

Report No. 2018-195
March 2018

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

**HILLSBOROUGH COUNTY
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended
June 30, 2017



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2016-17 fiscal year, Jeff Eakins served as Superintendent of the Hillsborough County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Susan L. Valdes	1
Sally A. Harris, Vice Chair from 11-22-16	2
Cindy Stuart, Chair from 11-22-16, Vice Chair through 11-21-16	3
Melissa Snively	4
Tamara P. Shamburger from 11-22-16	5
Doretha W. Edgecomb through 11-21-16	5
April Griffin, Chair through 11-21-16	6
Lynn L. Gray from 11-22-16	7
Carol W. Kurdell through 11-21-16	7

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 Anna A. McCormick, CPA, and the audit was supervised by Eric Davis, CPA.

Please address inquiries regarding this report to Micah E. Rodgers, CPA, Audit Manager, by e-mail at micahrodgers@aud.state.fl.us or by telephone at (850) 412-2905.

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HILLSBOROUGH COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS

	Page No.
SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	13
Statement of Activities	14
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Special Revenue – Other Fund	24
Statement of Net Position – Proprietary Funds	25
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	26
Statement of Cash Flows – Proprietary Funds	27
Statement of Fiduciary Net Position – Fiduciary Funds	28
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	29
Notes to Financial Statements	30
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress – Other Postemployment Benefits Plan	72
Schedule of Employer Contributions – Other Postemployment Benefits Plan	72
Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan	73
Schedule of District Contributions – Florida Retirement System Pension Plan	73
Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan	73

HILLSBOROUGH COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS (CONTINUED)

	Page No.
OTHER REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)	
Schedule of District Contributions – Health Insurance Subsidy Pension Plan	74
Schedule of Changes in Net Pension Liability and Related Ratios – Early Retirement Plan.....	74
Schedule of District Contributions – Early Retirement Plan	76
Schedule of Investment Returns – Early Retirement Plan	78
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	80
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 <i>GOVERNMENT AUDITING STANDARDS</i>	83
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	85
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	88
PRIOR AUDIT FOLLOW-UP	89
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	90

SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

SUMMARY OF REPORT ON FEDERAL AWARDS

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

AUDIT OBJECTIVES AND SCOPE

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

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

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, 2017. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Hillsborough County District School Board, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Hillsborough County District School Board, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general and major special revenue funds 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 **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of Employer Contributions – Other Postemployment Benefits Plan**, **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**, **Schedule of Changes in Net Pension Liability and Related Ratios – Early Retirement Plan**, **Schedule of District Contributions – Early Retirement Plan**, and **Schedule of Investment Returns – Early Retirement Plan**, 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 a report dated March 30, 2018, 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 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 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The School District of Hillsborough County's (the "District") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the District's financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the District's basic financial statements. The basic District's 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 contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances in a manner similar to the corporate private sector. Governmental and business-type activities are consolidated into columns which add to a total for the primary government.

The statement of net position details information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the assets plus deferred outflows of resources minus liabilities and deferred inflows of resources being reported as net position. This statement combines the governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District has changed.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying obligation/event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities and/or component units.

The government-wide financial statements include not only the District but its component units as well. The Hillsborough School Board Leasing Corporation, although legally separate, functions for all practical purposes, as a department of the District, and therefore has been included as an integral part of the primary government. Several separate public charter schools are included as discretely presented component units.

Key financial highlights included assets and deferred outflows of resources exceeding its liabilities and deferred inflows of resources by \$621,092,132.22 (net position). Of this amount \$(956,004,001.42) represents a deficit unrestricted net position. This deficit balance was attributed to the effects of the

long-term liabilities for pensions, other postemployment benefits, and compensated absences. See Notes II.D.1., II.D.2., II.E., and II.J.4. to the financial statements for additional information.

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. 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. Funds are established for various purposes and the fund financial statements allow for the demonstration of sources and uses and/or budgetary compliance associated therewith. All funds of the District can be divided into three major categories: governmental funds, proprietary funds, and fiduciary funds.

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, the governmental funds focus on the sources and uses of liquid resources and balances of spendable resources available at the end of the fiscal year.

This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Because the focus is narrower than that of government-wide financial statements, it is useful to compare it to the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Reconciliation between the government-wide and the governmental fund financial information is necessary because of the different measurement focus (current financial resources versus economic resources); such reconciliation is reflected on the page following each statement. The flow of current financial resources reflects bond proceeds and interfund transfers as other financing sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation eliminates these transactions and incorporates the capital assets and long-term obligations (bonds and others) into the governmental activities column in the government-wide statements.

The District maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Revenue – Other Fund, Debt Service – Other Fund, Capital Projects – Local Capital Improvement Fund, and Capital Projects – Other Fund that are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds.

Proprietary Funds: The District maintains internal service funds as its only proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for its group health insurance, and workers' compensation and liability self-insurance activities.

Fiduciary Funds: The District is the trustee, or fiduciary, for its employee pension plans. It is also responsible for other assets that, because of a trust agreement, can be used only for the trust beneficiaries. Additionally, the District uses agency funds to account for resources held for student activities and groups. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The District excludes these activities from the government-wide financial statements because the District cannot use these assets to finance any of its ongoing operations.

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 its progress in funding its obligation to provide other postemployment benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$621,092,132.22 at the end of the current fiscal year.

By far the largest portion of the District's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt and deferred outflows of resources used to acquire those assets that is still outstanding. The District uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

The following is a summary of the District's net position as of June 30, 2017, compared to net position as of June 30, 2016:

Net Position, End of Year

	Governmental Activities	
	6-30-17	6-30-16
Current and Other Assets	\$ 465,713,101.29	\$ 478,096,216.36
Capital Assets	2,272,759,581.95	2,294,400,783.98
Total Assets	2,738,472,683.24	2,772,497,000.34
Deferred Outflows of Resources	726,226,397.70	380,678,768.22
Long-Term Liabilities	2,709,213,951.35	2,066,181,311.20
Other Liabilities	98,598,465.37	120,112,374.39
Total Liabilities	2,807,812,416.72	2,186,293,685.59
Deferred Inflows of Resources	35,794,532.00	219,406,182.00
Net Position:		
Net Investment in Capital Assets	1,323,826,048.83	1,334,058,551.36
Restricted	253,270,084.81	235,597,846.91
Unrestricted (Deficit)	(956,004,001.42)	(822,180,497.31)
Total Net Position	\$ 621,092,132.22	\$ 747,475,900.96

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The District's net position decreased by \$126,383,768.74 from last year due to current year operations and the effects of long-term liabilities for pensions, other postemployment benefits (OPEB), and compensated absences. The decrease attributed to current year operations was primarily due to workforce related expenditures.

Governmental activities decreased the District's net position by \$126,383,768.74. Key elements of this decrease are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-17	6-30-16
Program Revenues:		
Charges for Services	\$ 52,943,666.52	\$ 51,993,169.75
Operating Grants and Contributions	93,721,866.78	93,302,020.74
Capital Grants and Contributions	12,962,778.28	11,186,445.66
General Revenues:		
Property Taxes, Levied for Operational Purposes	453,097,176.43	446,798,976.36
Property Taxes, Levied for Capital Projects	125,707,135.42	116,622,967.88
Local Sales Tax	30,717,925.03	29,660,622.37
Grants and Contributions Not Restricted to Specific Programs	1,303,194,275.45	1,298,735,266.16
Unrestricted Investment Earnings	3,567,656.58	3,621,747.44
Miscellaneous	79,301,523.36	82,027,094.48
Total Revenues	2,155,214,003.85	2,133,948,310.84
Functions/Program Expenses:		
Instruction	1,294,842,155.64	1,205,857,776.47
Student Support Services	90,552,194.13	84,580,027.17
Instructional Media Services	26,768,110.40	24,274,018.17
Instruction and Curriculum Development Services	61,387,234.12	60,775,235.19
Instructional Staff Training Services	44,740,201.78	43,942,164.73
Instruction-Related Technology	37,702,453.06	36,720,376.11
Board	1,752,328.56	2,625,558.98
General Administration	15,400,529.00	15,605,390.40
School Administration	114,527,764.27	107,622,311.84
Facilities Acquisition and Construction	116,950,049.47	128,843,091.44
Fiscal Services	7,867,397.77	6,839,665.97
Food Services	121,827,931.99	119,177,056.01
Central Services	30,976,993.94	47,495,112.44
Student Transportation Services	71,438,578.07	67,078,396.48
Operation of Plant	120,378,033.95	114,069,102.15
Maintenance of Plant	29,251,957.51	28,186,328.22
Administrative Technology Services	129,698.36	404,408.97
Community Services	65,737,887.78	88,341,868.96
Unallocated Interest on Long-Term Debt	29,140,738.62	34,731,964.65
Unallocated Depreciation Expense	225,534.17	228,164.90
Total Functions/Program Expenses	2,281,597,772.59	2,217,398,019.25
Change in Net Position	(126,383,768.74)	(83,449,708.41)
Net Position - Beginning	747,475,900.96	830,925,609.37
Net Position - Ending	\$ 621,092,132.22	\$ 747,475,900.96

The increase in unrestricted grants and contributions revenue of \$4,459,009.29 is a result of an increase in grants awarded to the District. Property taxes increased \$15,382,367.61 during the year as a result of an increase in assessed values.

For the most part, the increase in expenses was due to the increase in OPEB, compensated absences, salaries due to implementation of the empowering effective teacher's evaluation system, and pension expense.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

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. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$374,805,043.79, an increase of \$1,955,633.82 as compared to the prior year.

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$99,053,366, while the total fund balance was \$140,774,024.64. The fund balance of the District's General Fund decreased by \$5,300,944.66 during the current fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 6 percent of total general fund expenditures, while total fund balance represents approximately 8 percent of that same amount. The fund balance decrease of \$5,300,944.66 in the current year was due in part to:

- A portion of the reduced revenues comes from the recalibration process which was implemented in the 2013-14 fiscal year to reduce the amount of funding for each student to 1.0 Full-Time Equivalent (FTE). Students can take course loads greater than 1.0 FTE by accessing virtual schools and other acceleration opportunities. Acceleration is encouraged by Florida Statutes, and the District is prohibited from denying those opportunities. In the 2013-14 fiscal year, the Legislature decided that although the Legislature requires districts to allow enrollment beyond 1.0 FTE for each student, the Legislature would no longer pay for the extra enrollment. The projected District enrollment was reduced to 2,325 unweighted FTEs (UFTE) that year because of recalibration. The average annual impact of recalibration for the past several years has reduced the total enrollment counts by about 1.5 percent.
- Additionally, the District experienced a decrease in State funding for the Capital Projects Funds and for Public Education Capital Outlay (PECO) maintenance. With these decreasing revenues, unassigned funds from the General Fund were used for operational repairs and technology needs at school sites.
- Current year expenditures and other financing uses decreased \$10,150,778.29 from the prior fiscal year. Salaries and benefits represent the most significant expenditures of the District. The District continued efficiencies of meeting financial challenges by reducing salaries, and ongoing review of requests for purchases of goods, services, and equipment. In the review process, the requests were deemed essential or nonessential. Also, work continued with energy efficiency

strategies, and the next year of the 15-year school bus replacement plan, with the purchase of 100 new school buses and the sale of 100 old and inefficient yellow school buses.

- Expenditures continued with the ongoing Legislative Mandate for the “Additional hour of reading for the 300 lowest performing elementary schools.” This mandate requires an additional hour of reading instruction beyond the normal school day for all students attending these schools.

The Special Revenue – Other Fund revenues and expenditures remain equal to the prior year.

The fund balance of the Debt Service – Other Fund decreased this year from last year due to transfers to the capital funds. As it was originally intended, those dollars were used for maintaining and improving aging schools.

The Capital Projects – Local Capital Improvement Fund’s ending fund balance of \$419,729.81 decreased \$17,927,846.34 from the prior year. The decrease was due to various projects and transfers to cover expenditures related to capital improvement, but not recorded in those funds.

The Capital Projects – Other Fund includes the Certificates of Participation funds. Overall, there was an increase of \$48,227,336.69 to the beginning fund balance of \$64,402,906.97 to a current year fund balance of \$112,630,243.66. The increase was due to an increase in impact fees, community investment tax revenue, and other financing sources.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the District revised its budget and brought amendments to the District’s governing board (School Board) on a monthly basis. These amendments were needed to adjust to actual revenues and direct resources where needed. The School Board approves the final amendment to the budget after year end.

Budgeted expenditures increased \$59,549,737.39 from the original budget to the final amended budget. The difference was due in part to salary increases resulting from the continuance of empowering effective teacher’s evaluation system and other negotiated increases.

Actual expenditures were \$47,599,324.65 below the final amended expenditure budget. Unexpended appropriations of \$47,599,324.65 were composed of the following: (1) \$34,198,879.43 in restricted programs, (2) \$2,767,767.28 in other earmarked assigned funds, and (3) \$10,632,677.94 in other unexpended budget items. The \$10,632,677.94 is less than 1 percent of the final budget. In the normal course of business, some of the budget is left unspent, primarily due to temporarily unfilled positions.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District’s investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$2,272,759,581.95 (net of accumulated depreciation). This investment in capital assets is comprised of the following:

	Governmental Activities	
	2017	2016
Land	\$ 161,410,563.66	\$ 161,410,563.66
Land Improvements	96,077,620.44	94,735,627.01
Construction in Progress	40,551,727.46	34,839,037.05
Improvements Other than Buildings	77,302,893.37	77,340,116.72
Buildings and Systems	1,827,423,164.63	1,865,122,710.80
Furniture, Fixtures and Equipment	23,807,054.76	25,512,905.67
Leasehold Improvements	6,342,440.81	-
Motor Vehicles	39,129,015.78	34,175,229.57
Computer Software	715,101.04	1,264,593.50
Total Capital Assets, Net	\$ 2,272,759,581.95	\$ 2,294,400,783.98

This year's additions of \$74,703,218.74 which includes transfers from construction in progress, is comprised of several renovation projects. The total of capital assets decreased due to the fact that deletions and depreciation charges were higher than additions.

See Note II.C. to the financial statements for more information on the District's capital assets.

Long-Term Debt

At the end of the current fiscal year, the District had total borrowed and bonded debt outstanding of \$948,933,533.12, which includes unamortized bond premiums of \$48,619,533.12.

	2017	2016
Bonds Payable	\$ 205,079,468.41	\$ 205,176,921.89
Certificates of Participation	743,854,064.71	779,863,431.28
Total Long-term Debt	\$ 948,933,533.12	\$ 985,040,353.17

The District's bond ratings are as follows:

<u>Sales Tax Revenue Bonds</u>	
<u>Underlying</u>	
Moody's	A2
Standard & Poor's	A-
Fitch IBCA	A-
<u>Certificates of Participation</u>	
<u>Underlying</u>	
Moody's	Aa2
Standard & Poor's	AA-
Fitch IBCA	AA

See Notes II.J.1. through II.J.4. to the financial statements for more information on the District's long-term debt.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School District of Hillsborough County's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Accounting Services, 901 E. Kennedy Blvd. Tampa, Florida, 33602 or call 813-272-4292.

