STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2019-126
February 2019

FLAGLER COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2018

Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2017-18 fiscal year, James Tager served as Superintendent of the Flagler County Schools and the following individuals served as School Board Members:

	District No.
Andy Dance	1
Janet O. McDonald, Vice Chair	2
Colleen Conklin	3
Trevor Tucker, Chair	4
Dr. Maria P. Barbosa	5

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The team leader was Jeffrey M. Brizendine, CPA, and the audit was supervised by Brenda C. Racis, 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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SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the Flagler 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 Special Education Cluster and the Teacher Incentive Fund program were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

Audit Objectives and Scope

Our audit objectives were to determine whether the School Board and its officers with administrative and stewardship responsibilities for District operations 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 programs; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs.

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards, as of and for the fiscal year ended June 30, 2018. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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

Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Flagler County District School Board, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statement of the school internal funds, which represents 20 percent of the assets and 46 percent of the liabilities of the aggregate remaining fund information. In addition, 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. The financial statements for the school internal funds and the aggregate discretely presented component units were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those financial statements, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Flagler County District School Board, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note II. to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. This affects the comparability of amounts reported for the 2017-18 fiscal year with amounts reported for the 2016-17 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
February 11, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Flagler County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2018. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2017-18 fiscal year are as follows:

- As of June 30, 2018, the assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by $125,795,955.
- Beginning net position was increased by $650,507 due to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, which decreased the District's total other postemployment benefits liability by $650,507 at June 30, 2017. In total, net position increased by $60,971 which represents a less than 1 percent increase over the 2016-17 fiscal year.
- General revenues total $128,404,892, or 94 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $8,813,171, or 6 percent of all revenues.
- Expenses total $137,807,599. Only $8,813,171 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals $7,280,108, which is $664,212 more than the prior fiscal year balance. The General Fund unassigned fund balance totaled $6,231,719, or 6 percent of total General Fund revenues.
- The total debt decreased by $3,908,951, or approximately 6 percent. The key factor in this decrease was the annual principal payments applied against the outstanding balances.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

- Governmental activities – This represents most of the District's services, including its educational programs such as basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The District presents four separate legal entities in this report, including Flagler County Education Direct-Support Organization, Inc.; The Flagler Auditorium Governing Board, Inc.; and the Imagine Schools at Town Center and Palm Harbor Academy, Inc. charter schools. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

  The Flagler County School Board Leasing Corporation (Leasing Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

Fund Financial Statements

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

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

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

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

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

Proprietary Funds: Proprietary funds, such as internal service funds, may be established to account for activities in which a fee is charged for services. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses an internal service fund to account for its self-insurance health program. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements. The internal service fund is presented in a single column in the proprietary fund financial statements.

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

The District uses a private-purpose trust fund to account for scholarship funds established by private donors.

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2018, compared to net position as of June 30, 2017:

Net Position, End of Year

	Governmental Activities	
	6-30-18	6-30-17
Current and Other Assets	$ 45,762,101	$ 41,364,015
Capital Assets	193,064,436	198,914,949
Total Assets	238,826,537	240,278,964
Deferred Outflows of Resources	30,519,036	26,602,835
Long-Term Liabilities	132,603,937	131,860,338
Other Liabilities	4,828,101	5,484,677
Total Liabilities	137,432,038	137,345,015
Deferred Inflows of Resources	6,117,580	3,801,800
Net Position:		
Net Investment in Capital Assets	139,005,167	141,165,597
Restricted	28,950,707	24,310,798
Unrestricted (Deficit)	(42,159,919)	(39,741,411)
Total Net Position	$ 125,795,955	$ 125,734,984

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used, such as State required carryover programs, debt service, capital projects, and food services.

