for all other windstorm and hail events is \$100,000. Special hazard flood area deductibles are \$500,000 per building and \$500,000 contents plus \$100,000 time element per occurrence. The flood deductible outside a special flood hazard area is \$100,000. The SCERMP's purchased excess property loss limit during the 2018-19 fiscal year was \$125 million to February 28, 2019, and \$100 million from March 1, 2019.

Workers' compensation claims are limited based on a per occurrence self-insured retention. The self-insured retention for the 2018-19 fiscal year was \$1 million. SCERMP purchases excess liability coverage through a commercial insurance carrier, which covers workers' compensation losses in excess of the self-insured retention. Employers liability is included subject to \$2 million per occurrence.

The District is protected by Section 768.28, Florida Statutes, under the Doctrine of Sovereign Immunity, as it is now written, as it may be amended by the Legislature in the future, which effectively limits the amount of liability of governmental entities for tort claims to \$200,000 per claim and \$300,000 per occurrence.

The District provides dental coverage on a self-insurance basis for eligible employees. Based on records maintained by the fiscal agent of premiums received for and claims (and other expenses) paid on behalf of Board employees and their dependents, the District reports this activity in an internal service fund, including an estimated incurred, but not reported, insurance claims payable 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 dental program:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2017-18	\$ 72,055	\$ 533,250	\$ (533,250)	\$ 72,055
2018-19	72,055	512,055	(512,055)	72,055

Health and hospitalization coverage is being provided by purchased commercial insurance through a minimum premium plan. The minimum premiums to be earned for all types of coverage are set forth in the contract. Premiums are payable monthly based on the total number of eligible employees. When earned premiums are greater than the sum of the incurred claims and a specified retention, the loss shall be paid to the plan up to the maximum due as set forth in the contract. Life insurance is purchased by the District for eligible employees. These transactions are accounted for in the governmental funds rather than the internal service fund.

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

H. Installment-Purchase Payable

The District entered into an energy savings lease-purchase (installment-purchase) agreement for the acquisition of energy services and equipment. Future minimum installment-purchase payments and the present value of the minimum installment-purchase payments as of June 30 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 463,212	\$ 281,682	\$ 181,530
2021	352,933	200,745	152,188
2022	363,566	218,392	145,174
2023	374,518	236,974	137,544
2024	385,798	256,535	129,263
2025-2029	2,061,236	1,560,870	500,366
2030-2034	2,080,154	1,882,181	197,973
Total Minimum Installment-Purchase Payments	\$ 6,081,417	\$ 4,637,379	\$ 1,444,038

The stated interest rate is 3.494 percent.

I. Long-Term Liabilities

1. Certificates of Participation

On December 15, 2005, the District issued Certificates of Participation, Series 2005-QZAB, under a special program whereby the certificates will mature in full on December 15, 2021, for the original issue of \$3,068,200. There is no interest cost for borrowing moneys under this program. The financing proceeds were used to acquire improvements at several designated schools, which are leased by the District from the leasing Corporation. The District entered into a forward delivery agreement under which mandatory deposits (rent payments) of \$158,133 for 16 consecutive years began December 16, 2006. The forward delivery agreement provides a guaranteed investment return whereby the required deposits, along with the 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 in the event of cancellation or default.

The schools designated for technology-related equipment and improvements under the Series 2005-QZAB certificates include: Eastside Elementary School, Westside Elementary School, Central Elementary School, and LaBelle High School.

The following is a schedule by years of future minimum lease payments for the Series 2005-QZAB certificates 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>
2022	\$ 3,068,200	\$ 3,068,200	\$ 0

2. 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	\$ 7,000	2	2020
District Revenue Bonds: Series 2015	<u>1,331,013</u>	3.06	2025
Total Bonds Payable	<u>\$ 1,338,013</u>		

The various bonds were issued to finance capital outlay projects of the District. The following is a description of the bonded debt issues:

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.