BASIC FINANCIAL STATEMENTS

Hillsborough County District School Board Statement of Net Position June 30, 2017

	<u>Primary Government Governmental Activities</u>	<u>Component Units</u>
ASSETS		
Cash	\$ 135,933,440.85	\$ 31,598,828.00
Investments	225,816,346.24	1,502,194.00
Accounts Receivable	5,072,970.04	2,533,569.00
Due from Other Agencies	93,247,909.00	611,458.00
Prepaid Items	-	782,065.00
Inventories	5,642,435.16	-
Other Assets	-	353,366.00
Capital Assets:		
Nondepreciable Capital Assets	298,039,911.56	9,460,809.00
Depreciable Capital Assets, Net	1,974,719,670.39	106,292,798.00
TOTAL ASSETS	<u>2,738,472,683.24</u>	<u>153,135,087.00</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	691,201,462.37	-
Accumulated Decrease in Fair Value of Hedging		
Derivatives	12,718,714.00	-
Deferred Charge on Refunding	22,306,221.33	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>726,226,397.70</u>	<u>-</u>
LIABILITIES		
Accrued Salaries and Benefits	709,029.24	3,746,002.00
Payroll Deductions and Withholdings	2,859,848.56	208,349.00
Accounts Payable	37,795,050.84	4,578,553.00
Construction Contracts Payable - Retained Percentage	2,345,872.86	-
Due to Other Agencies	6,038,369.42	16,024.00
Accrued Interest Payable	12,613,940.91	383,135.00
Deposits Payable	2,897,982.85	-
Unearned Revenues	15,378,619.69	553,032.00
Derivative Instrument - Liability	17,959,751.00	-
Long-Term Liabilities:		
Portion Due Within One Year	80,221,961.35	3,029,581.00
Portion Due After One Year	2,628,991,990.00	103,569,331.00
TOTAL LIABILITIES	<u>2,807,812,416.72</u>	<u>116,084,007.00</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	35,794,532.00	-
NET POSITION		
Net Investment in Capital Assets	1,323,826,048.83	10,619,344.00
Restricted for:		
Categorical Carryover Programs	28,516,277.11	-
Debt Service	78,037,001.38	3,766,906.00
Capital Projects	117,984,452.24	233,236.00
Food Service	23,049,751.76	-
Other Purposes	5,682,602.32	109,372.00
Unrestricted	(956,004,001.42)	22,322,222.00
TOTAL NET POSITION	<u>\$ 621,092,132.22</u>	<u>\$ 37,051,080.00</u>

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

**Hillsborough County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2017**

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
Primary Government			
Governmental Activities:			
Instruction	\$ 1,294,842,155.64	\$ 26,241,468.11	\$ -
Student Support Services	90,552,194.13	-	-
Instructional Media Services	26,768,110.40	-	-
Instruction and Curriculum Development Services	61,387,234.12	-	-
Instructional Staff Training Services	44,740,201.78	-	-
Instruction-Related Technology	37,702,453.06	-	-
Board	1,752,328.56	-	-
General Administration	15,400,529.00	-	-
School Administration	114,527,764.27	-	-
Facilities Acquisition and Construction	116,950,049.47	-	-
Fiscal Services	7,867,397.77	-	-
Food Services	121,827,931.99	24,291,531.97	93,721,866.78
Central Services	30,976,993.94	-	-
Student Transportation Services	71,438,578.07	2,410,666.44	-
Operation of Plant	120,378,033.95	-	-
Maintenance of Plant	29,251,957.51	-	-
Administrative Technology Services	129,698.36	-	-
Community Services	65,737,887.78	-	-
Unallocated Interest on Long-Term Debt	29,140,738.62	-	-
Unallocated Depreciation Expense*	225,534.17	-	-
Total Governmental Activities	2,281,597,772.59	52,943,666.52	93,721,866.78
Component Units			
Charter Schools	\$ 143,807,282.00	\$ 8,050,734.00	\$ 6,748,916.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

Net Position - Ending

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

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

Net (Expense) Revenue and Changes in Net Position			
<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Component Units</u>	
\$ -	\$ (1,268,600,687.53)	\$ -	
-	(90,552,194.13)	-	
-	(26,768,110.40)	-	
-	(61,387,234.12)	-	
-	(44,740,201.78)	-	
-	(37,702,453.06)	-	
-	(1,752,328.56)	-	
-	(15,400,529.00)	-	
-	(114,527,764.27)	-	
6,793,195.72	(110,156,853.75)	-	
-	(7,867,397.77)	-	
-	(3,814,533.24)	-	
-	(30,976,993.94)	-	
-	(69,027,911.63)	-	
-	(120,378,033.95)	-	
-	(29,251,957.51)	-	
-	(129,698.36)	-	
-	(65,737,887.78)	-	
6,169,582.56	(22,971,156.06)	-	
-	(225,534.17)	-	
12,962,778.28	(2,121,969,461.01)	-	
\$ 3,891,531.00	-	(125,116,101.00)	
	453,097,176.43	-	
	125,707,135.42	-	
	30,717,925.03	-	
	1,303,194,275.45	123,777,975.00	
	3,567,656.58	9,233.00	
	79,301,523.36	4,090,442.00	
	1,995,585,692.27	127,877,650.00	
	(126,383,768.74)	2,761,549.00	
	747,475,900.96	34,049,415.00	
	-	240,116.00	
	747,475,900.96	34,289,531.00	
	\$ 621,092,132.22	\$ 37,051,080.00	

**Hillsborough County District School Board
Balance Sheet – Governmental Funds
June 30, 2017**

	<u>General Fund</u>	<u>Special Revenue - Other Fund</u>	<u>Debt Service - Other Fund</u>
ASSETS			
Cash	\$ 69,028,613.29	\$ 714,794.68	\$ 25,331,506.38
Investments	27,786,400.91	0.35	87,864,882.28
Accounts Receivable	3,517,520.67	-	-
Due from Other Funds	53,463,155.07	774,455.04	500.00
Due from Other Agencies	7,118,342.38	24,384,118.97	1,960,846.51
Inventories	4,754,011.93	-	-
TOTAL ASSETS	<u>\$ 165,668,044.25</u>	<u>\$ 25,873,369.04</u>	<u>\$ 115,157,735.17</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ 707,682.48	\$ -	\$ -
Payroll Deductions and Withholdings	2,859,848.56	-	-
Accounts Payable	12,451,065.06	4,297,847.05	500.00
Due to Other Funds	2,611,194.78	20,748,515.28	27,369,497.64
Due to Other Agencies	6,037,226.50	1,142.92	-
Deposits Payable	17,184.68	311,821.44	2,566,500.32
Unearned Revenues	209,817.55	514,042.35	-
Total Liabilities	<u>24,894,019.61</u>	<u>25,873,369.04</u>	<u>29,936,497.96</u>
Fund Balances:			
Nonspendable:			
Inventories	4,754,011.93	-	-
Restricted for:			
State Required Carryover Programs	31,172,560.29	-	-
Debt Service	-	-	85,221,237.21
Capital Projects	-	-	-
Food Service	-	-	-
Local Carryover Programs	3,026,319.14	-	-
Total Restricted Fund Balance	<u>34,198,879.43</u>	<u>-</u>	<u>85,221,237.21</u>
Assigned for:			
District Operations	2,767,767.28	-	-
Unassigned Fund Balance	<u>99,053,366.00</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>140,774,024.64</u>	<u>-</u>	<u>85,221,237.21</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 165,668,044.25</u>	<u>\$ 25,873,369.04</u>	<u>\$ 115,157,735.17</u>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 4,071,142.79	\$ 10,014,813.71	\$ 12,251,276.40	\$ 121,412,147.25
17,058,705.24	31,484,036.33	18,529,013.08	182,723,038.19
133.81	-	1,384,717.10	4,902,371.58
7,500,045.31	27,379,472.35	697,254.21	89,814,881.98
51,281.62	53,213,236.82	5,870,532.34	92,598,358.64
-	-	888,423.23	5,642,435.16
<u>\$ 28,681,308.77</u>	<u>\$ 122,091,559.21</u>	<u>\$ 39,621,216.36</u>	<u>\$ 497,093,232.80</u>
\$ -	\$ -	\$ 1,346.76	\$ 709,029.24
-	-	-	2,859,848.56
1,592,273.76	2,567,883.68	1,615,297.25	22,524,866.80
26,669,305.20	6,890,955.46	1,934,994.46	86,224,462.82
-	-	-	6,038,369.42
-	2,476.41	-	2,897,982.85
-	-	309,769.42	1,033,629.32
<u>28,261,578.96</u>	<u>9,461,315.55</u>	<u>3,861,407.89</u>	<u>122,288,189.01</u>
-	-	888,423.23	5,642,435.16
-	-	-	31,172,560.29
-	-	5,429,705.08	90,650,942.29
419,729.81	112,630,243.66	7,280,351.63	120,330,325.10
-	-	22,161,328.53	22,161,328.53
-	-	-	3,026,319.14
<u>419,729.81</u>	<u>112,630,243.66</u>	<u>34,871,385.24</u>	<u>267,341,475.35</u>
-	-	-	2,767,767.28
-	-	-	99,053,366.00
<u>419,729.81</u>	<u>112,630,243.66</u>	<u>35,759,808.47</u>	<u>374,805,043.79</u>
<u>\$ 28,681,308.77</u>	<u>\$ 122,091,559.21</u>	<u>\$ 39,621,216.36</u>	<u>\$ 497,093,232.80</u>

**Hillsborough County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017**

Total Fund Balances - Governmental Funds \$ 374,805,043.79

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. 2,272,759,581.95

Deferred outflow of resources are reported as a result of changes in fair value of hedging derivative instruments in the statement of net position. 12,718,714.00

Deferred charges on bond refundings are not expensed in the government-wide statements, but are reported as deferred outflows of resources and amortized over the life of the debt. 22,306,221.33

Derivative instrument liability is not due and payable in the current period and therefore is not reported in the funds. (17,959,751.00)

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 funds are included in governmental activities in the statement of net position. 781,217.90

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:

Other Postemployment Benefits Payable	\$	(157,956,970.00)	
Compensated Absences Payable		(166,298,692.16)	
Net Pension Liability		(1,411,576,817.07)	
Certificates of Participation Payable		(743,854,064.71)	
Bonds Payable		<u>(205,079,468.41)</u>	(2,684,766,012.35)

The deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$	691,201,462.37	
Deferred Inflows Related to Pensions		<u>(35,794,532.00)</u>	655,406,930.37

Accrued interest on long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds. (12,613,940.91)

Accrued construction retainage payable is not due and payable in the current period and, therefore, is not reported in the funds. (2,345,872.86)

Net Position - Governmental Activities \$ 621,092,132.22

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

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**Hillsborough County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2017**

	General Fund	Special Revenue - Other Fund	Debt Service - Other Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 3,403,927.71	\$ 19,055,279.10	\$ -
Federal Through State and Local State	9,381,802.85	186,828,461.23	-
	1,077,889,305.94	1,260,622.25	-
Local:			
Property Taxes	453,097,176.43	-	-
Local Sales Taxes	-	-	20,346,198.03
Impact Fees	-	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	73,077,004.91	2,586,471.42	813,011.54
Total Local Revenues	<u>526,174,181.34</u>	<u>2,586,471.42</u>	<u>21,159,209.57</u>
Total Revenues	<u>1,616,849,217.84</u>	<u>209,730,834.00</u>	<u>21,159,209.57</u>
Expenditures			
Current - Education:			
Instruction	1,126,182,322.53	73,539,376.52	-
Student Support Services	66,022,722.47	17,404,126.47	-
Instructional Media Services	21,744,666.06	3,117,314.19	-
Instruction and Curriculum Development Services	26,586,848.32	30,413,690.69	-
Instructional Staff Training Services	19,485,127.12	22,213,098.14	-
Instruction-Related Technology Board	32,312,250.03	2,521,506.51	-
	1,593,896.32	-	-
General Administration	6,861,583.27	7,640,312.28	-
School Administration	103,443,414.28	665,137.00	-
Facilities Acquisition and Construction	1,774,397.85	-	-
Fiscal Services	6,361,578.57	597,615.68	-
Food Services	269,407.58	-	-
Central Services	23,121,053.63	4,878,990.31	-
Student Transportation Services	65,599,695.96	785,393.27	-
Operation of Plant	114,782,262.89	191,798.40	-
Maintenance of Plant	27,430,776.74	-	-
Administrative Technology Services	228,508.94	-	-
Community Services	20,756,097.84	44,410,078.96	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	22,425.26	36,629.00	-
Other Capital Outlay	2,118,563.31	1,336,720.19	-
Debt Service:			
Principal	-	-	45,570,000.00
Interest and Fiscal Charges	-	-	34,924,428.46
Total Expenditures	<u>1,666,697,598.97</u>	<u>209,751,787.61</u>	<u>80,494,428.46</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(49,848,381.13)</u>	<u>(20,953.61)</u>	<u>(59,335,218.89)</u>
Other Financing Sources (Uses)			
Transfers In	47,768,390.08	20,953.61	65,179,511.33
Issuance of Refunding Bonds	-	-	47,664,712.00
Premium on Sale of Refunding Bonds	-	-	-
Refunding Certificates of Participation	-	-	32,445,000.00
Premium on Refunding Certificates of Participation	-	-	5,094,857.65
Payments to Refunding Escrow Agent	-	-	(85,694,555.63)
Transfers Out	(3,220,953.61)	-	(27,370,258.29)
Total Other Financing Sources (Uses)	<u>44,547,436.47</u>	<u>20,953.61</u>	<u>37,319,267.06</u>
Net Change in Fund Balances	(5,300,944.66)	-	(22,015,951.83)
Fund Balances, Beginning	146,074,969.30	-	107,237,189.04
Fund Balances, Ending	<u>\$ 140,774,024.64</u>	<u>\$ 0.00</u>	<u>\$ 85,221,237.21</u>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 22,459,206.81
-	-	92,304,016.78	288,514,280.86
-	5,047,432.00	14,708,072.65	1,098,905,432.84
125,707,135.42	-	-	578,804,311.85
-	10,371,727.00	-	30,717,925.03
-	31,274,116.60	-	31,274,116.60
-	-	24,291,531.97	24,291,531.97
1,277,028.98	1,215,337.38	458,647.50	79,427,501.73
<u>126,984,164.40</u>	<u>42,861,180.98</u>	<u>24,750,179.47</u>	<u>744,515,387.18</u>
<u>126,984,164.40</u>	<u>47,908,612.98</u>	<u>131,762,268.90</u>	<u>2,154,394,307.69</u>
-	-	-	1,199,721,699.05
-	-	-	83,426,848.94
-	-	-	24,861,980.25
-	-	-	57,000,539.01
-	-	-	41,698,225.26
-	-	-	34,833,756.54
-	-	-	1,593,896.32
-	-	-	14,501,895.55
-	-	-	104,108,551.28
16,938,256.91	7,548,868.05	1,904,097.21	28,165,620.02
-	-	-	6,959,194.25
-	-	116,066,015.98	116,335,423.56
-	-	-	28,000,043.94
-	-	-	66,385,089.23
-	-	-	114,974,061.29
-	-	-	27,430,776.74
-	-	-	228,508.94
-	-	-	65,166,176.80
24,395,003.15	34,200,811.88	3,283,839.91	61,938,709.20
-	-	9,123,518.66	12,578,802.16
-	-	5,446,000.00	51,016,000.00
-	-	1,322,634.40	36,247,062.86
<u>41,333,260.06</u>	<u>41,749,679.93</u>	<u>137,146,106.16</u>	<u>2,177,172,861.19</u>
<u>85,650,904.34</u>	<u>6,158,933.05</u>	<u>(5,383,837.26)</u>	<u>(22,778,553.50)</u>
-	27,369,497.64	469,461.08	140,807,813.74
-	19,746,338.00	5,302,000.00	72,713,050.00
-	-	807,289.76	807,289.76
-	-	-	32,445,000.00
-	-	-	5,094,857.65
-	-	(2,221,873.62)	(87,916,429.25)
(103,578,750.68)	(5,047,432.00)	-	(139,217,394.58)
<u>(103,578,750.68)</u>	<u>42,068,403.64</u>	<u>4,356,877.22</u>	<u>24,734,187.32</u>
(17,927,846.34)	48,227,336.69	(1,026,960.04)	1,955,633.82
18,347,576.15	64,402,906.97	36,786,768.51	372,849,409.97
<u>\$ 419,729.81</u>	<u>\$ 112,630,243.66</u>	<u>\$ 35,759,808.47</u>	<u>\$ 374,805,043.79</u>