The deficit unrestricted net position was the result, in part, of accruing $5,149,161 in compensated absences payable, $2,244,000 in special termination benefits payable, $1,720,717 in other postemployment benefits payable, and $66,748,159 in net pension liability.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2018, and June 30, 2017, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-18	6-30-17
Program Revenues:		
Charges for Services	$ 2,739,698	$ 2,882,614
Operating Grants and Contributions	5,170,889	4,912,687
Capital Grants and Contributions	902,584	1,313,388
General Revenues:		
Property Taxes, Levied for Operational Purposes	44,176,768	44,237,545
Property Taxes, Levied for Capital Projects	12,893,447	12,169,840
Local Sales Tax	6,102,309	5,701,588
Grants and Contributions Not Restricted to Specific Programs	58,986,905	57,267,367
Unrestricted Investment Earnings	592,885	327,444
Miscellaneous	5,652,578	4,385,219
Total Revenues	137,218,063	133,197,692
Functions/Program Expenses:		
Instruction	76,488,640	73,904,382
Student Support Services	9,193,546	8,187,012
Instructional Media Services	1,043,908	973,955
Instruction and Curriculum Development Services	1,612,660	1,682,024
Instructional Staff Training Services	1,133,253	1,203,873
Instruction-Related Technology	779,413	806,106
Board	648,806	610,753
General Administration	648,232	788,771
School Administration	5,626,678	5,361,560
Facilities Acquisition and Construction	8,878,256	8,225,667
Fiscal Services	759,881	662,315
Food Services	6,012,080	5,870,284
Central Services	1,314,215	1,244,033
Student Transportation Services	5,491,693	5,240,226
Operation of Plant	8,736,305	8,338,576
Maintenance of Plant	2,893,700	2,917,154
Administrative Technology Services	1,128,942	1,262,587
Community Services	2,738,064	2,560,021
Unallocated Interest on Long-Term Debt	2,679,327	2,278,609
Total Functions/Program Expenses	137,807,599	132,117,908
Change in Net Position	(589,536)	1,079,784
Net Position - Beginning	125,734,984	124,655,200
Adjustment to Beginning Net Position (1)	650,507	-
Net Position - Beginning, as Restated	126,385,491	124,655,200
Net Position - Ending	$ 125,795,955	$ 125,734,984

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

The largest revenue source is property taxes (42 percent). Revenues from State sources (37 percent) for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP funding formula utilizes student enrollment data and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Capital grants and contributions decreased by $410,804, or 31 percent, as a result of the State no longer providing Public Education Capital Outlay (PECO) Classrooms First capital funding to the District.

Property tax revenues levied for capital purposes increased by $723,607, or 6 percent, as a result of an increase in taxable assessed values.

Miscellaneous revenues increased by $1,267,359, or 29 percent, primarily due to an increase in impact fees received resulting from an increase in new construction of residential housing.

Instruction expenses represent 56 percent of total governmental expenses in the 2017-18 fiscal year. Instruction expenses increased by $2,584,258, or 3 percent, from the previous fiscal year due primarily to the change in pension expense.

Student support services expenses increased by $1,006,534, or 12 percent, from the previous fiscal year due primarily to an increase in student support positions added in the current year, such as psychologists, social workers, and occupational therapists.

Facilities acquisition and construction expenses increased by $652,589, or 8 percent, from the previous fiscal year primarily due to an increase in noncapitalized remodel and renovation projects and PECO capital funds passed-through to the charter schools.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

The total fund balances of governmental funds increased by $5,177,850 during the fiscal year to $35,490,475 at June 30, 2018. Approximately 18 percent of this amount is unassigned fund balance ($6,231,719), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable or restricted to indicate that it is (1) not in spendable form ($481,658), or (2) restricted for particular purposes ($28,777,098).

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is $6,231,719, while the total fund balance is $7,280,108. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to General Fund total revenues.

The total unassigned fund balance is 6 percent of the total General Fund revenues, while total fund balance represents 7 percent of total General Fund revenues. During the current fiscal year, total fund balance increased by $664,212, or 10 percent, primarily due to changes in State FEFP revenue funding.

The Special Revenue – Other Fund has total revenues and expenditures of $7,489,336 each, and funding was mainly used for instruction and instruction related expenditures. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance. Activity in this fund decreased primarily due to the completion of the Teacher Incentive Fund grant.

The Debt Service – Other Fund has a total fund balance of $7,936,985, which is restricted for principal, interest, and related cost of debt service. The June 30, 2018, fund balance is reasonably consistent with the ending fund balance of the prior fiscal year.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of $3,820,156, which is restricted for the acquisition, construction, and maintenance of capital assets, and includes encumbrances of $222,031 earmarked for projects at various sites. The fund balance increased by $1,035,879 primarily due to an increase in property tax revenues and decreased transfers to other funds for assistance in funding maintenance operations of the District.

The Capital Projects – Other Fund has a total fund balance of $14,912,023, which is restricted for the acquisition, construction, and maintenance of capital assets, and includes encumbrances of $191,434 earmarked for projects at various sites. The fund balance increased by $3,292,941 as a result of an increase in half-cent sales tax revenues and impact fee revenues in the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Florida law and is on the modified accrual basis of accounting. The most significant budgeted fund is the General Fund. Schools are allocated budgets based on student enrollment.