District Revenue Bonds

These bonds are authorized by Chapter 69-1094, Laws of Florida, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Hendry County from the State's Pari-Mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

The District has pledged a total of \$1,555,052 of pari-mutuel tax revenues in connection with the District Revenue Bonds of 2015, described above. During the 2018-19 fiscal year, the District recognized pari-mutuel tax revenues totaling \$143,300 and expended \$99,745 of these revenues for debt service directly collateralized by these revenues. The pledged pari-mutuel tax revenues are committed until final maturity of the debt on November 2025. Assuming a normal growth rate of 0 percent in the collection of pari-mutuel tax funds, 72 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds. A balloon payment of \$955,075 is due on November 1, 2025.

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	\$ 7,140	\$ 7,000	\$ 140
District Revenue Bonds:			
2020	99,813	60,002	39,811
2021	99,883	61,938	37,945
2022	99,955	63,936	36,019
2023	100,031	65,999	34,032
2024	100,107	68,128	31,979
2025-2026	1,055,263	1,011,010	44,253
Total District Revenue Bonds	1,555,052	1,331,013	224,039
Total	\$ 1,562,192	\$ 1,338,013	\$ 224,179

3. Changes in Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
GOVERNMENTAL ACTIVITIES					
Installment-Purchase Payable	\$ -	\$ 4,637,379	\$ -	\$ 4,637,379	\$ 281,682
Certificates of Participation Payable	3,068,200	-	-	3,068,200	-
Bonds Payable	1,409,065	-	71,052	1,338,013	67,002
Other Postemployment Benefits Payable	5,856,370	414,158	369,988	5,900,540	358,971
Compensated Absences Payable	4,689,024	375,942	420,130	4,644,836	420,130
Net Pension Liability	36,424,633	18,667,251	20,233,975	34,857,909	271,999
Total Governmental Activities	\$51,447,292	\$24,094,730	\$21,095,145	\$54,446,877	\$1,399,784

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

J. Fund Balance Reporting

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

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

K. Interfund Receivables and Payables

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major:		
General	\$ 307,203	\$ -
Special Revenue:		
Food Service	690,283	2,208
Other	-	1,240,030
Nonmajor Governmental	244,752	-
Total	\$ 1,242,238	\$ 1,242,238

The interfund receivables and payables represent the payment of expenditures by one fund for another fund and will be repaid within 12 months.

L. Revenues and Expenditures/Expenses

1. 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>
Florida Education Finance Program	\$ 36,126,658
Categorical Educational Program - Class Size Reduction	7,671,291
Voluntary Prekindergarten Program	440,053
Florida Best and Brightest Scholarship Program	353,301
Motor Vehicle License Tax (Capital Outlay and Debt Service)	285,631
Workforce Development Program	259,709
School Recognition	181,000
Gross Receipts Tax (Public Education Capital Outlay)	179,382
Food Service Supplement	58,506
Mobile Home License Tax	33,879
Miscellaneous	729,590
Total	\$ 46,319,000

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

2. Property Taxes

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

	<u>Millages</u>	<u>Taxes Levied</u>
General Fund		
Nonvoted School Tax:		
Required Local Effort	4.025	\$ 8,955,034
Basic Discretionary Local Effort	0.748	1,664,191
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	3,337,310
Total	<u>6.273</u>	<u>\$ 13,956,535</u>

M. Interfund Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 54,990	\$ -
Nonmajor Governmental	158,133	213,123
Total	<u>\$ 213,123</u>	<u>\$ 213,123</u>