**Hillsborough 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, 2017**

Net Change in Fund Balances - Governmental Funds \$ 1,955,633.82

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$74,517,511.36) was less than depreciation expense (\$96,080,169.70) during the current period. (21,562,658.34)

The statement of activities reflects only the gain/loss on the sale of assets, whereas the governmental funds include all proceeds from these sales. Thus, the change in net position differs by the cost of assets sold. (229,579.73)

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 806,726.89

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which payments of bond principal (\$51,016,000) and payments to refunding agent (\$87,916,429.25) was more than proceeds (\$105,327,000) in the current year. 33,605,429.25

Governmental funds report certain bond transactions as resources or uses. However, in the statement of activities, these transactions are reported over the life of the debt as (\$5,733,197.41 bond premium). (5,733,197.41)

Expenses in the statement of activities that do not require the use of current financial resources are not reported in governmental funds:

Other Postemployment Benefits Payable	\$ (17,498,106.00)	
Interest Expense	390,129.24	
Compensated Absences Payable	(3,104,857.16)	
Pension	(120,437,877.37)	
Amortization of Bond Discount and Premium	5,842,689.02	
Amortization of Investment Derivative	873,506.00	(133,934,516.27)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of internal service funds is reported with governmental activities. (1,291,606.95)

Change in Net Position - Governmental Activities \$ (126,383,768.74)

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

**Hillsborough County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual – General Fund
For the Fiscal Year Ended June 30, 2017**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 2,783,100.53	\$ 3,522,816.65	\$ 3,403,927.71	\$ (118,888.94)
Federal Through State and Local	11,440,632.06	9,381,802.85	9,381,802.85	-
State	1,095,824,737.64	1,079,351,674.92	1,077,889,305.94	(1,462,368.98)
Local:				
Property Taxes	449,865,724.62	453,097,176.43	453,097,176.43	-
Miscellaneous	93,924,131.00	77,467,294.29	73,077,004.91	(4,390,289.38)
Total Local Revenues	<u>543,789,855.62</u>	<u>530,564,470.72</u>	<u>526,174,181.34</u>	<u>(4,390,289.38)</u>
Total Revenues	<u>1,653,838,325.85</u>	<u>1,622,820,765.14</u>	<u>1,616,849,217.84</u>	<u>(5,971,547.30)</u>
Expenditures				
Current - Education:				
Instruction	1,179,377,274.02	1,166,672,740.91	1,126,182,322.53	40,490,418.38
Student Support Services	60,048,965.16	66,318,463.67	66,022,722.47	295,741.20
Instructional Media Services	20,002,007.89	22,150,147.11	21,744,666.06	405,481.05
Instruction and Curriculum Development Services	15,911,416.62	26,990,388.22	26,586,848.32	403,539.90
Instructional Staff Training Services	27,117,910.99	20,232,781.65	19,485,127.12	747,654.53
Instruction-Related Technology	25,200,153.27	32,367,297.31	32,312,250.03	55,047.28
Board	2,511,992.40	1,593,896.32	1,593,896.32	-
General Administration	5,978,531.78	7,154,593.19	6,861,583.27	293,009.92
School Administration	96,348,469.55	103,756,037.94	103,443,414.28	312,623.66
Facilities Acquisition and Construction	3,373,569.57	2,231,356.03	1,774,397.85	456,958.18
Fiscal Services	5,282,145.57	6,371,743.85	6,361,578.57	10,165.28
Food Services	474,147.35	269,407.58	269,407.58	-
Central Services	20,630,873.30	23,312,082.97	23,121,053.63	191,029.34
Student Transportation Services	53,782,628.02	65,767,699.09	65,599,695.96	168,003.13
Operation of Plant	105,343,914.60	115,036,178.31	114,782,262.89	253,915.42
Maintenance of Plant	25,170,450.15	27,617,110.38	27,430,776.74	186,333.64
Administrative Technology Services	194,193.26	228,508.96	228,508.94	0.02
Community Services	7,998,542.73	24,085,501.56	20,756,097.84	3,329,403.72
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	22,425.26	22,425.26	-
Other Capital Outlay	-	2,118,563.31	2,118,563.31	-
Total Expenditures	<u>1,654,747,186.23</u>	<u>1,714,296,923.62</u>	<u>1,666,697,598.97</u>	<u>47,599,324.65</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(908,860.38)</u>	<u>(91,476,158.48)</u>	<u>(49,848,381.13)</u>	<u>41,627,777.35</u>
Other Financing Sources (Uses)				
Transfers In	2,833,891.00	47,768,390.08	47,768,390.08	-
Transfers Out	(2,000,000.00)	(3,221,375.25)	(3,220,953.61)	421.64
Total Other Financing Sources (Uses)	<u>833,891.00</u>	<u>44,547,014.83</u>	<u>44,547,436.47</u>	<u>421.64</u>
Net Change in Fund Balances	(74,969.38)	(46,929,143.65)	(5,300,944.66)	41,628,198.99
Fund Balances, Beginning	146,074,969.38	146,074,969.38	146,074,969.30	(0.08)
Fund Balances, Ending	<u>\$ 146,000,000.00</u>	<u>\$ 99,145,825.73</u>	<u>\$ 140,774,024.64</u>	<u>\$ 41,628,198.91</u>

**Hillsborough County District School Board
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual – Special Revenue – Other Fund
For the Fiscal Year Ended June 30, 2017**

	Special Revenue - Other Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 22,937,744.99	\$ 32,990,007.60	\$ 19,055,279.10	\$ (13,934,728.50)
Federal Through State and Local	178,223,015.26	201,289,110.95	186,828,461.23	(14,460,649.72)
State	1,128,747.34	2,869,366.00	1,260,622.25	(1,608,743.75)
Local:				
Miscellaneous	1,793,211.42	3,540,093.30	2,586,471.42	(953,621.88)
Total Revenues	<u>204,082,719.01</u>	<u>240,688,577.85</u>	<u>209,730,834.00</u>	<u>(30,957,743.85)</u>
Expenditures				
Current - Education:				
Instruction	92,264,080.20	85,164,539.69	73,539,376.52	11,625,163.17
Student Support Services	20,492,799.47	17,980,949.31	17,404,126.47	576,822.84
Instructional Media Services	2,746,643.34	3,482,542.39	3,117,314.19	365,228.20
Instruction and Curriculum Development Services	24,929,093.75	32,745,855.19	30,413,690.69	2,332,164.50
Instructional Staff Training Services	13,450,336.90	25,597,625.59	22,213,098.14	3,384,527.45
Instruction-Related Technology	3,211,400.98	4,290,596.65	2,521,506.51	1,769,090.14
General Administration	5,929,469.15	8,609,700.03	7,640,312.28	969,387.75
School Administration	2,352,103.24	753,890.11	665,137.00	88,753.11
Facilities Acquisition and Construction	479,050.56	72,089.00	-	72,089.00
Fiscal Services	520,492.65	607,034.60	597,615.68	9,418.92
Central Services	1,418,124.22	12,743,387.59	4,878,990.31	7,864,397.28
Student Transportation Services	1,106,233.87	932,435.27	785,393.27	147,042.00
Operation of Plant	197,188.71	221,383.44	191,798.40	29,585.04
Community Services	34,985,701.97	46,134,575.05	44,410,078.96	1,724,496.09
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	36,629.00	36,629.00	-
Other Capital Outlay	-	1,336,720.19	1,336,720.19	-
Total Expenditures	<u>204,082,719.01</u>	<u>240,709,953.10</u>	<u>209,751,787.61</u>	<u>30,958,165.49</u>
Deficiency of Revenues Over Expenditures	<u>-</u>	<u>(21,375.25)</u>	<u>(20,953.61)</u>	<u>421.64</u>
Other Financing Sources				
Transfers In	-	21,375.25	20,953.61	(421.64)
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning	-	-	-	-
Fund Balances, Ending	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

**Hillsborough County District School Board
Statement of Net Position – Proprietary Funds
June 30, 2017**

	Governmental Activities - Internal Service Funds
ASSETS	
Current Assets:	
Cash	\$ 14,521,293.60
Investments	43,093,308.05
Accounts Receivable	170,598.46
Due from Other Funds	1,200,000.00
Due from Other Agencies	649,550.36
	TOTAL ASSETS
	59,634,750.47
LIABILITIES	
Current Liabilities:	
Accounts Payable	15,270,184.04
Due to Other Funds	4,790,419.16
Unearned Revenues	14,344,990.37
Estimated Liability for Self-Insurance Program	13,619,840.83
	Total Current Liabilities
	48,025,434.40
Noncurrent Liabilities:	
Estimated Liability for Self-Insurance Program	10,828,098.17
	Total Noncurrent Liabilities
	10,828,098.17
	TOTAL LIABILITIES
	58,853,532.57
NET POSITION	
Unrestricted	781,217.90
	TOTAL NET POSITION
	\$ 781,217.90

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

**Hillsborough County District School Board
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2017**

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Premiums	\$ 194,509,707.82
Other	780,083.59
Total Operating Revenues	195,289,791.41
OPERATING EXPENSES	
Salaries	499,317.99
Employee Benefits	188,639.17
Purchased Services	291,937.41
Insurance Claims	10,378,096.27
Insurance Premiums	183,843,979.26
Total Operating Expenses	195,201,970.10
Operating Income	87,821.31
NONOPERATING REVENUES	
Interest	210,990.90
Income Before Transfers	298,812.21
Transfers In	3,200,000.00
Transfers Out	(4,790,419.16)
Change in Net Position	(1,291,606.95)
Total Net Position - Beginning	2,072,824.85
Total Net Position - Ending	\$ 781,217.90

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

**Hillsborough County District School Board
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2017**

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Interfund Services Provided	\$ 194,241,214.09
Cash Payments to Suppliers for Goods and Services	(194,252,491.08)
Cash Payments to Employees for Services	(687,957.16)
Other Receipts	748,568.88
	49,334.73
Net Cash Provided by Operating Activities	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from Other Funds	3,200,000.00
Transfer to Other Funds	(20,894,960.00)
	(17,694,960.00)
Net Cash Used by Noncapital Financing Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturity of Investments	31,694,919.02
Interest Income	210,990.90
	31,905,909.92
Net Cash Provided by Investing Activities	
Net Increase in Cash	14,260,284.65
Cash, Beginning	261,008.95
Cash, Ending	\$ 14,521,293.60

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

Operating Income	\$ 87,821.31
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Receivable	34,835.50
Due from Other Agencies	(20,583.25)
Accounts Payable	(293,934.08)
Unearned Revenues	(288,384.75)
Estimated Liability for Self-Insurance Program	529,580.00
	(38,486.58)
Total Adjustments	(38,486.58)
Net Cash Provided by Operating Activities	\$ 49,334.73

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

**Hillsborough County District School Board
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2017**

	Pension Trust Fund	Agency Funds
ASSETS		
Cash	\$ -	\$ 16,226,501.81
Investments:		
State Board of Administration	-	41,515,930.30
United State Treasury Securities	498,410.00	-
Federal Home Loan Mgt. Corp	2,491,550.00	-
Federal National Mgt. Assn	4,511,047.50	-
Federal Home Loan Bank	3,261,532.50	-
Federated Prime Obligations Fund - Money Market	232,784.83	-
Accounts Receivable	39,059.35	-
Inventories	-	122,922.40
TOTAL ASSETS	\$ 11,034,384.18	\$ 57,865,354.51
LIABILITIES		
Payroll Deductions and Withholdings	\$ -	\$ 40,439,127.38
Accounts Payable	-	1,146,500.93
Internal Accounts Payable	-	16,279,726.20
TOTAL LIABILITIES	-	\$ 57,865,354.51
NET POSITION		
Held in Trust for Pension Benefits	11,034,384.18	
TOTAL NET POSITION	\$ 11,034,384.18	

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

**Hillsborough County District School Board
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Fiscal Year Ended June 30, 2017**

	Pension Trust Fund
ADDITIONS	
Contributions:	
Employer	\$ 1,185,000.00
Investment Income:	
Net Decrease in Fair Value of Investments	(174,616.50)
Interest, Dividends, and Other	163,569.61
Total Investment Income (Loss)	(11,046.89)
Less Investment Expense	28,889.30
Net Investment Income (Loss)	(39,936.19)
Total Additions	1,145,063.81
DEDUCTIONS	
Participant Benefits	1,931,650.38
Administrative Expenses	12,011.85
Total Deductions	1,943,662.23
Change in Net Position	(798,598.42)
Net Position - Beginning	11,832,982.60
Net Position - Ending	\$ 11,034,384.18

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The School District of Hillsborough County (District) has direct responsibility for operation, control, and supervision of the District schools and is considered a primary government for financial reporting purposes. The District is a 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 school district is the Hillsborough County District School Board (Board), that is composed of seven elected members. The appointed Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Hillsborough County.

The accompanying financial statements present the activities of the District and its component units. Criteria for determining if other entities are potential component units which should be reported within the District's financial statements are identified and described in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity Omnibus-an amendment of GASB Statements No. 14 and No. 34*. The application of these criteria provides for identification of any 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 financial statements to be misleading or incomplete.

Based on the application of these criteria, the following component units are included within the District's reporting entity:

Blended Component Unit. The Hillsborough School Board Leasing Corporation (Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note II.J.1. The governing board of the Corporation is the same as the Board. Financial records for the Corporation are maintained by the District and District staff is responsible for the day-to-day operation of the Corporation. Due to the substantive economic relationship between the District and the Corporation, the financial activities of the Corporation are included in the accompanying financial statements of the District in the Capital Projects - Other Fund. Separate financial statements of the Corporation are not published.

Discretely Presented Component Units. The component units' columns in the government-wide financial statements include the financial data of the District's discretely presented component units for the fiscal year ended June 30, 2017. These component units consist of the District's charter schools. Charter schools are reported in a separate column to emphasize that they are legally separate from the District. Although the charter schools do not meet the specific financial accountability criteria, based on the nature and significance of the relationship with the District, it would be misleading to exclude them from the District's financial statements. None of the individual component units are considered to be major.

The District's charter schools are separate not-for-profit corporations organized under Section 1002.33, Florida Statutes, to operate as public (as opposed to private) schools and are held responsible for prudent use of the public funds they receive. Each charter school is a separate component unit that operates under a charter approved by their sponsor, the Hillsborough County District School Board. There are 38 charter schools operating in the District that meet the criteria for presentation as a discretely presented component unit.