During the 2017-18 fiscal year, the District amended its General Fund budget several times as needed, which resulted in an increase in total budgeted revenues of $1,365,210, or 1 percent. At the same time, final appropriations are more than the original budgeted amounts by $3,132,507, or 3 percent. Budget revisions occurred primarily from changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues are in line with the final budgeted amounts while actual expenditures are $2,461,778, or 2 percent, less than final budget amounts. The decrease in expenditures was primarily due to continued cost containment measures implemented by the District. None of the differences are expected to have a significant effect on future services or liquidity.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2018, is $193,064,436 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; audio visual materials and computer software. There are no major capital construction projects planned at June 30, 2018.

Additional information on the District's capital assets can be found in Notes I.F.5. and III.D. to the financial statements.

Long-Term Debt

At June 30, 2018, the District had total long-term debt outstanding of $56,741,900. This amount is composed of $1,988,040 of bonds payable and $54,753,860 of certificates of participation payable. During the current fiscal year, retirement of debt was $3,908,951.

State school bonds outstanding at June 30, 2018, totaling $386,000, are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. The District's revenue bonds totaling $1,565,000 are secured solely by specified revenue sources.

Additional information on the District's long-term debt can be found in Note III.L. to the financial statements.

Other Matters of Significance

The District has adopted Board Policy 701, which provides that the adopted annual operating fund budget shall include, if feasible, a combined assigned and unassigned fund balance which is 5 percent to 8 percent of the projected General fund revenues to cover unforeseen events (e.g., revenue shortfalls, student enrollment under projections, etc.). It is anticipated that unassigned fund balance will be partially replenished at June 30, 2019, through unspent appropriations and operating fund tax revenues in excess of the budgeted 96 percent of the taxable assessed valuation. As a result, at June 30, 2019, it is anticipated that the combined assigned and unassigned fund balance in the operating fund will remain in excess of 5 percent of projected General Fund revenues.

Requests for Information

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer, Flagler County District School Board, P.O. Box 755, Bunnell, Florida 32110.

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Flagler County District School Board
Statement of Net Position
June 30, 2018

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	$ 30,644,708.36	$ 597,746.00
Investments	9,585.22	236,604.00
Accounts Receivable	338,853.20	61,792.00
Due from Other Agencies	5,101,453.48	91,378.00
Deposits Receivable	10,012.50	-
Prepaid Items	-	519,274.00
Inventories	481,658.36	3,390.00
Restricted Cash and Cash Equivalents	-	47,262.00
Restricted Investments	3,624,388.60	2,593,385.00
Cash with Fiscal Agent	4,478,963.17	-
Prepaid Insurance Costs	49,957.46	-
Investment in Real Property	1,022,520.00	-
Capital Assets:		
Nondepreciable Capital Assets	9,606,347.45	3,500.00
Depreciable Capital Assets, Net	183,458,089.00	199,863.00
TOTAL ASSETS	238,826,536.80	4,354,194.00
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	27,836,406.00	-
Net Carrying Amount of Debt Refundings	2,682,630.22	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	30,519,036.22	-
LIABILITIES		
Accrued Salaries and Benefits	228,959.88	209,555.00
Payroll Deductions and Withholdings	1,247,325.23	-
Accounts Payable	986,227.11	206,496.00
Due to Other Agencies	311.85	182,562.00
Deposits Payable	-	4,500.00
Unearned Revenues	1,691,276.47	-
Estimated Liability for Self-Insurance Program	674,000.00	-
Long-Term Liabilities:		
Portion Due Within 1 Year	5,515,030.00	14,432.00
Portion Due After 1 Year	127,088,907.00	29,057.00
TOTAL LIABILITIES	137,432,037.54	646,602.00
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	26,777.00	-
Pensions	6,090,803.00	-
TOTAL DEFERRED INFLOWS OF RESOURCES	6,117,580.00	-
NET POSITION		
Net Investment in Capital Assets	139,005,166.67	159,874.00
Restricted for:		
State Required Carryover Programs	740,340.00	-
Debt Service	8,808,633.79	-
Capital Projects	18,745,254.37	-
Food Service	656,479.15	-
Other Purposes	-	2,385,895.00
Unrestricted	(42,159,918.50)	1,161,823.00
TOTAL NET POSITION	$ 125,795,955.48	$ 3,707,592.00