Capital outlay ad valorem tax moneys were transferred between the nonmajor governmental funds for debt service sinking fund deposits and to the General Fund to partially fund wages for capital project management.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General and Major Special Revenue Funds 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	\$ -	\$ -	\$ -	\$ -
Federal Through State and Local	480,000	480,000	457,347	(22,653)
State	46,031,684	46,695,111	45,656,387	(1,038,724)
Local:				
Property Taxes	9,897,988	10,383,851	10,383,751	(100)
Charges for Services - Food Service	-	-	-	-
Miscellaneous	752,000	1,795,163	1,630,813	(164,350)
Total Local Revenues	10,649,988	12,179,014	12,014,564	(164,450)
Total Revenues	57,161,672	59,354,125	58,128,298	(1,225,827)
Expenditures				
Current - Education:				
Instruction	38,231,225	38,365,876	34,193,445	4,172,431
Student Support Services	2,375,578	2,676,702	2,176,101	500,601
Instructional Media Services	749,700	792,293	736,060	56,233
Instruction and Curriculum Development Services	714,533	816,464	726,779	89,685
Instructional Staff Training Services	321,182	408,916	377,040	31,876
Instruction-Related Technology	867,239	759,142	522,703	236,439
Board	1,592,385	1,513,683	1,243,043	270,640
General Administration	925,056	961,966	826,782	135,184
School Administration	4,336,463	4,593,553	4,521,845	71,708
Facilities Acquisition and Construction	162,970	157,490	106,829	50,661
Fiscal Services	727,634	739,580	682,782	56,798
Food Services	-	-	-	-
Central Services	407,899	471,867	461,512	10,355
Student Transportation Services	2,824,185	3,249,764	3,125,378	124,386
Operation of Plant	4,351,846	4,457,380	4,275,202	182,178
Maintenance of Plant	1,575,256	1,606,443	1,348,895	257,548
Administrative Technology Services	1,424,438	1,552,870	1,508,321	44,549
Community Services	-	158,682	-	158,682
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	-	-	-
Other Capital Outlay	-	-	-	-
Total Expenditures	61,587,589	63,282,671	56,832,717	6,449,954
Excess (Deficiency) of Revenues Over Expenditures	(4,425,917)	(3,928,546)	1,295,581	5,224,127
Other Financing Sources				
Transfers In	54,990	54,990	54,990	-
Loss Recoveries	-	134,130	134,130	-
Total Other Financing Sources	54,990	189,120	189,120	-
Net Change in Fund Balances	(4,370,927)	(3,739,426)	1,484,701	5,224,127
Fund Balances, Beginning	10,530,161	10,530,161	10,530,161	-
Fund Balances, Ending	\$ 6,159,234	\$ 6,790,735	\$ 12,014,862	\$ 5,224,127

Special Revenue - Food Service Fund				Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 172,819	\$ 172,819
4,319,000	4,767,607	4,767,608	1	8,648,063	10,002,477	7,543,968	(2,458,509)
60,000	61,308	58,506	(2,802)	-	-	-	-
-	-	-	-	-	-	-	-
166,000	226,490	226,490	-	-	-	-	-
7,500	60,726	60,725	(1)	-	-	52	52
173,500	287,216	287,215	(1)	-	-	52	52
4,552,500	5,116,131	5,113,329	(2,802)	8,648,063	10,002,477	7,716,839	(2,285,638)
-	-	-	-	5,785,710	6,425,293	4,784,706	1,640,587
-	-	-	-	690,297	833,947	695,494	138,453
-	-	-	-	34,329	19,297	4,129	15,168
-	-	-	-	1,042,401	956,576	819,680	136,896
-	-	-	-	752,510	909,012	606,667	302,345
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	177,977	278,996	266,752	12,244
-	-	-	-	10,000	9,294	4,294	5,000
-	-	-	-	-	257,566	257,566	-
-	-	-	-	-	-	-	-
4,804,656	4,992,702	4,385,370	607,332	-	-	-	-
-	-	-	-	88,718	55,537	24,968	30,569
-	-	-	-	65,965	33,533	22,123	11,410
-	-	-	-	156	-	-	-
-	-	-	-	-	1,346	1,346	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	39,734	39,734	-
-	204,409	204,409	-	-	169,225	169,225	-
4,804,656	5,197,111	4,589,779	607,332	8,648,063	9,989,356	7,696,684	2,292,672
(252,156)	(80,980)	523,550	604,530	-	13,121	20,155	7,034
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(252,156)	(80,980)	523,550	604,530	-	13,121	20,155	7,034
2,466,071	2,466,071	2,466,071	-	6,472	6,472	6,472	-
\$ 2,213,915	\$ 2,385,091	\$ 2,989,621	\$ 604,530	\$ 6,472	\$ 19,593	\$ 26,627	\$ 7,034