The individual charter schools are listed below. Further, complete audited financial statements of the individual discretely presented component units can be obtained from their administrative offices. These schools include:

Advantage Academy of Hillsborough
304 West Prosser St.
Plant City, FL 33563

Advantage Academy Middle School
304 West Prosser St.
Plant City, FL 33563

Bell Creek Academy
13221 Boyette Road
Riverview, FL 33569

Bell Creek Academy High School
13321 Boyette Road
Riverview, FL 33569

BridgePrep Academy
2418 W. Swann Avenue
Tampa, FL 33609

Brooks DeBartolo Collegiate High School
10948 N. Central Ave.
Tampa, FL 33612

Channelside Academy of Math & Science
1029 E. Twiggs St.
Tampa, FL 33602

Channelside Academy Middle School
1029 E. Twiggs St.
Tampa, FL 33602

Community Charter School of Excellence
11604 N. 15th Street
Tampa, FL 33612

Florida Autism Charter School of Excellence
6310 E. Sligh Avenue
Tampa, FL 33617

Focus Academy
304 Druid Hills Road
Temple Terrace, FL 33617

Henderson Hammock Charter School
10322 Henderson Road
Tampa, FL 33625

Hillsborough Academy of Math & Science
9659 W. Waters Avenue
Tampa, FL 33635

Horizon School of Tampa
(formerly Tampa Charter School)
7235 W. Hillsborough Avenue
Tampa, FL 33634

Independence Academy (formerly Shiloh
Elementary Charter School)
12902 E. US Highway 92
Dover, FL 33527

Independence Academy Middle School
(formerly Shiloh Middle Charter School)
12902 E. US Highway 92
Dover, FL 33527

Kid's Community College Riverview South
10030 Mathog Road
River, FL 33578

Kid's Community College Charter
School Southeast
11519 McMullen Road
Riverview, FL 33569

King's Kids Academy of Health Sciences
3000 N. 34th Street
Tampa, FL 33605

Learning Gate Community School
16215 Hanna Road
Lutz, FL 33549

Legacy Preparatory Academy, Inc.
302 E. Linebaugh Avenue
Tampa, FL 33612

Literacy/Leadership/Technology Academy
6771 Madison Avenue
Tampa, FL 33619

Lutz Preparatory School
17951 N. US Highway 41
Lutz, FL 33618

New Springs Schools
2410 E. Busch Boulevard
Tampa, FL 33612

Pepin Academies
3916 E. Hillsborough Avenue
Tampa, FL 33610

Pivot Charter School
3020 Faulkenburg Road
Riverview, FL 33578

Seminole Heights Charter High School
4006 N. Florida Avenue
Tampa, FL 33603

Southshore Charter Academy
11667 Big Bend Road
Riverview, FL 33579

Terrace Community Middle School
11734 Jefferson Road
Thonotosassa, FL 33592

Town & Country Charter High School
7555 W. Waters Avenue
Tampa, FL 33615

Trinity School for Children
2402 W. Osborne Avenue
Tampa, FL 33603

Valrico Lake Advantage Academy
13306 Boyette Road
Riverview, FL 33569

Village of Excellence Academy
8718 N. 46th Street
Temple Terrace, FL 33617

Village of Excellence Middle School
4600 E. Busch Boulevard
Tampa, FL 33617

Walton Academy for the Performing Arts
4817 N. Florida Avenue
Tampa, FL 33603

West University Charter High School
11602 N. 15th Street
Tampa, FL 33612

Winthrop Charter School
6204 Scholars Hill Lane
Riverview, FL 33578

Woodmont Charter School
10402 N. 56th Street
Temple Terrace, FL 33617

B. Basis of Presentation

The basic financial statements include the government-wide financial statements and fund financial statements.

Government-Wide Financial Statements. Government-wide financial statements include a Statement of Net Position and a Statement of Activities that display information about the primary government, the District, and its component units. These financial statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal service fund activities. The effect of interfund activities has been eliminated in the Statement of Activities.

The Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the District's functions. The expense of individual functions is compared to the revenues generated by the function (for instance, through user charges or intergovernmental grants). Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service funds are charges to other funds and to employees for workers' compensation and insurance. Operating expenses for the internal service funds include the cost of services and administrative costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Because the focus of the governmental fund financial statements differs from the focus of the government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each

party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for funds from the State or Federal Government which are restricted for Federal programs.
- Debt Service – Other Fund – to account for and report on the payments of principal and interest for outstanding bonds and Certificates of Participation.
- Capital Projects – Local Capital Improvement Fund – to account for and report on the revenues generated from the local capital outlay property tax to be used for educational capital outlay needs, including new construction, renovation and remodeling projects.
- Capital Projects – Other Fund – to account for and report other miscellaneous funds from various sources including Certificates of Participation.

Additionally, the District reports the following fund types:

- Internal Service Funds – to account for the District’s workers’ compensation, general and automobile liability self-insurance programs and the employee health insurance program.
- Pension Trust Fund – to account for resources used to finance the early retirement program.
- Agency Funds – to account for resources held by the District as custodian for others primarily for the benefit of various schools and their activity funds.

C. 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 (current assets less current liabilities) or economic resources (all assets plus deferred outflows of resources less all liabilities and deferred inflows of resources). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-Wide 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 recorded at the time liabilities are incurred, regardless of when the related cash flows have taken place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues, other than grant funds, reported in the governmental funds to be available if the revenues are collected within 60 days after year end. Grant funds are considered available if collection is

expected in the upcoming fiscal year. Property taxes, sales taxes, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, which are recognized as expenditures to the extent they have matured.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted assets available to finance the program. It is the District's policy to first apply cost reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Information

Budgetary Basis of Accounting

The District follows the procedures established by State statutes and SBE rules in establishing final budget balances reported in the financial statements:

- 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 law and SBE rules. Original budgets are submitted to the State Commissioner of Education for approval.
- The budget is prepared by fund, function, object, and department. Management may make transfers of appropriations between departments and object. The functional level is the legal level of budgetary control and may only be amended by resolution of the Board at any Board meeting prior to the due date for the Superintendent's Annual Financial Report (State Report). Budgetary disclosure in the accompanying financial statements reflects the original and final budget, including all amendments approved for the fiscal year through September 19, 2017.
- Budgets are prepared using the same modified accrual basis as is used to account for transactions in the 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 year end and encumbrances outstanding are honored from the subsequent year's appropriations.

All budget amounts presented in the basic statements reflect the original budget and the final amended budget (which has been adjusted for legally authorized revisions of the annual budget during the year).

At the governmental fund level, outstanding encumbrances are re-appropriated in the subsequent year. Encumbrances outstanding at year end do not represent Generally Accepted Accounting Principles (GAAP) expenditures or liabilities but represent budgetary accounting controls.

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

1. Cash

Cash consists of petty cash funds and deposits held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and a multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The statement of cash flows for the Proprietary Funds considers cash as those accounts used as demand deposit accounts.

2. Investments

Investments of the general government consist of amounts placed with the State Board of Administration (SBA), (Florida PRIME) for participation in the investment pool, public fund certificates of deposit, those made by the SBA from the District's bond proceeds held and administered by the SBE, and those held locally.

District moneys placed with the State Board of Administration for participation in the State investment pool represent an interest in the pool rather than ownership of specific securities. Such investments are stated at fair value. Investments of the early retirement program are also reported at fair value.

Types and amounts of investments held at fiscal year end are further described in Note II.A.

3. Inventories

Inventories consist of expendable supplies and parts held for consumption in the course of District operations. Inventories at the central warehouse, maintenance, technology repair, and the bus garage are stated at cost based on a moving average. Food service inventories are stated at cost based on the first-in, first-out basis, except that United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. All other inventories are stated at cost on the last invoice price method, which approximates the first-in, first-out basis. The cost of inventories is 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 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 purchased after July 1, 2004, are defined as those costing more than \$1,000 and having a useful life of more than one year; those purchased before July 1, 2004, are defined as those costing more than \$750 and having a useful life of more than 1 year. Donated assets are recorded at acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Interest costs incurred during construction are not capitalized as part of the cost of construction. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings	15 - 50 years
Improvements Other Than Buildings	10 - 25 years
Building Improvements	10 - 25 years
Furniture, Fixtures, and Equipment	5 - 20 years
Motor Vehicles	4 - 10 years
Audio Visual Materials and Computer Software	3 - 5 years

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

5. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported in the government-wide statement of net position. Bond premiums, discounts, and gains and losses on refunding issuances are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Gains and losses on refunding issuances are netted and reported as deferred outflows of resources.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize bond premiums, discounts, gains and losses on refunding issuances during the current period. The face amount of debt issued, as well as any related premium and gain on refunding issuances are reported as an other financing source while discounts on debt issuances and losses on refunding issuances are reported as an other financing use.

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

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

6. Lease Obligations

The District has operating leases for facility rental. These agreements allow use of a facility that meet specific needs of certain programs. Adult Education pays rental fees out of workforce funding, Early Childhood pays rental fees with Federal funding sources, while Student Nutrition Services pays with earned revenue.

7. Deferred Outflows of Resources and Deferred Inflows of Resources

In the government-wide financial statements, the District records deferred outflows of resources which represent the consumption of net position by the District that is applicable to a future

reporting period. At June 30, 2017, deferred outflows of resources represent activity associated with a swap agreement as discussed in Note II.J.5., the deferred charge on refunding as discussed in Note II.J.3., and pension related items as discussed in Note II.D.1.

In addition to liabilities on the government-wide financial statements, the District records deferred inflows of resources which represent an acquisition of net position that applies to future periods. At June 30, 2017, deferred inflows of resources represent activity associated with pension related items as discussed in Note II.D.1.

F. Revenues

1. State Revenue Sources

Revenues from State sources for current operations include the Florida Education Finance Program (FEFP), which is administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the Board determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department 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 for a period of 5 months following the date of original reporting. Such amendments may impact funding allocations for subsequent years. The Department 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 of or additions to revenue in the year when the adjustments are made.

The District receives revenue from the State to administer certain categorical educational programs. SBE rules require that revenue earmarked for these programs be expended only for the program for which the money is provided. The amounts not expended or encumbered as of the close of the fiscal year are usually carried forward into the following year to be expended for the same programs. The Department requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted for the balance of categorical educational program resources.

2. 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 taxes are assessed by the Hillsborough County Property Appraiser and are collected by the Hillsborough County Tax Collector.

The Board adopted the 2016 tax levy for the 2017 fiscal year on September 6, 2016. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year with discounts of up to four percent for early payment.

Taxes become 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. These procedures result in the collection of essentially all taxes prior to June 30 of the year following the assessment.

Property tax revenues are recognized in the government-wide financial statements in the fiscal year for which the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when the taxes are received by the District, except that revenue is accrued for taxes collected by the Hillsborough County Tax Collector at fiscal year end which have not yet been remitted to the District. Because any delinquent taxes collected after June 30 would not be material, delinquent taxes receivable are not accrued.

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

3. Federal Revenue Sources

The District receives Federal financial assistance for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For Federal financial assistance 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.

4. Use of Estimates

The preparation of the financial statements requires management of the District to make a number of assumptions relating to the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash and Investments

At June 30, 2017, the District's deposits were entirely covered by Federal depository insurance or by collateral pledged with the State Treasurer pursuant to Chapter 280, Florida Statutes. Under this chapter, in the event of default by a participating financial institution (a qualified public depository), all participating institutions are obligated to reimburse the governmental entity for the loss.

As of June 30, 2017, the District had the following investments and maturities:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
United States Treasury Securities	05/31/2018 - 05/31/2020	\$ 510,167.10
United States Agency Securities	07/20/2017 - 05/15/2020	16,552,897.65
State Board of Administration:		
Florida PRIME	39 Day Average	219,812,779.70
Debt Service Accounts	6 Months	4,287,588.74
Certificates of Deposit	11/05/2017 - 07/17/2018	36,931,383.35
Wells Fargo Advantage Treasury Plus Money Market	N/A	<u>232,784.83</u>
Total Investments		<u>\$ 278,327,601.37</u>

Investments are reflected in the financial statements as follows:

Governmental funds	\$ 182,723,038.19
Internal Service funds	43,093,308.05
Fiduciary funds:	
Pension trust	10,995,324.83
Agency	<u>41,515,930.30</u>
Total Primary Government	<u>\$ 278,327,601.37</u>

Fair Value Measurement

The District categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District's investments in SBA debt service accounts are valued using Level 1 inputs.

The District has the following fair value measurements as of June 30, 2017:

- United States Treasury securities of \$510,167.10 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices (Level 2 inputs).
- United States Agency securities of \$16,552,897.65 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices (Level 2 inputs).
- Money markets of \$232,784.83 are valued using the quoted market prices (Level 1 inputs).
- Certificates of deposit of \$36,931,383.35 are valued using the quoted market prices (Level 1 inputs).

State Board of Administration of \$224,100,368.44 are valued using the net asset value (NAV) per share.

	June 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities:				
United States Treasury Securities	\$ 510,167.10	\$ -	\$ 510,167.10	\$ -
United States Agency Securities	16,552,897.65	-	16,552,897.65	-
Total debt securities	17,063,064.75	-	17,063,064.75	-
Money market	232,784.83	232,784.83	-	-
Certificates of deposit	36,931,383.35	36,931,383.35	-	-
Total investments at fair value	54,227,232.93	\$37,164,168.18	\$17,063,064.75	\$ 0.00
Investments measured at net asset value (NAV)				
State Board of Administration	224,100,368.44			
Total investments	\$278,327,601.37			

Interest Rate Risk

The District has a formal investment policy which states that the investment objectives are safety of capital, liquidity of funds, and investment income, in that order. The performance measurement objective shall be to exceed the SBA's Florida PRIME yield. The policy limits the type of investments and the length of investments of idle funds. The weighted average duration of the investment portfolio shall not exceed five years.

For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2017, 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

Section 218.415(17), Florida Statutes, limits the types of investments that the District can hold. The District's investment policy authorizes the following investments:

- The SBA Investment Pool, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided by 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(26), Florida Statutes;
- Direct obligations of the United States Treasury;
- Obligations of Federal agencies, government sponsored enterprises, and instrumentalities;
- Securities of, or other interest in, any open-end or closed-end management type investment company of trust registered under the Investment Company Act of 1940, 15 U.S. C. 80a-1;
- Short-term obligations commonly referred to as “money market instruments” including but not limited to commercial paper, provided such obligations carry the highest credit rating from a nationally recognized rating agency; and
- Asset-backed securities when either (a) the underlying asset is guaranteed by the issuer or (b) the security carries the highest quality rating by a nationally recognized rating agency.

The District’s investments in the SBA consist of Florida PRIME.

Florida PRIME is an external investment pool that is not registered with the Securities Exchange Commission (SEC), but does operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 allows funds to use amortized cost to maintain a constant net asset value (NAV) of \$1.00 per share. Accordingly, the District’s investment in the Florida PRIME is reported at the account balance which is considered fair value. Florida PRIME is rated AAAM by Standard & Poor’s.

The District’s investments in United States Agencies and Treasuries for the Pension Trust Fund were rated either AA+ by Standard & Poor’s or AAA by Moody’s Investors Services. The remaining government securities were rated either AA+/A-1 by Standard & Poor’s or Aaa by Moody’s Investors Services.

The District’s investments in Certificates of Deposits were in qualified public depositories.

Investments in the SBA Debt Service Account totaling \$4,287,588.74 are to provide for debt service payments on bonded debt issued by the SBA for the benefit of the District. These investments consist of United States Treasury securities, with maturity dates of 6 months or less and are reported at fair value. The District has no formal policy for managing interest rate risk or credit risk for this account, but relies on policies developed by the State Board of Administration.

Custodial Credit Risk

The District’s investment policy requires that securities purchased or otherwise acquired by the District shall be properly designated as an asset of the District. Also, Section 218.415(18), Florida Statutes, requires every security purchased under this section on behalf of the District to be properly earmarked and:

- (1) If registered with the issuer or its agents, must be immediately placed for safekeeping in a location that protects the District’s interest in the security;

(2) If in book-entry form, must be held for the credit of the District 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 Florida as defined in Section 658.12, Florida Statutes, 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 Florida, 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, must be immediately placed for safekeeping in a secured vault.

Of the District's investments, \$510,167.10 of United States Treasury securities, and \$16,552,897.65 of United States Agency securities are not registered in the name of the District, but are held by the counterparty's trust department or agent and are not insured.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. The District had no investment, excluding amounts held with the SBA, that comprised more than 5 percent of total investments.

Foreign Currency Risk

The District has no investments that are exposed to foreign currency risk at June 30, 2017. The District does not have a formal investment policy that limits its investment in foreign currency.

B. Due From Other Governmental Agencies

Amount due from other governmental agencies as of June 30, 2017 are shown below:

	Major Funds					Nonmajor and Other Funds	Total
	General Fund	Other Special Revenue Fund	Other Debt Service	Local Capital Improvement	Other Capital Projects Fund		
Federal Government:							
Miscellaneous	\$5,359,874.84	\$13,949,042.67	\$ -	\$ -	\$ -	\$ -	\$19,308,917.51
State Government:							
Food Reimbursement	-	-	-	-	-	1,417,635.17	1,417,635.17
Miscellaneous	503,058.55	592,036.30	-	-	452,016.00	5,102,447.53	6,649,558.38
Local Government:							
Hillsborough County							
Board of County Commissioners	267,832.41	9,506,750.77	1,960,846.51	51,281.62	52,209,205.82	-	63,995,917.13
Miscellaneous	987,576.58	336,289.23	-	-	552,015.00	-	1,875,880.81
	<u>\$7,118,342.38</u>	<u>\$24,384,118.97</u>	<u>\$1,960,846.51</u>	<u>\$ 51,281.62</u>	<u>\$53,213,236.82</u>	<u>\$6,520,082.70</u>	<u>\$93,247,909.00</u>

C. Changes in Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 161,410,563.66	\$ -	\$ -	\$ 161,410,563.66
Land Improvements	94,735,627.01	1,352,028.43	10,035.00	96,077,620.44
Construction in Progress	34,839,037.05	58,537,025.46	52,824,335.05	40,551,727.46
Total Capital Assets Not Being Depreciated	290,985,227.72	59,889,053.89	52,834,370.05	298,039,911.56
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	218,355,192.42	7,119,116.88	-	225,474,309.30
Buildings and Systems	2,746,146,442.33	37,232,217.74	435,473.36	2,782,943,186.71
Furniture, Fixtures, and Equipment	145,812,350.02	5,873,438.35	5,822,651.70	145,863,136.67
Leasehold Improvements	-	6,465,281.15	-	6,465,281.15
Motor Vehicles	119,387,053.88	10,852,786.50	8,299,255.08	121,940,585.30
Computer Software	21,531,616.02	95,659.28	1,714,034.11	19,913,241.19
Total Capital Assets Being Depreciated	3,251,232,654.67	67,638,499.90	16,271,414.25	3,302,599,740.32
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	141,015,075.70	7,156,340.23	-	148,171,415.93
Buildings and Systems	881,023,731.53	74,784,174.63	287,884.08	955,520,022.08
Furniture, Fixtures, and Equipment	120,299,444.35	7,474,763.03	5,716,830.47	122,057,376.91
Leasehold Improvements	-	122,840.34	-	122,840.34
Motor Vehicles	85,211,824.31	5,899,000.29	8,299,255.08	82,811,569.52
Computer Software	20,267,022.52	643,051.18	1,713,228.55	19,196,845.15
Total Accumulated Depreciation	1,247,817,098.41	96,080,169.70	16,017,198.18	1,327,880,069.93
Total Capital Assets Being Depreciated, Net	2,003,415,556.26	(28,441,669.80)	254,216.07	1,974,719,670.39
Governmental Activities Capital Assets, Net	\$ 2,294,400,783.98	\$ 31,447,384.09	\$ 53,088,586.12	\$ 2,272,759,581.95

Depreciation expense was charged to governmental functions as follows:

<u>Function</u>	<u>Amount</u>
Instructional Services	\$ 3,391,718.04
Student Support Services	1,420,810.16
Student Transportation Services	355,598.24
Operation and Maintenance of Plant	512,253.06
Facilities Acquisition and Construction	88,983,439.97
School Administration	161,694.72
General Administration	202,980.74
Food Services	775,105.75
Community Services	51,034.85
Unallocated Depreciation	225,534.17
Total Depreciation Expense - Governmental Activities	\$ 96,080,169.70

D. Retirement Plans

1. State Retirement Programs

Summary of Significant Accounting Policies

Pensions. 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) and the Health Insurance Subsidy (HIS) and additions to/deductions from FRS and HIS's fiduciary net position have been determined on the same basis as they are reported by FRS and HIS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The District's FRS and HIS pension expense totaled \$204,407,444 for the fiscal year ended June 30, 2017.

General Information about the Pension Plans

Plan description. All regular employees of the District are covered by the Florida Retirement System (FRS). The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the FRS Investment Plan.

Essentially all regular employees of participating employers are eligible to enroll as members of the Plan. Employees in the Pension Plan vest at 6 years of service if enrolled in the plan prior to July 1, 2011. Enrollment after July 1, 2011, requires 8 years of service to vest. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. For enrollees prior to July 1, 2011, pension plan benefit payments are based on the member's highest 5-year average annual salary (average final compensation) times the number of years of service. Enrollees after July 1, 2011, have benefit payments based on the member's highest 8-year average annual salary. For regular class members enrolled before July 1, 2011, the annual final compensation is multiplied by a percentage ranging from 1.60 percent at age 62 or with 30 years of service to 1.68 percent at age 65 or with 33 years of service. Regular class members enrolled after July 1, 2011, have an annual final compensation multiplied by a percentage ranging from 1.6 percent at age 65 or with 33 years of service to 1.68 percent at age 68 or with 36 years of service. Members are eligible for early retirement after 6 years of service, however, normal benefits are reduced by 5 percent for each year a member retires before age 62. As described in Note II.D.2., the District administers a single-employer retirement program that under certain conditions covers the difference in benefits between normal and early retirement.

The Plan provides retirement, disability, and death benefits and annual cost-of-living-adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member 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.

A DROP was established effective July 1, 1998. It permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with a FRS employer. An employee may participate in the 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 Florida Retirement System Trust Fund and accrue interest.

Eligible FRS members may elect to participate in FRS Investment Plan in lieu of the Defined Benefit Plan. District employees participating in DROP are not eligible to participate in the Investment Plan. This plan is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the ultimate benefit depends in part on the performance of investment funds chosen. Employees in the FRS Investment Plan vest after one year of service.

The benefit provisions and all other requirements of the Plan are established by Florida Statutes.

The contribution rates for the Plan are established by Section 121.71 of the Florida Statutes, and may be amended, by the State of Florida. As of June 30, 2017, the contribution rates were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
FRS, Regular (HA)	3.00	7.52
FRS, Elected County Officers (HI)	3.00	42.47
FRS, Senior Management Service Class (HM)	3.00	21.77
FRS, Special Risk (HB)	3.00	22.57
Teachers' Retirement System, Plan E (IE)	6.25	11.90
DROP – Applicable to Members from All of the Above Classes	0.00	12.99
FRS, Reemployed Retiree (UA)	3.00	4.49

Note: (A) Employer rates include the post-retirement health insurance subsidy, which remained the same from the prior fiscal year. As of July 1, 2016, this amount totaled 1.66 percent.

The District's contributions to the Plan, net of employee contributions, for the fiscal year ended June 30, 2017, totaled \$64,502,458.37. This amount is equal to the required contributions for the fiscal year. Effective July 1, 2011, all members of FRS, except for DROP participants and reemployed retirees who are not eligible for renewed membership, are required to contribute

3 percent of their compensation to FRS. Amounts collected by the District, and remitted to the Plan for employee contributions, are not considered employer contributions for the Plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of \$964,675,632 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions during the fiscal year ended June 30, 2016. At June 30, 2016, the District's proportionate share was 2.541959515 percent, which was a decrease of 0.22133015 percent from its proportionate share of 2.763289665 percent measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized the Plan pension expense of \$165,189,515 for the FRS Pension Plan. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions for the FRS Pension Plan 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	\$ 49,144,726.00	\$ 5,976,027.00
Change of assumptions	311,216,659.00	-
Net difference between projected and actual earnings on FRS pension plan investments	147,607,457.35	-
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	13,548,601.00	26,305,226.00
District FRS contributions subsequent to the measurement date	64,502,458.37	-
Total	\$ 586,019,901.72	\$ 32,281,253.00

The deferred outflows of resources related to pensions totaling \$64,502,458.37 resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported for the FRS Pension plan 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>
2018	\$ 78,591,959.00
2019	78,591,959.00
2020	143,273,807.00
2021	111,185,722.00
2022	56,169,772.00
Thereafter	21,422,971.35
Total	\$ 489,236,190.35

Actuarial Assumptions. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation as of the valuation date calculated on the assumptions listed below:

Valuation date	July 1, 2016
Measurement date	June 30, 2016
Discount rate	7.60 percent*
Long-term expected rate of return, Net of investment expense	7.60 percent*
Inflation	2.60 percent
Salary increase, including inflation	3.25 percent
Mortality	Generational RP-2000 with Projection Scale BB
Actuarial cost method	Entry Age

* District used 7 percent, as discussed below.

The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. During presentations to the 2016 FRS Actuarial Assumption Conference, Aon Hewitt, the investment consultant for the State Board of Administration, and the consulting actuary both recommended reducing the investment return assumption. Based on their respective capital market outlook models, the 50th percentile average annual long-term future return rates ranged between 6.3 percent and 6.6 percent. When Aon Hewitt applied the State Board of Administration's approach to assumption development, the investment return forecast was 7 percent. The consulting actuary notes the reduced investment return assumption adopted by the FRS Actuarial Assumption Conference conflicts with their judgment of a reasonable assumption as defined by the Actuarial Standards of Practice Number 27 (ASOP 27).

The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees if future experience follows assumptions and the Actuarially Determined Contribution (ADC) is contributed in full each year. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The rate of return assumption is a prescribed assumption as defined by ASOP 27. The 7.6 percent assumption was adopted by the 2016 FRS Actuarial Assumption Conference. To be conservative, the District used the 7 percent discount rate as determined by Aon Hewitt to estimate the total FRS net pension liability and determined the District's related account balances by applying their proportionate share.

All other actuarial assumptions that determined the total pension liability of the FRS Pension Plan as of June 30, 2016, were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Long-term expected rate of return. To develop an analytical basis for the selection of the long-term expected rate of return assumption for the FRS Pension Plan, the 2016 FRS Actuarial Assumptions conference reviews long-term assumptions developed by multiple contracted capital market assumptions teams. The table below shows resulting assumptions for each of the asset classes in which the plan was invested based on the long-term target asset allocation. 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. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. The expected real rate of return is presented in arithmetic means.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Real Rate of Return</u>
Cash	1%	3.0%
Fixed Income	18%	4.7%
Global Equity	53%	8.1%
Real Estate (Property)	10%	6.4%
Private Equity	6%	11.5%
Strategic Investments	12%	6.1%
Total	<u>100%</u>	

Discount rate. The discount rate used to measure the District's total pension liability for the FRS Pension Plan was 7 percent and is based on a projection of cash flows that assumed that employee contributions will be made at the current contribution rate and that contributions from participating members will be made at statutorily required rates, actuarially determined.

Based on those assumptions, the FRS Pension 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 long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net position liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability of the FRS Pension Plan calculated using the discount rate of 7 percent. Also presented is what the District's proportionate share of the FRS Pension Plan net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
District's proportionate share of the FRS Pension Plan net pension liability	\$1,545,558,044	\$ 964,675,632	\$ 481,167,738

Pension plan fiduciary net position. Detailed information about FRS Pension Plan's fiduciary net position is available in the separately issued FRS Comprehensive Annual Financial Report. The comprehensive annual financial report of the FRS is available by mail at: State of Florida, Division of Retirement, Department of Management Services, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399; by telephone toll free (844) 377-1888 or (850) 907-6500; by e-mail at rep@dms.myflorida.com; or at the Division's Web site (<http://www.dms.myflorida.com>).

General Information about the Health Insurance Subsidy (HIS)

HIS Plan Description. The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established to provide a monthly subsidy payment to retired members of any state-administered retirement system, or beneficiary entitled to receive benefits.

HIS Benefits Provided. The benefit of the HIS Plan is a monthly payment to assist retirees in paying their health insurance costs. This plan is administered by the Florida Department of Management Services within the Florida Retirement System. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation.

For fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS Plan payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at a minimum of \$30 but not more than \$150 monthly per Section 112.363, Florida Statutes.

HIS Contributions. The HIS Plan is funded by required contributions from FRS participating employers. The funds are deposited in a separate trust fund and consequently paid from that trust fund. Employer contributions are a percentage of gross compensation for all FRS members. For the fiscal year ended June 30, 2017, the contribution rate was 1.66 percent of payroll per Section 112.363, Florida Statutes. Employees do not contribute to this plan. The District's contributions to the HIS Plan totaled \$19,066,752.11 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of \$432,149,985 for its proportional share of the HIS Plan net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions during the fiscal year ended June 30, 2016. At June 30, 2016, the District's proportionate share was 3.707982372 percent, which was a decrease of 0.031275074 percent from its proportionate share of 3.739257446 percent measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$39,217,929 for the FRS HIS Plan. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions for the FRS HIS Plan 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	\$ -	\$ 984,279.00
Change of assumptions	67,815,319.00	-
Difference between projected and actual earnings on pension plan investments	218,504.36	-
Changes in proportion and differences between District contributions and proportionate share of contributions	17,595,323.18	2,529,000.00
District contributions subsequent to the measurement date	19,066,752.11	-
Total	<u>\$ 104,695,898.65</u>	<u>\$ 3,513,279.00</u>

The deferred outflows of resources related to pensions totaling \$19,066,752.11 resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported for the HIS Plan 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 Recognized</u>
2018	\$ 15,318,179.00
2019	15,318,179.00
2020	15,276,572.00
2021	15,256,601.00
2022	12,247,801.00
Thereafter	8,698,535.54
Total	<u>\$ 82,115,867.54</u>

Actuarial Assumptions. The total pension liability for the HIS Plan was determined by an actuarial valuation as of the valuation date calculated on the assumptions below:

Valuation date	July 1, 2016
Measurement date	June 30, 2016
Discount rate	2.85 percent
Inflation	2.60 percent
Salary Increase, including inflation	3.25 percent
Mortality	Generational RP-2000 with Projected Scale BB
Actuarial cost method	Entry Age

The actuarial assumptions that determined the total pension liability of the HIS Plan as of June 30, 2016, were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013. The discount rate decreased from 3.8 to 2.85 percent. This change will continue to allow FRS to meet or exceed its assumed investment return in future years.

Discount Rate. Because the HIS Plan is funded on a pay-as-you-go basis funding structure, a municipal bond rate (Bond Buyer General Obligation 20-Bond Municipal Bond Index) of 2.85 percent was used to determine the total pension liability for the program.

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 of the HIS Plan calculated using the discount rate of 2.85 percent. Also presented is what the District's proportionate share of the HIS Plan net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.85 percent) or 1 percentage point higher (3.85 percent) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
District's proportionate share of the HIS Pension Plan net pension liability	\$ 495,774,214	\$ 432,149,985	\$ 379,345,348

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Comprehensive Annual Financial Report. The comprehensive annual financial report of the FRS is available by mail at: State of Florida, Division of Retirement, Department of Management Services, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399; by telephone toll free (844) 377-1888 or (850) 907-6500; by e-mail at rep@dms.myflorida.com; or at the Division's Web site (<http://www.dms.myflorida.com>).

2. Early Retirement Plan

Summary of Significant Accounting Policies

Pension. The Plan is accounted for in a pension trust fund; therefore, it is accounted for in substantially the same manner as a proprietary fund with an economic measurement focus and the accrual basis of accounting. Employer contributions are recognized in the period in which contributions are due. Benefits and refunds are recognized when due and payable in accordance with terms of the Plan.

Plan assets are valued at fair value, based on quoted market prices, for financial statement purposes. Separate statements are not issued for the Plan.

General Information about the Early Retirement Program

Plan Description. As authorized by Section 1012.685, Florida Statutes, the Board implemented an Early Retirement Plan (Plan), effective August 1, 1984. The Plan is a single-employer defined benefit plan. The purpose of the Plan is to provide eligible District employees, who elect to retire under the early retirement provisions of the FRS, described in Note II.D.1., with a monthly benefit equal to the statutory reduction of the normal retirement benefits when early retirement precedes the normal retirement age of 62. The School Board entered into an agreement with Wells Fargo Bank, N.A., designating the Bank as the Investment Manager and Custodian (Trustee) for the Plan assets. The Agreement also provides that monthly benefits be paid by the Trustee.

Eligibility. A member of the Plan was eligible upon attainment of age 55 to 59, completion of 25, but not more than 28 years of creditable service, at least 5 consecutive and uninterrupted years of service immediately preceding early retirement, and having applied for retirement under the FRS. The Board approved to eliminate new participants to the Early Retirement Program on June 30, 2008. Certain employees were eligible to enter the plan before July 1, 2010. As of July 1, 2010, the plan was closed to any new participants.