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

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 204,336	\$ 223,878
Interest	209,822	182,316
Changes of Assumptions or Other Inputs	(36,313)	(399,269)
Benefit Payments	<u>(333,675)</u>	<u>(340,772)</u>
Net Change in Total OPEB Liability	44,170	(333,847)
Total OPEB Liability - Beginning	<u>5,856,370</u>	<u>6,190,217</u>
Total OPEB Liability - Ending	<u>\$ 5,900,540</u>	<u>\$ 5,856,370</u>
Covered-Employee Payroll	\$ 28,830,227	\$ 27,990,512
Total OPEB Liability as a Percentage of Covered-Employee Payroll	20.47%	20.92%

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the FRS Net Pension Liability	0.078834793%	0.083535842%	0.085224087%	0.091690263%	0.091080451%	0.083559847%
District's Proportionate Share of the FRS Net Pension Liability	\$ 23,745,448	\$ 24,709,342	\$ 21,519,149	\$ 11,843,027	\$ 5,557,247	\$ 14,384,369
District's Covered Payroll	\$ 34,315,119	\$ 34,923,905	\$ 34,525,827	\$ 34,662,040	\$ 34,152,530	\$ 32,430,669
District's Proportionate Share of the FRS Net Pension Liability as a Percentage of Its Covered Payroll	69.20%	70.75%	62.33%	34.17%	16.27%	44.35%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required FRS Contribution	\$ 2,452,804	\$ 2,246,728	\$ 2,714,644	\$ 2,078,325	\$ 2,235,486	\$ 1,995,048
FRS Contributions in Relation to the Contractually Required Contribution	<u>(2,452,804)</u>	<u>(2,246,728)</u>	<u>(2,714,644)</u>	<u>(2,078,325)</u>	<u>(2,235,486)</u>	<u>(1,995,048)</u>
FRS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 36,321,082	\$ 34,315,119	\$ 34,923,905	\$ 34,525,827	\$ 34,662,040	\$ 34,152,530
FRS Contributions as a Percentage of Covered Payroll	6.75%	6.55%	7.77%	6.02%	6.45%	5.84%

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the HIS Net Pension Liability	0.104991905%	0.109565891%	0.011834983%	0.114249769%	0.114941864%	0.111771811%
District's Proportionate Share of the HIS Net Pension Liability	\$ 11,112,461	\$ 11,715,291	\$ 13,033,904	\$ 11,651,679	\$ 10,747,345	\$ 9,731,206
District's Covered Payroll	\$ 34,315,119	\$ 34,923,905	\$ 34,525,827	\$ 34,662,040	\$ 34,152,530	\$ 32,430,669
District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	32.38%	33.55%	37.75%	33.62%	31.47%	30.01%
HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required HIS Contribution	\$ 602,890	\$ 569,374	\$ 579,854	\$ 573,226	\$ 436,734	\$ 393,752
HIS Contributions in Relation to the Contractually Required Contribution	(602,890)	(569,374)	(579,854)	(573,226)	(436,734)	(393,752)
HIS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 36,321,082	\$ 34,315,119	\$ 34,923,905	\$ 34,525,827	\$ 34,662,040	\$ 34,152,530
HIS Contributions as a Percentage of Covered Payroll	1.66%	1.66%	1.66%	1.66%	1.26%	1.15%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