Benefits provided. The amount of the monthly benefit will be equal to the reduction imposed on the retirement benefit by the FRS due to early retirement. The benefit amount will be based on the initial benefit amount determined by the FRS prior to any cost of living adjustments and once established will remain unchanged, unless a specific increase is authorized by the Board.

Employees covered by benefit terms. Based on an actuarial report as of June 30, 2017, employee membership data related to the Plan was as follows:

Retirees and Beneficiaries Currently Receiving Benefits: 532

Active Plan Participants: There are no longer any active plan participants.

Contributions. The District's Early Retirement Program was established by the Board on August 1, 1984. On July 1, 2010, the plan was closed to any new participants. Pursuant to the Plan Agreement, no contribution shall be required or permitted from any member. The District's annual contribution to the pension trust is determined through the budgetary process and with reference to actuarial determined contributions. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The contribution is designed to accumulate sufficient assets to pay benefits when due. As of July 1, 2016, the actuarial study shows a deficit of Unfunded Actuarial Accrued Liability of \$12,803,730 in accordance with GASB 68. Total contributions to the Plan in the 2017 fiscal year amounted to \$1,185,000.

Net Pension Liability

In fiscal year ending in 2017, the net pension liability decreased by \$557,339 for a liability in the amount of \$14,751,200.

Total Pension Liability	\$ 25,785,584
Plan Fiduciary Net Position	<u>11,034,384</u>
Net Pension Liability	\$ <u>14,751,200</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	42.79%

The Net Pension Liability of \$14,751,200 was added as a long-term liability on the Statement of Net Position in the Government-wide Financial Statements. The plan fiduciary net position represents 42.79 percent of the total pension liability.

The computation of the total pension liability for fiscal year 2017 was based on the same (a) benefit provisions, (b) actuarial funding method, and (c) other significant factors as used to determine annual required contributions in the previous year.

Actuarial assumptions. Significant assumptions and other inputs used to measure the annual required contribution are:

Valuation Date	July 1, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Aggregate
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment rate of return	2.5 percent
Projected salary increases	0.0 percent
Rate of inflation adjustment	2.5 percent

Mortality rates were based on the RP-2000 Generational, 100 percent Annuitant White Collar – Female, Scale BB, 50 percent Annuitant White Collar/ 50 percent Annuitant Blue Collar – Male, Scale BB.

Investments. The District oversees the management of the District's Early Retirement Plan. The Superintendent has established procedures to ensure that idle funds are invested as authorized by Florida Statute, to earn the maximum interest. Investments are reported at fair value. The primary objectives, in priority order, in investment activities shall be safety, liquidity, and yield.

The Plan's investments at June 30, 2017, consisted of the following:

	Balance June 30, 2017	Percentage of Plan Net Position
U.S. Treasury Notes	\$ 498,410.00	4.52%
U.S. Agencies	10,264,130.00	93.02%
Federation Prime Obligations Fund	232,784.83	2.11%
Accrued Income	<u>39,059.35</u>	<u>0.35%</u>
Total	\$ <u>11,034,384.18</u>	<u>100%</u>

Long-term expected rate of return. The long-term expected rate of return on pension plan investment was confirmed appropriate using Aon’s (the District’s actuary) e-tool model assuming general inflation of 2.5 percent, which is a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of July 1, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Government Fixed Income	98%	0.5%
Cash	2%	0.3%

Rate of Return. For the fiscal year ended June 30, 2017, the annual money-weighted rate of return on early retirement plan investments, net of pension plan investment expense, was 2.5 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Receivables. The pension plan does not have receivables from long-term contracts with the District contribution.

Allocated Insurance Contracts. The pension plan has not allocated insurance contracts that are excluded from pension plan assets.

Reserves. The pension plan has no reserves that are required to be disclosed under paragraph 30e of GASB Statement No. 67, Financial Reporting for Pension Plans.

Deferred Retirement Option Program (DROP). The District does not offer DROP to employees in the Early Retirement Program.

Total Pension Liability

The District’s total pension liability for the Early Retirement Program for the current year were as follows:

<u>Total Pension Liability</u>	<u>2017</u>
Service Cost	\$ -
Interest Cost	654,392
Changes of Benefit Terms	-
Differences Between Expected and Actual	(78,680)
Changes of Assumptions	-
Benefits Payments, Including Refunds of Contributions	<u>(1,931,650)</u>
Net Change in Total Pension Liability	(1,355,938)
Total Pension Liability (Beginning)	<u>27,141,522</u>
Total Pension Liability (Ending)	<u>\$ 25,785,584</u>

Discount rate. The discount rate used to measure the total pension liability was 2.5 percent. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payment of current plan members. Therefore, the long-term expected rate of return on pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the District, calculated using the discount rate of 2.5 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.5 percent) or 1 percentage point higher (3.5 percent) than the current rate:

	<u>1% Decrease (1.5%)</u>	<u>Current Discount Rate (2.5%)</u>	<u>1% Increase (3.5%)</u>
Net Pension Liability	\$ 17,397,880	\$ 14,751,200	\$ 12,499,160

Pension Expense and Deferred Outflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of \$14,751,200 for the Early Retirement Plan net pension liability. The liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's net pension liability was based on a projection of the pension plan relative to the projected contributions during the fiscal year ended June 30, 2017.

	<u>Deferred Outflows of Resources</u>
Net difference between expected and actual earnings on pension plan investments	<u>\$ 485,662</u>

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

<u>Year Ending June 30</u>	<u>Deferred Outflows of Resources</u>
2018	\$ 162,522
2019	162,522
2020	98,250
2021	62,368
Total	<u>\$ 485,662</u>

E. Postemployment Health Care Benefits

Plan Description. The Postemployment Health Care Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District and eligible dependents, may continue to participate in the District’s health and hospitalization plan for medical, and prescription drug coverage. Based on the valuation as of July 1, 2016, the District had 26,453 active employees and 1,089 retirees and eligible dependents in the Plan. The District subsidizes the premium rates paid by retirees by allowing them to participate in the 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. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. Separate financial statements are not issued.

Funding Policy. The District via the Board can establish and amend funding requirements. The District has not advance-funded the OPEB costs or the net OPEB obligation. For the 2017 fiscal year, retirees and eligible dependents received postemployment health care benefits, which are funded by the District on a pay as you go basis. The District provided required contributions of \$5,877,417 toward annual OPEB costs, comprised of benefit payments made on behalf of the retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums and net of retiree contributions totaling \$9,653,449, which is 0.84 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The District’s annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of the GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The ARC represents a level of funding that is paid on an ongoing basis, and is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation:

<u>Description</u>	<u>June 30, 2017</u>
Interest Rate	2.0%
Annual OPEB Cost (AOC)	
Annual Required Contribution (ARC)	\$ 25,248,308
Less Amortization of Net OPEB Obligation (NOO)	(4,681,962)
Plus Interest on Net OPEB Obligation (NOO)	<u>2,809,177</u>
Total Annual OPEB Cost	<u>23,375,523</u>
End of Year Net OPEB Obligation (NOO)	
Actual Beginning of Year (NOO)	140,458,864
Plus Annual OPEB Cost	23,375,523
Minus Contributions	<u>(5,877,417)</u>
Estimated End of Year	<u>\$ 157,956,970</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan and the net OPEB obligation as of June 30, 2017, was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Annual Contributed</u>	<u>Percentage of Annual OPEB Cost Contributed</u>
2017	\$ 23,375,523	\$ 5,877,417	25.14%
2016	24,797,246	5,474,890	22.08%
2015	30,151,078	4,463,384	14.80%

Funded Status and Funding Progress. As of July 1, 2016, the most recent valuation date, the actuarial accrued liability for benefits was \$216,683,705, all of which was unfunded. The covered payroll (annual payroll for active participating employees) was \$1,149,179,153 for the 2017 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 18.9 percent. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of planned assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Actuarial methods and assumptions used for the OPEB calculations are as follows:

1. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future; actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future.
2. Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does

not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

3. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

4. The actuarial methods and significant assumptions used in calculating the ARC for the current year and the funding status of the plan are from the actuarial valuation as of July 1, 2016:

Actuarial cost method	Entry Age
Actuarial value of assets	Fair Value
Investment rate of return	2.0%
Salary Scale	4.0%
Healthcare cost trend rate is 7.20 percent for pre-65 and 7.60 percent for post-65 participants for fiscal year ended June 30, 2018. These rates grade to 4.50 percent for fiscal year ending June 30, 2027.	
Past service liability is amortized over a closed 30-year period as a level percentage of projected payroll assumed to grow 3 percent per year.	
Inflation rate adjustment	2.5%

F. Construction and Other Significant Commitments

Construction Contracts. The following is a schedule of major construction contract commitments remaining at June 30, 2017:

<u>Description</u>	<u>Project Authorization</u>	<u>Expended June 30, 2017</u>	<u>Committed</u>
Additions	\$ 15,333,678.13	\$ 3,545,370.35	\$ 11,788,307.78
Elementary	15,144,488.65	6,739,341.51	8,405,147.14
Middle	1,591,150.89	1,591,150.89	-
Senior High	14,344.00	4,602.97	9,741.03
Other	18,025,428.47	330,793.30	17,694,635.17
Renovations	23,865,035.05	23,865,035.05	-
Improvements	7,775,708.01	4,475,433.39	3,300,274.62
Total	\$ 81,749,833.20	\$ 40,551,727.46	\$ 41,198,105.74

G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Workers' compensation, automobile liability, and general liability coverage are being provided on a self-insured basis up to specified limits. Prior to July 18, 2007, the District entered into agreements with various insurance companies to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis. Effective July 18, 2007, the District chose not to purchase excess coverage. The District has continued to retain \$4,000,000 to cover any excess claims. The Board has

contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

Settled claims resulting from the risks described above have not exceeded commercial insurance coverage for the past 5 years.

A liability in the amount of \$24,447,939 was actuarially determined using a discount rate of 2 percent to cover reported and unreported insurance claims payable at June 30, 2017. It is estimated that \$13,619,840.83 of the liability is current and due within 1 year. The remaining \$10,828,098.17 will be due in future years.

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

<u>Fiscal Year</u>	<u>Beginning-of-Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2015-16	18,999,554.00	17,688,574.01	(12,769,769.01)	23,918,359.00
2016-17	23,918,359.00	10,378,096.27	(9,848,516.27)	24,447,939.00

Claims and judgments are generally liquidated by the internal service funds that are funded by the general fund and special revenue funds.

H. Lease Obligations

1. Operating Lease Commitments

The District entered into a 3, 10, and 15-year facility lease for Adult Education, Early Childhood, and Student Nutrition Services. The facility lease for Adult Education ended June 30, 2017, but was recently renewed through June 30, 2020. Early Childhood ends September 7, 2018, with an expected renewal, and the lease for Student Nutrition Services ends February 28, 2031. Early Childhood and Student Nutrition Services are federally funded; however, Student Nutrition Services utilizes earned revenue to pay their lease. Rental expenditures in the 2017 fiscal year for Adult Education was \$146,069, Early Childhood was \$401,253, and Student Nutrition Services was \$222,237. The District has entered into other operating leases; however, they are not considered material.

The following is a schedule by years of the District's portion of future minimum rental payments required under operating leases that have lease terms in excess of 1 year:

<u>Fiscal Year Ending June 30</u>	<u>Annual Amount</u>
2018	\$ 604,299
2019	549,544
2020	564,057
2021	414,555
2022	425,000
2023-2027	2,289,000
2028-2032	2,454,000
Total Minimum Payments Required	\$ 7,300,455

I. Line of Credit

Pursuant to the provisions of Section 1011.13, Florida Statutes, on May 10, 2016, the Board authorized the Superintendent to establish a Line of Credit Tax Anticipation Note (Note) for the 2017 fiscal year, in the amount of \$100,000,000 with Wells Fargo Bank of Florida. The outstanding principal amount of the Note shall bear interest at 70 percent of 1 month London Interbank Offered Rate (LIBOR) plus 55 basis points adjusted monthly. This line-of-credit allows the Board to borrow funds if established revenues (cash) are lagging behind expenditures such as weekly payrolls and weekly vendor payments. The Note is secured by a pledge of anticipated ad valorem tax proceeds. This Note would be repaid in full in 120 days from the first draw. The Note shall not exceed \$100,000,000 at any time. For the year ended June 30, 2017, no funds had been borrowed or utilized under this line-of-credit, and therefore no amounts are outstanding at June 30, 2017.

J. Long-Term Liabilities

1. Obligations Under Lease Purchase Agreement – Certificates of Participation

The District entered into various financing arrangements each of which was characterized as a lease-purchase agreement, with the Corporation, whereby the District secured financing of various education facilities through the issuance of Certificates of Participation to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given ground leases on District property to the Corporation, with a rental fee of \$10 per year. The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the District may be required to surrender the sites included under the ground lease agreements to the Trustee for the benefit of the securers of the Certificates of Participation to the end of the ground lease term. Generally, the Certificates of Participation maturity and the ground lease term expiration are consistent.

Certificates of Participation that are still part of the District's debt obligation are as follows:

Certificates	Date of Certificates	Original Amount of Certificates	Remaining Amount of Certificates	Ground Lease Term Expiration
Series 1998	March 1, 1998	\$ 336,930,000	\$ 16,130,000	June 30, 2023
Series 2004A	February 19, 2004	27,305,000	14,005,000	June 30, 2017
Series 2004 QZAB	June 8, 2004	6,131,000	6,131,000	June 7, 2020
Series 2005 QZAB	December 20, 2005	3,002,000	3,002,000	December 20, 2020
Series 2006B	January 26, 2007	77,900,000	10,170,000	June 30, 2026
Series 2007	April 24, 2007	84,685,000	2,875,000	June 30, 2031
Series 2008A	July 1, 2008	109,830,000	109,575,000	June 23, 2023
Series 2010A	April 15, 2010	97,545,000	82,695,000	June 30, 2025
Series 2010 QSCB	December 21, 2010	37,935,000	37,935,000	November 30, 2028
Series 2012A	April 3, 2012	124,565,000	124,565,000	June 30, 2029
Series 2014A	April 2, 2014	39,950,000	34,475,000	June 30, 2028
Series 2015A	August 20, 2015	100,625,000	100,210,000	June 30, 2031
Series 2015B	September 30, 2015	77,705,000	76,300,000	June 30, 2030
Series 2016A	March 31, 2016	53,350,000	53,350,000	June 30, 2031
Series 2017A	May 25, 2017	32,445,000	32,445,000	June 30, 2026
Total		\$ 1,209,903,000	\$ 703,863,000	

The Series 1998 Certificates of Participation were issued, in part, in order to provide the funds necessary to advance refund the Series 1994 and the Series 1995 Certificates of Participation and refinance the educational facilities which the District acquired, constructed and installed from the proceeds of the Series 1994 and Series 1995 Certificates of Participation. The Series 2004A Certificates of Participation were issued in order to provide funds necessary to advance refund the Series 1996 Certificates of Participation and refinance the educational facilities that the District acquired, constructed and installed from the proceeds of the Series 1996 Certificates of Participation. The Series 2006B Certificates of Participation were issued in order to provide the funds necessary to partially refund the Series 1998B and 2001B Certificates of Participation and refinance the educational facilities that the District acquired, constructed and installed from the proceeds of the Series 1998B and 2001B Certificates of Participation. The Series 2007 Certificates of Participation were issued in order to construct a high school, complete construction of an existing high school, two middle schools, and an elementary school. The Series 2008A Certificates of Participation were issued in order to provide the funds necessary to partially refund the Series 1998A Certificates of Participation and refinance the educational facilities that the District acquired, constructed and installed from the proceeds of the Series 1998A Certificates of Participation. The Series 2010A Certificates of Participation were issued in order to provide the funds necessary to partially refund the Series 2001A Certificates of Participation and refinance the educational facilities that the District acquired, constructed and installed from the proceeds of the Series 2001A Certificates of Participation. The Series 2012A Certificates of Participation were issued in order to provide funds necessary to partially advance refund the Series 2002 Certificates of Participation and fully refund the Series 2003B Certificates of Participation and refinance the educational facilities that the District acquired, constructed and installed from the proceeds of the Series 2002 and Series 2003B Certificates of Participation. The Series 2014A Certificates of Participation were issued in order to provide funds necessary to fully advance refund the

Series 2002 Certificates of Participation and partially advance refund the Series 2004B Certificates of Participation and refinance the educational facilities that the District acquired, constructed and installed from the proceeds of the Series 2002 and Series 2004B Certificates of Participation. The Series 2015A Certificates of Participation were issued in order to refund the Series 2005A and advance refund the Series 2006A Certificates of Participation and refinance the educational facilities that the District acquired, constructed, and installed from the proceeds of the 2005A and 2006A Certificates of Participation. The Series 2015B Certificates of Participation were issued in order to refund the Series 2004C Certificates of Participation and refinance the educational facilities that the District acquired, constructed, and installed from the proceeds of the 2004C Certificates of Participation. The Series 2016A Certificates of Participation were issued in order to advance refund the Series 2007 Certificates of Participation and refinance the educational facilities that the District acquired, constructed, and installed from the proceeds of the 2007 Certificates of Participation. The Series 2017A Certificates of Participation were issued in order to advance refund the Series 2006B Certificates of Participation and refinance the educational facilities that the District acquired, constructed, and installed from the proceeds of the 2006B Certificates of Participation. See Note II.J.3.