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

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

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

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

Changes of Assumptions. The discount rate was changed from 3.56 percent as of the beginning of the measurement period to 3.62 percent as of June 30, 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 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.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Hendry County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Total Expenditures
Clustered			
Child Nutrition Cluster			
United States Department of Agriculture:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	19002	\$ 842,165
National School Lunch Program	10.555	19001, 19003	3,771,017
Summer Food Service Program for Children	10.559	18006, 18007, 19006, 19007	<u>154,426</u>
Total Child Nutrition Cluster			<u>4,767,608</u>
Special Education Cluster			
United States Department of Education:			
Special Education - Grants to States:			
Florida Department of Education	84.027	263	1,841,689
University of South Florida		None	2,450
Highlands County District School Board		None	<u>12,444</u>
Total Special Education - Grants to States	84.027		<u>1,856,583</u>
Special Education - Preschool Grants:			
Florida Department of Education	84.173	267	<u>39,060</u>
Total Special Education Cluster			<u>1,895,643</u>
Not Clustered			
United States Department of Agriculture			
Rural Business Development Grant	10.351	N/A	<u>172,819</u>
United States Department of Education			
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191, 193	158,498
Title I Grants to Local Educational Agencies	84.010	226	3,051,349
Migrant Education - State Grant Program	84.011	217	1,039,167
Career and Technical Education - Basic Grants to States	84.048	161	184,933
Education for Homeless Children and Youth	84.196	127	58,951
Rural Education	84.358	110	194,561
English Language Acquisition State Grants	84.365	102	137,528
Supporting Effective Instruction State Grants	84.367	224	396,604
Student Support and Academic Enrichment Program	84.424	241	121,260
Hurricane Education Recovery:			
Immediate Aid to Restart School Operations	84.938A	105	289,849
Temporary Emergency Impact Aid for Displaced Students	84.938C	106	<u>13,121</u>
Total Hurricane Education Recovery	84.938		<u>302,970</u>
Florida Gulf Coast University:			
Special Education - State Personnel Development	84.323	None	<u>14,948</u>
Total United States Department of Education			<u>5,660,769</u>
Total Expenditures of Federal Awards			<u>\$ 12,496,839</u>

The accompanying notes are an integral part of this Schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Hendry County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.
- (2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance – National School Lunch Program. Includes \$527,211 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (5) Hurricane Education Recovery. The District incurred \$13,121 in expenditures for the Hurricane Education Recovery grant in the 2017-18 fiscal year.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hendry County District School Board as of and for the fiscal 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 March 25, 2020, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a

timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Financial Statement Finding No. 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

District's Response to Finding

The District's response to the internal control finding identified in our audit is described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** Financial Statement Finding No. 2019-001. The District is also responsible for preparing a corrective action plan to address this finding. The District's response and the **CORRECTIVE ACTION PLAN** were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 25, 2020



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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

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

Report on Compliance for Each Major Federal Program

We have audited the Hendry County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2019. The District's major Federal programs are identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 25, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major Federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major Federal programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
84.010	Title I Grants to Local Educational Agencies
84.027 and 84.173	Special Education Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDING

SIGNIFICANT DEFICIENCY

FINANCIAL REPORTING

Finding Number	2019-001
Opinion Unit	Major Fund: Capital Projects – Other (CPO) Fund
Financial Statements Account Titles	Various
Fund Name	CPO Fund
Adjustment Amounts	Governmental fund financial statements – examples of audit adjustments: CPO Fund: Additions of \$4,210,066 (net debit) to Restricted Cash with Fiscal Agent, \$463,738 (debit) to Facilities Acquisition and Construction Expenditures, \$4,637,379 (credit) to Other Financing Sources, and \$36,425 (credit) to Miscellaneous Local Revenues.
Prior Year Finding	Not Applicable
Finding	District financial reporting procedures need improvement to ensure that account balances and transactions are properly reported.
Criteria	Section 1010.01, Florida Statutes, requires that State Board of Education (SBE) rules incorporate the requirements of law and accounting principles generally accepted in the United States (GAAP). SBE Rule 6A-1.0071, Florida Administrative Code, and related instructions from the Florida Department of Education (FDOE) prescribe the exhibits and schedules that should be prepared as part of the District’s annual financial report (AFR). GAAP require that: <ul style="list-style-type: none">• Proceeds from an installment-purchase be recorded as other financing sources in the governmental fund financial statements.• Preparation of fund financial statements include an analysis to determine the major funds. A fund should be reported as major when the fund’s assets, liabilities, revenues, or expenditures represent at least 10 percent of the total governmental funds for these respective classifications.
Condition	In December 2018, the District entered into an installment-purchase agreement to finance a guaranteed energy savings contract and did not record the proceeds totaling \$4,637,379 as other financing sources. During the 2018-19 fiscal year, the escrow agent made one payment to the energy savings vendor totaling \$463,738 and the District earned \$36,425 on the unspent escrow funds. However, the District did not record the effects of these transactions on the AFR. As a result of these errors, the AFR excluded the CPO Fund from major fund reporting.
Cause	The District experienced turnover of key finance staff that contributed to reporting errors on the financial statements. Additionally, District procedures had not been established to independently detect the errors and verify that the AFR was properly prepared before AFR completion.
Effect	Separately reporting accurate amounts by major fund allows financial statement users to readily identify the District’s most significant funds and their related balances and transactions, understand the District’s financial activities, and correctly assess the District’s financial position. We expanded our audit procedures to determine the adjustments necessary to ensure District financial statement amounts were properly reported, and District

personnel accepted these adjustments. However, our audit procedures cannot substitute for management's responsibility for proper financial reporting.

Recommendation

The District should improve procedures to ensure that financial statement account balances and transactions are properly reported on the District AFR. Such procedures should include appropriate review and approval before completion of the AFR to detect and correct reporting errors.

District Response

This error was related to a December 2018 Lease Purchase which was not recorded and therefore not posted to the financial reports. Before October, the error was found, and by October 11, the entries were created and given to the auditors. The account is now reconciled and tracked in the legacy accounting system. The Accounting staff does have assigned bank reconciliations. Future debts will be coordinated by the Finance staff, with immediate assignment of reconciliations, which will ensure its included in the financial reports.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters are reported.

PRIOR AUDIT FOLLOW-UP

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



Hendry County School Board

District Office
 Hendry Co. Courthouse
 P.O. Box 1980
 LaBelle, FL 33975-1980
 (863) 674-4100
 FAX (863) 674-4103
 SUNCOM 744-4100

Finance Department
 863-674-4100
 Fax: 863-674-4103

Sub-Office
 475 E. Osceola Ave.
 Clewiston, FL 33440-3140
 (863) 902-4244
 FAX (863) 902-4247
 SUNCOM 744-4244

Audit Report No. (Finding No.)	Programs/Area	Brief Description	Status	Comments
2018-126 (2017-001)	Child Nutrition Cluster (CFDA No. 10.553, 10.555, and 10.559)	The District overpaid for food service management company (FSMC) services because District personnel did not reconcile FSMC billings to the FSMC contract and other District records, resulting in questioned costs totaling \$30,216.	Fully Corrected	On 2-26-2019, the District deposited a refund in the amount of \$30,216.12 from Sodexo. Invoices are reviewed and approved by the Food Services Manager before being paid.

Hendry County Schools...our future starts here

CORRECTIVE ACTION PLAN



Hendry County School Board

Paul K. Puletti
Superintendent

District Office
Hendry Co. Courthouse
P. O. Box 1980
LaBelle, Florida 33975-1980
(863) 674-4642
FAX (863) 674-4090 SUNCOM 744-4642

Sub-Office
475 East Osceola Avenue
Clewiston, Florida 33440-3140
(863) 902-4244
FAX (863) 902-4247 SUNCOM 744-4244

March 2, 2020

Mrs. Sherrill F. Norman, CPA
Office of the Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mrs. Norman:

Pursuant to the provisions of Section 11.45 (4) (d), Florida Statutes herewith is the submitted statement of explanation for proposed action concerning the preliminary and tentative audit findings of the Hendry County District School Board for the fiscal year ending June 30, 2019.

Finding Number 2019-001 – Financial Reporting

The District will improve procedures to ensure that financial statement account balances and transactions are properly reported on the District AFR. Such procedures will include appropriate review and approval before completion of the AFR to detect and correct reporting errors.

Anticipated Completion Date: June 30, 2020

Responsible Contact Person: Ann Marie Ricardi

Sincerely yours,

A handwritten signature in black ink that reads "Paul K. Puletti".

Paul K. Puletti
Superintendent

PKP:bt