Due to the economic substance of the issuances of the Certificates of Participation as a financing arrangement on behalf of the Board, the financial activities of the Corporation have been blended in with the financial statements of the District. For accounting purposes, due to the blending of the Corporation within the District's financial statements, basic lease payments are reflected as debt service expenditures when payable to Certificate holders.

The lease payments for the Series 1998, Series 2004A, Series 2006B, Series 2007, Series 2010A, Series 2012A, Series 2014A, Series 2015A, Series 2016A, and Series 2017A Certificates are payable by the District, semi-annually, on July 1 and January 1 at interest rates of 3.6 to 5.5 percent, 5.25 percent, 3.5 to 5 percent, 3.75 to 5 percent, 3 to 5 percent, 4 to 5 percent, 2.56 percent, 2 to 5 percent, 5 percent, and 4 to 5 percent, respectively. The lease payments for the Series 2008A and Series 2015B Certificates are payable by the District semi-annually on July 1 and January 1. The interest is paid monthly based on a daily rate set by the remarketing agent that is expected to approximate the Securities Industry and Financial Markets Associations (SIFMA) Municipal Swap index over the life of the Bonds.

The lease payments for the Series 2004-QZAB, 2005-QZAB and 2010-QSCB Certificates are due June 7, 2020, December 20, 2020, and December 1, 2028, respectively. There is no interest to be paid on the QZABs or QSCB, as the certificate holders receive Federal Tax Credits in lieu of interest payments. The District is required to reserve a portion of the lease payments each year.

The following is a schedule by years of future minimum lease payments under the lease agreements as of June 30:

Fiscal Year Ending June 30	Total	Principal	Interest
2018	\$ 60,355,983.07	\$ 33,895,000.00	\$ 26,460,983.07
2019	60,084,998.68	34,560,000.00	25,524,998.68
2020	65,785,270.11	42,391,000.00	23,394,270.11
2021	62,662,378.49	41,022,000.00	21,640,378.49
2022	59,506,513.29	39,665,000.00	19,841,513.29
2023-2027	301,349,965.12	230,040,000.00	71,309,965.12
2028-2032	300,720,466.84	282,290,000.00	18,430,466.84
Total Minimum Lease Payments	\$ 910,465,575.60	\$ 703,863,000.00	\$ 206,602,575.60

2. Bonds Payable

Bonds payable at June 30, 2017, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2008-A	\$ 195,000.00	3.25 - 5	2028
Series 2009-A	1,235,000.00	2 - 5	2029
Series 2010-A	2,765,000.00	3 - 5	2030
Series 2011-A	1,170,000.00	3 - 5	2023
Series 2014-A	1,948,000.00	2 - 5	2025
Series 2014-B	5,091,000.00	2 - 5	2021
Series 2017-A	5,302,000.00	3 - 5	2028
District Revenue Bonds:			
Series 2015 Capital Improvement and Racetrack Revenue Refunding	5,370,000.00	2 - 4	2033
Series 2015A Sales Tax Refunding	40,600,000.00	1.4	2020
Series 2015B Sales Tax Refunding	65,195,000.00	3 - 5	2027
Series 2017A Sales Tax Refunding	67,580,000.00	2.49	2027
Total Bonds Payable	\$ 196,451,000.00		

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 part 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 issues. 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

Series 2015 Capital Improvement and Racetrack Revenue Refunding Bonds

These bonds are authorized by Chapter 71-680, Laws of Florida, which authorized the Board to pledge all of the portion of racetrack funds accruing annually to Hillsborough County, under the

provisions of Chapters 550 and 551, Florida Statutes, as allocated to the Board pursuant to law, and Chapter 132, Florida Statutes, which authorized the refunding of the District Revenue Bonds of 1985. As required by the bond resolution, the Board established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

Sales Tax Revenue Bonds, Series 2015A, 2015B, and 2017A

These bonds are authorized by the Constitution and Laws of the State of Florida, including, particularly Chapter 1010, Florida Statutes; Chapter 212, Part I, Florida Statutes; and other applicable provisions of law. The bonds are secured by a pledge of the proceeds received pursuant to the Interlocal Agreement from the levy and collection by the County of the one-half cent local infrastructure sales surtax.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2017, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2018	\$ 6,246,623.88	\$ 5,406,000.00	\$ 840,623.88
2019	2,533,222.50	1,975,000.00	558,222.50
2020	2,124,122.50	1,662,000.00	462,122.50
2021	1,640,402.50	1,246,000.00	394,402.50
2022	1,671,452.50	1,339,000.00	332,452.50
2023-2027	5,776,942.50	4,952,000.00	824,942.50
2028-2032	1,191,167.50	1,126,000.00	65,167.50
Total State School Bonds	21,183,933.88	17,706,000.00	3,477,933.88
District Revenue Bonds:			
2018	18,886,984.46	13,610,000.00	5,276,984.46
2019	21,203,515.26	15,895,000.00	5,308,515.26
2020	21,201,754.51	16,145,000.00	5,056,754.51
2021	20,949,473.01	16,395,000.00	4,554,473.01
2022	20,930,840.76	17,145,000.00	3,785,840.76
2023-2027	104,972,834.80	97,210,000.00	7,762,834.80
2028-2032	2,153,121.90	1,925,000.00	228,121.90
2033	427,087.50	420,000.00	7,087.50
Total District Revenue Bonds	210,725,612.20	178,745,000.00	31,980,612.20
Total	\$ 231,909,546.08	\$ 196,451,000.00	\$ 35,458,546.08

3. Defeased Debt

On May 25, 2017, the District issued \$67,580,000 Sales Tax Revenue Refunding Bonds, Series 2017A at a discount with an interest rate of 2.49 percent. The proceeds were used to currently refund \$47,515,000 of the District's outstanding Sales Tax Revenue Refunding Bonds, Series 2007 maturing in the years 2024-26. Net proceeds of \$47,822,203.75 (after payment of \$105,592.44 of issuance costs) were placed in an irrevocable trust to provide for future debt service payment of the refunded amount of the Series 2007 bonds. Also, proceeds of

\$19,746,338 were deposited to a project fund to be used for HVAC replacement/repairs at various schools.

As a result, \$47,515,000 of the Series 2007 are considered defeased and the liability for these certificates has been removed from long term debt. Accordingly, the trust account assets and liability for that portion of the Series 2007 bonds are not included in the District's financial statements.

As a result of the refunding, the District reduced its total debt service requirements by \$6,070,063.13 which resulted in an economic gain of \$83,698.71.

On May 25, 2017, the District issued \$32,445,000 Refunding Certificates of Participation, Series 2017A at a net premium, with an interest rate of 4 to 5 percent. The proceeds were used to partially advance refund \$37,075,000 of the Certificates of Participation, Series 2006B maturing in the years 2018-2026. Net proceeds of \$37,872,351.88 (after payment of \$271,781.38 of issuance costs) were placed in an irrevocable trust to provide for future debt service payment of the refunded amount of the Series 2006B Certificates of Participation.

As a result, \$37,075,000 of the Series 2006B Certificates are considered defeased and the liability for these certificates have been removed from long term debt. Accordingly, the trust account assets and liability for that portion of the Series 2006B certificates are not included in the District's financial statements.

As a result of the refunding the District reduced its total debt service requirements by \$4,153,537.69 which resulted in an economic loss of \$408,127.11.

4. Changes in Long-Term Debt

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

Description	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due In One Year
Estimated Liability for Self-Insurance Program	\$ 23,918,359.00	\$ 10,252,808.77	\$ 9,723,228.77	\$ 24,447,939.00	\$ 13,619,840.83
Other Postemployment Benefits Payable	140,458,864.00	23,375,523.00	5,877,417.00	157,956,970.00	-
Compensated Absences Payable	163,193,835.02	38,382,907.07	35,278,049.93	166,298,692.16	13,691,120.52
Net Pension Liability:					
State - FRS	356,915,921.00	607,759,711.07	-	964,675,632.07	-
State - HIS	381,345,440.00	50,804,545.00	-	432,149,985.00	-
Early Retirement Program	15,308,539.00	-	557,339.00	14,751,200.00	-
Certificates of Participation Payable	740,903,000.00	32,445,000.00	69,485,000.00	703,863,000.00	33,895,000.00
Bonds Payable	195,625,000.00	72,882,000.00	72,056,000.00	196,451,000.00	19,016,000.00
Total	\$ 2,017,668,958.02	\$ 835,902,494.91	\$ 192,977,034.70	\$ 2,660,594,418.23	\$ 80,221,961.35
Plus unamortized premiums					
Certificates of Participation				39,991,064.71	
Bonds Payable				8,628,468.41	
Total Long-Term Debt				\$ 2,709,213,951.35	

Internal service funds predominately serve the governmental funds and, accordingly, long-term liabilities of those funds are included in the governmental activities. For the governmental activities, compensated absences, net pension liability, and other postemployment benefits are generally liquidated with resources of the General and Special Revenue Funds. The estimated liability for long-term claims are generally liquidated with resources of the Worker's Compensation and the General and Automobile liability programs Internal Service Funds.

5. Interest Rate Swaps

Type	Objective	Notional Amount	Effective Date	Maturity Date	Fair Value	Cash Flow
Pay-fixed interest rate swap	Hedge in changes in cash flows on Series 2008A COPS	\$109,575,000.00	7/1/2008	7/1/2023	\$ (17,959,751)	\$ (4,744,181.00)

The District entered into a swaption contract on February 19, 2003, that provided the District an up-front payment of \$5,006,500. This payment was reduced by \$1,800,000 at which time the swaption was amended on April 19, 2005, to reduce the original notional amount from \$177,195,000 to \$109,830,000. The swaption was exercised on July 1, 2008, commencing a pay-fixed, interest rate swap that provided for payment of a fixed rate of 4.97 percent and receiving a variable rate of municipal swap index (defined as the Bond Market Association Municipal Swap Index). Prior to the exercise date, the swaption was considered an investment derivative instrument. Accordingly, the negative fair value at the exercise date in the amount of \$13,102,591 is being amortized as an increase to the deferred outflow balance and a decrease to interest expense over the remaining life of the swap agreement. Such amortization amounted to \$873,506 for the year ended June 30, 2017.

The fair value of the interest rate swap is estimated using the zero coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero coupon bonds due on the date of each future net settlement on the swaps. The fair value of the derivative instruments was recorded as derivative instrument – liability in the Statement of Net Position at June 30, 2017.

During the year ended June 30, 2017, the change in the fair value of the derivative instrument, which was recorded as a decrease to deferred outflows of resources in the Statement of Net Position, was \$6,891,367.

Risks

Credit Risk. The credit rating for the counterparty of the derivative is A+ by Standard & Poor's.

Interest Rate Risk. The District is exposed to interest rate risk on its pay-fixed, receive variable interest rate swaps. As the municipal swap index decreases, the District's net payment on the swap increases.

Termination Risk. The District or the counterparty may terminate the derivative instrument if the other party fails to perform under the terms of the contract.

K. Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions (GASB 54) with intention of providing more structured classification of fund balance reporting. The reporting standards established a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or are legally or contractually required to remain intact. Examples of this classification are prepaid item, inventories, and principal of an endowment fund. The District has inventories that are considered nonspendable. The District does not have any other nonspendable fund balances.

GASB 54 provides a hierarchy of spendable fund balances, based on spending constraints:

- Restricted – fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed – fund balance that contain self-imposed constraints by the Board, (the District’s highest level of decision-making authority). The Board has not established a policy to commit fund balance, therefore no such balance is reported.
- Assigned – fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The District has a policy approved by the Board that designates administrative staff (the Superintendent and Chief Business Officer) to determine the assignments.
- Unassigned – fund balance of the general fund that is not constrained for a particular purpose.

The District has classified its fund balances based on the GASB 54 hierarchy as follows:

- Nonspendable – The Districts has inventories totaling \$5,642,435.16 that are classified as nonspendable.
- Spendable – The District has classified the spendable fund balances as restricted, assigned and unassigned. The District currently has no funds classified as committed.
 - Restricted. Federal Laws, Florida Statutes, and local constraints require that certain revenues be specifically used for certain expenditures. These funds have been included in the restricted category of fund balances. The restricted fund balances total \$267,341,475.35 and represent \$22,161,328.53 for Food Service, \$31,172,560.29 for State Required Carryover Programs, and \$3,026,319.14 for Local Carryover Programs, \$90,650,942.29 for Debt Service and \$120,330,325.10 for Capital Projects.
 - Assigned. The District has set aside certain spendable fund balances in the amount of \$2,767,767.28 for local instructional programs (District operations) which include teacher educational recognition supplements.
 - Unassigned. The District has a policy that requires it to maintain a contingency fund balance in its operating fund of no less than 5 percent of the annual revenues. The District has \$99,053,366.00 in unassigned fund balance. At the end of the fiscal year, the unassigned fund balance in the General Fund is 6.13 percent of total General Fund revenues.

The District applies resources for expenditures to restricted, then assigned and then unassigned, when expenditures are incurred which could use any of the fund balance classifications.

L. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 53,463,155.07	\$ 2,611,194.78
Special Revenue - Other	774,455.04	20,748,515.28
Debt Service - Other	500.00	27,369,497.64
Capital Projects - Local Capital Improvement	7,500,045.31	26,669,305.20
Capital Projects - Other	27,379,472.35	6,890,955.46
Non-major Governmental Funds	697,254.21	1,934,994.46
Internal Service	1,200,000.00	4,790,419.16
Total	\$ 91,014,881.98	\$ 91,014,881.98

The majority of interfund receivables and payables are established during the closing period. The receivable in the General Fund is for payback of direct/indirect charges for June of the prior fiscal year. The amounts in Capital Projects - Local Capital Improvement Fund, Capital Projects - Other Funds and non-major funds is mostly due to the movements of expenditures between capital project funds. The amount in the Internal Service Fund is due to movement of revenue to other funds. The amounts payable are expected to be paid within a reasonable period of time.

M. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2016-17 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 794,840,683.00
Categorical Educational Programs	245,786,831.08
Workforce Development Program	27,038,255.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	12,831,514.00
Discretionary Lottery Funds	3,596,820.00
Food Service Supplement	1,417,850.00
Mobile Home License Tax	642,342.50
Sales Tax Distribution	446,500.00
State Board of Education Bond Interest	131,264.28
Miscellaneous	12,173,372.98
Total	\$ 1,098,905,432.84

2. Property Taxes

The following is a summary of millages and taxes levied on the 2016 tax roll for the 2016-17 fiscal year:

	<u>Millage Levied</u>	<u>Taxes Levied</u>
General Fund		
Nonvoted School Tax:		
Required Local Effort	4.658	\$ 405,537,341.15
Basic Discretionary Local Effort	0.748	65,122,784.71
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	130,593,819.60
Total	6.906	\$ 601,253,945.46

N. 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 Funds:		
General	\$ 47,768,390.08	\$ 3,220,953.61
Special Revenue - Other	20,953.61	-
Debt Service - Other	65,179,511.33	27,370,258.29
Capital Projects - Local Capital Improvement	-	103,578,750.68
Capital Projects - Other	27,369,497.64	5,047,432.00
Non-major Governmental Funds	469,461.08	-
Internal Service Funds	3,200,000.00	4,790,419.16
Total	\$ 144,007,813.74	\$ 144,007,813.74

The largest amount of interfund transfers is to move money to the debt service funds for the debt principal and interest payments. The remainder is the charging of direct and indirect costs.

III. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. Litigation

The District is involved in several pending and threatened legal actions. In the opinion of District management, the range of potential loss from all such claims and actions should not materially affect the financial condition of the District.

B. Grants and Contracts

The District participates in various Federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable Federal regulations,

including the expenditure of resources for allowable purposes. Any disallowance resulting from a Federal audit may become a liability of the District.

IV. SUBSEQUENT EVENTS

On September 13, 2017, Lee Elementary School had extensive fire damage. The school was deemed not usable and students, faculty, and staff were transferred to Lockhart Elementary School. The District is working with its insurance carrier to assess the financial impact.

The 2008A Certificate of Participation's outstanding principal balance was refunded on November 13, 2017. In association of this refunding, the related interest swap was terminated.

The 2012A Certificate of Participation's outstanding principal balance was refunded on November 13, 2017.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Other Postemployment Benefits Plan

Fiscal Year Ended	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (2) (b-a)	Funded Ratio (3) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
06/30/14	\$ -	\$ 191,669,324	\$ 191,669,324	0%	\$ 1,064,282,519 (4)	18.0%
06/30/15	-	212,358,525	212,358,525	0%	1,134,992,341 (5)	18.7%
06/30/16	-	208,556,503	208,556,503	0%	1,145,023,748 (6)	18.2%
06/30/17	-	216,683,705	216,683,705	0%	1,149,179,153 (7)	18.9%

- Notes: (1) The Entry Age Actuarial Cost Method is used to determine the Plan's funding requirements.
(2) The unfunded actuarial accrued liability is the actuarial accrued liability minus the actuarial value of plan assets.
(3) The percentage funded is derived by dividing the actuarial value of plan assets by the actuarial accrued liability.
(4) Based on data from an actuarial valuation report as of July 1, 2013, dated August 11, 2014.
(5) Based on data from an actuarial valuation report as of July 1, 2014, dated August 14, 2015.
(6) Based on data from an actuarial valuation report as of July 1, 2015, dated August 5, 2016.
(7) Based on data from an actuarial valuation report as of July 1, 2016, dated August 15, 2017.

Isolated analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability, and unfunded actuarial liability can be misleading.

Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Plan.

Schedule of Employer Contributions – Other Postemployment Benefits Plan

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2014	\$ 24,588,728	17.15%
2015	31,174,927	14.32%
2016	26,412,400	20.73%
2017	25,248,308	23.28%

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the FRS net pension liability	2.541959515%	2.763289665%	2.675744615%
District's proportionate share of the FRS net pension liability	\$ 964,675,632	\$ 356,915,921	\$ 163,259,770
District's covered payroll	\$ 988,184,066	\$ 985,386,796	\$ 930,149,025
District's proportionate share of the FRS net pension liability as a percentage of its covered payroll	97.62%	36.22%	17.55%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%

Note: (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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required FRS contribution	\$ 64,502,458	\$ 61,989,736	\$ 67,371,349	\$ 58,610,162
FRS contributions in relation to the contractually required contribution	(64,502,458)	(61,989,736)	(67,371,349)	(58,610,162)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$985,656,086	\$988,184,066	\$985,386,796	\$930,149,025
FRS contributions as a percentage of covered payroll	6.54%	6.27%	6.84%	6.30%

Note: (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>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the HIS net pension liability	3.707982372%	3.739257446%	3.581709108%
District's proportionate share of the HIS net pension liability	\$ 432,149,985	\$ 381,345,440	\$ 334,898,541
District's covered payroll	\$ 1,145,023,748	\$ 1,134,992,341	\$ 1,064,282,519
District's proportionate share of the HIS net pension liability as a percentage of its covered payroll	37.74%	33.60%	31.47%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%

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

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

	2017	2016	2015	2014
Contractually required HIS contribution	\$ 19,066,752	\$ 19,005,773	\$ 14,293,769	\$ 12,269,731
HIS contributions in relation to the contractually required contribution	(19,066,752)	(19,005,773)	(14,293,769)	(12,269,731)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,149,179,153	\$ 1,145,023,748	\$ 1,134,992,341	\$ 1,064,282,519
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.26%	1.15%

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

**Schedule of Changes in Net Pension
Liability and Related Ratios – Early Retirement Plan
Last 10 Fiscal Years**

	2017	2016	2015	2014
Total Pension Liability:				
Interest	\$ 654,392	\$ 891,553	\$ 855,451	\$ 958,050
Differences Between Expected and Actual Experience	(78,680)	(89,247)	(9,066)	(96,760)
Changes of Assumptions	-	1,845,696	2,180,253	-
Benefit Payments, Including Refunds of Member Contributions	(1,931,650)	(1,958,864)	(2,031,448)	(2,023,059)
Net Change in Total Pension Liability	(1,355,938)	689,138	995,190	(1,161,769)
Total Pension Liability, Beginning	27,141,522	26,452,384	25,457,194	26,618,963
Total Pension Liability, Ending (A)	\$ 25,785,584	\$ 27,141,522	\$ 26,452,384	\$ 25,457,194
Plan Fiduciary Net Position:				
Employer Contributions	\$ 1,185,000	\$ 1,114,742	\$ 1,410,653	\$ 1,355,705
Net Investment Income	(11,048)	260,643	122,078	80,327
Benefit Payments, Including Refunds of Member Contributions	(1,931,650)	(1,958,864)	(2,031,448)	(2,023,059)
Administrative Expense	(40,901)	(42,425)	(44,794)	(12,540)
Net Change in Plan Fiduciary Net Position	(798,599)	(625,904)	(543,511)	(599,567)
Plan Fiduciary Net Position, Beginning	11,832,983	12,458,887	13,002,398	13,601,965
Plan Fiduciary Net Position, Ending (B)	\$ 11,034,384	\$ 11,832,983	\$ 12,458,887	\$ 13,002,398
Net Pension Liability, Ending (A)-(B)	\$ 14,751,200	\$ 15,308,539	\$ 13,993,497	\$ 12,454,796
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	42.79%	43.60%	47.10%	51.08%
Covered Payroll	N/A	N/A	N/A	N/A
Net Pension Liability As a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A

Notes to Schedule:

Benefit Changes: As of July 1, 2010, the Supplemental Early Retirement Pension Plan was closed to any new participants.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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**Schedule of District Contributions – Early Retirement Plan
Last 10 Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially Determined Contribution	\$1,147,174	\$1,054,194	\$1,095,221	\$1,402,918	\$1,381,913
Contributions in Relation to the Actuarially Determined Contribution	1,185,000	1,114,742	1,410,653	1,401,167	1,383,258
Contributions Deficiency (Excess)	<u>\$ (37,826)</u>	<u>\$ (60,548)</u>	<u>\$ (315,432)</u>	<u>\$ 1,751</u>	<u>\$ (1,345)</u>
Covered Payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a Percentage of Covered Payroll	N/A (A)	N/A (A)	N/A (A)	N/A (A)	N/A (A)

Notes to Schedule:

(A) As of July 1, 2010, the Supplemental Early Retirement Pension Plan was closed to any new participants.

Valuation Date: Actuarially determined contribution rates are calculated on July 1, 1 year prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Aggregate
Asset Valuation Method	Market Value
Inflation	2.5%
Salary Increases	0.0%
Investment Rate of Return	2.5%, net of pension plan investment expense, including inflation.
Retirement Age	N/A
Mortality	Rates were based on the RP2000 Generational, 100% Annuitant White Collar – Female, Scale BB, 50% Annuitant White Collar / 50% Annuitant Blue Collar – Male, Scale BB.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$1,341,630	\$1,317,182	\$ 2,251,844	\$ 2,063,437	\$ 3,690,335
<u>879,714</u>	<u>1,764,068</u>	<u>2,450,808</u>	<u>1,801,801</u>	<u>3,756,041</u>
<u>\$ 461,916</u>	<u>\$ (446,886)</u>	<u>\$ (198,964)</u>	<u>\$ 261,636</u>	<u>\$ (65,706)</u>
N/A	N/A	\$22,676,884	\$31,812,283	\$40,602,385
N/A (A)	N/A (A)	10.81%	5.66%	9.25%

Schedule of Investment Returns – Early Retirement Plan

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	2.50%	2.50%	3.50%	3.50%	3.50%

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Hillsborough County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Clustered				
Child Nutrition Cluster:				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	17002	\$ -	\$ 22,358,033.01
National School Lunch Program	10.555	17001, 17003	-	62,328,902.61
Summer Food Service Program for Children	10.559	16006, 16007, 17006, 17007	-	1,816,213.40
Total Child Nutrition Cluster			-	86,503,149.02
Student Financial Assistance Cluster:				
United States Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	-	44,071.98
Federal Work-Study Program	84.033	N/A	-	35,480.31
Federal Pell Grant Program	84.063	N/A	-	3,322,412.95
Total Student Financial Assistance Cluster			-	3,401,965.24
School Improvement Grants Cluster:				
United States Department of Education:				
Florida Department of Education:				
School Improvement Grants	84.377	126	-	1,031,847.01
Special Education Cluster:				
United States Department of Education:				
Special Education - Grants to States:				
Florida Department of Education	84.027	262, 263	-	44,244,895.55
University of South Florida		None	-	3,936.94
Total Special Education - Grants to States	84.027		-	44,248,832.49
Special Education - Preschool Grants:				
Florida Department of Education	84.173	266, 267	-	868,383.74
Total Special Education Cluster			-	45,117,216.23
Child Care and Development Cluster:				
United States Department of Health and Human Services:				
Child Care and Development Block Grant:				
Florida Department of Children and Families	93.575	LC937	-	119,449.34
Hillsborough County School Readiness Coalition		SR1617	-	16,455,257.28
Total Child Care and Development Block Grant	93.575		-	16,574,706.62
Child Care Mandatory and Matching Funds of the Child Care and Development Fund:				
Hillsborough County School Readiness Coalition	93.596	SR1617	-	13,146,660.23
Total Child Care and Development Cluster			-	29,721,366.85
Not Clustered				
United States Department of Agriculture:				
Florida Department of Health:				
Child and Adult Care Food Program	10.558	4272	-	4,461,917.76
Florida Department of Agriculture and Consumer Services:				
Fresh Fruit and Vegetable Program	10.582	17004	-	1,338,950.00
Total United States Department of Agriculture			-	5,800,867.76
United States Department of Defense:				
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools				
	12.556	N/A	-	93,126.26
Total United States Department of Defense			-	93,126.26

(Continued)

**Hillsborough County District School Board
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2017**

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
United States Department of Labor:				
Florida Department of Education:				
National Farmworker Jobs Program	17.264	405	\$	\$ 327,034.01
Disability Employment Policy Development	17.720	HS/HT 16-17	-	169.07
Total United States Department of Labor			-	327,203.08
National Aeronautics and Space Administration:				
University of Central Florida:				
Education	43.008	66016040-17	-	4,512.80
National Science Foundation:				
University of South Florida:				
Education and Human Resources	47.076	1777-1092-00-C	-	9,659.00
United States Department of Education:				
Impact Aid	84.041	N/A	-	366,427.36
Indian Education - Grants to Local Educational Agencies	84.060	N/A	-	10,722.00
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	-	1,532,871.20
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	-	402,540.92
Transition to Teaching	84.350	N/A	-	281,186.74
Teacher Incentive Fund	84.374	N/A	-	12,860,288.02
Investing in Innovation (i3) Fund	84.411	N/A	-	457,984.60
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 192, 193, 194	-	2,063,676.55
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	-	63,678,964.06
Migrant Education-State Grant Program	84.011	217	-	3,978,941.33
Career and Technical Education - Basic Grants to States	84.048	161	-	2,444,943.10
Education for Homeless Children and Youth	84.196	127	-	129,435.30
Charter Schools	84.282	298	35,209.57	35,209.57
Twenty-First Century Community Learning Centers	84.287	244	150,453.60	150,453.60
English Language Acquisition State Grants	84.365	102	-	3,537,108.06
Mathematics and Science Partnerships	84.366	235	-	789,820.93
Improving Teacher Quality State Grants	84.367	224	-	8,212,726.99
University of South Florida				
Education Research, Development and Dissemination	84.305	5810-1023-00-A	-	85,824.19
Florida Gulf Coast University				
Special Education - State Personnel Development	84.323	12041-16-BCSD	-	28,442.01
Total United States Department of Education			185,663.17	101,047,566.53
United States Department of Health and Human Services:				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	N/A	-	14,594.12
Florida Department of Children and Families:				
Refugee and Entrant Assistance - State Administered Programs	93.566	LK179, LK193	-	914,072.33
Refugee and Entrant Assistance - Discretionary Grants	93.576	LK179	-	441,212.67
Refugee and Entrant Assistance - Targeted Assistance Grants	93.584	LK179	-	904,048.65
Hillsborough County School Readiness Coalition:				
Temporary Assistance for Needy Families	93.558	SR1617	-	12,135,700.02
Social Services Block Grant	93.667	SR1617	-	37,597.69
Hillsborough County:				
Head Start	93.600	None	-	10,661,579.30
Florida Department of Health:				
Children's Health Insurance Program	93.767	HB331	-	422,772.00
Total United States Department of Health and Human Services:			-	25,531,576.78
Total Expenditures of Federal Awards			\$ 185,663.17	\$ 298,590,056.56

The accompanying notes are an integral part of this schedule.

(Continued)

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Hillsborough County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2017. 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, as applicable, either the cost principles in Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* or 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 \$6,252,757.43 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (5) Impact Aid. Expenditures are related to grant number/program 19-FL-2018-0202.
- (6) Head Start. Expenditures include \$1,802,967.91 for grant number/program year 04CH3035/47 and \$8,858,611.39 for grant number/program year 04CH4768/03.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Hillsborough County District School Board, as of and for the fiscal year ended June 30, 2017, 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 30, 2018, 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 and the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 30, 2018



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

Report on Compliance for the Major Federal Program

We have audited the Hillsborough County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major Federal program for the fiscal year ended June 30, 2017. The District's major Federal program is identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the fiscal year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 30, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Federal Awards

Internal control over major Federal program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major Federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major Federal program:	
CFDA Number: 84.010	Name of Federal Program or Cluster: Title I Grants to Local Educational Agencies
Dollar threshold used to distinguish between type A and type B programs:	\$3,000,000
Auditee qualified as low risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reported.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters are reported.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for the Federal awards audit finding included in the prior audit report.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

School Board
 Sally A. Harris, Chair
 Tamara P. Shamburger, Vice Chair
 Lynn L. Gray
 April Griffin
 Melissa Snively
 Cindy Stuart
 Susan L. Valdes



Superintendent of Schools
 Jeff Eakins

Deputy Superintendent
 Van Ayres

Chief of Schools
 Harrison Peters

Chief Business Officer
 Gretchen Saunders

Audit Report No. (Finding No.)	Program/Area	Brief Description	Status	Comments
KPMG LLP (2016-001)	Federal Pell Grant Program (CFDA No. 84.063)	The District did not always timely return Federal Pell Program funds to the U.S. Department of Education.	Fully Corrected.	