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

Flagler County District School Board
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Functions/Programs			
Primary Government			
Governmental Activities:			
Instruction	$ 76,488,639.99	$ 261,659.71	$ -
Student Support Services	9,193,545.61	-	-
Instructional Media Services	1,043,907.81	-	-
Instruction and Curriculum Development Services	1,612,659.46	-	-
Instructional Staff Training Services	1,133,253.07	-	-
Instruction-Related Technology	779,413.28	-	-
Board	648,805.66	-	-
General Administration	648,232.33	-	-
School Administration	5,626,678.28	-	-
Facilities Acquisition and Construction	8,878,255.93	-	-
Fiscal Services	759,881.35	-	-
Food Services	6,012,079.65	793,369.23	5,170,888.99
Central Services	1,314,214.47	-	-
Student Transportation Services	5,491,693.18	75,598.45	-
Operation of Plant	8,736,304.99	-	-
Maintenance of Plant	2,893,700.07	-	-
Administrative Technology Services	1,128,942.16	-	-
Community Services	2,738,064.24	1,609,070.60	-
Unallocated Interest on Long-Term Debt	2,679,327.16	-	-
Total Primary Government	$ 137,807,598.69	$ 2,739,697.99	$ 5,170,888.99
Component Units			
Charter Schools/Direct-Support Organizations	$ 10,291,866.00	$ 1,503,238.00	$ 774,624.00

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

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

	Net (Expense) Revenue and Changes in Net Position	
Capital Grants and Contributions	Primary Government Governmental Activities	Component Units
$ -	$ (76,226,980.28)	$ -
-	(9,193,545.61)	-
-	(1,043,907.81)	-
-	(1,612,659.46)	-
-	(1,133,253.07)	-
-	(779,413.28)	-
-	(648,805.66)	-
-	(648,232.33)	-
-	(5,626,678.28)	-
566,100.97	(8,312,154.96)	-
-	(759,881.35)	-
-	(47,821.43)	-
-	(1,314,214.47)	-
-	(5,416,094.73)	-
-	(8,736,304.99)	-
-	(2,893,700.07)	-
-	(1,128,942.16)	-
-	(1,128,993.64)	-
336,483.00	(2,342,844.16)	-
$ 902,583.97	(128,994,427.74)	-
$ 204,617.00	-	(7,809,387.00)
	44,176,768.35	-
	12,893,446.80	-
	6,102,309.08	-
	58,986,904.79	7,813,093.00
	592,885.18	88,767.00
	5,652,577.57	16,350.00
	128,404,891.77	7,918,210.00
	(589,535.97)	108,823.00
	125,734,984.45	3,598,769.00
	650,507.00	-
	126,385,491.45	3,598,769.00
	$ 125,795,955.48	$ 3,707,592.00

Flagler County District School Board
Balance Sheet – Governmental Funds
June 30, 2018

	General Fund	Special Revenue - Other Fund	Debt Service - Other Fund
ASSETS			
Cash and Cash Equivalents	$ 6,357,335.59	$ 5,655.51	$ 632.83
Investments	-	-	-
Accounts Receivable	257,055.52	-	-
Due from Other Funds	726,734.39	-	-
Due from Other Agencies	1,579,260.27	815,600.59	-
Deposits Receivable	10,012.50	-	-
Inventories	308,048.67	-	-
Restricted Investments	-	-	3,624,388.60
Cash with Fiscal Agent	-	-	4,311,963.17
TOTAL ASSETS	$ 9,238,446.94	$ 821,256.10	$ 7,936,984.60
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	$ 204,031.22	$ 17,298.45	$ -
Payroll Deductions and Withholdings	1,244,467.30	1,869.57	-
Accounts Payable	460,445.94	68,077.22	-
Due to Other Funds	49,082.86	726,734.39	-
Due to Other Agencies	311.85	-	-
Unearned Revenues	-	7,276.47	-
Total Liabilities	1,958,339.17	821,256.10	-
Fund Balances:			
Nonspendable:			
Inventories	308,048.67	-	-
Restricted for:			
State Required Carryover Programs	740,340.00	-	-
Debt Service	-	-	7,936,984.60
Capital Projects	-	-	-
Food Service	-	-	-
Total Restricted Fund Balance	740,340.00	-	7,936,984.60
Unassigned Fund Balance	6,231,719.10	-	-
Total Fund Balances	7,280,107.77	-	7,936,984.60
TOTAL LIABILITIES AND FUND BALANCES	$ 9,238,446.94	$ 821,256.10	$ 7,936,984.60

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
$ 3,879,767.27	$ 12,616,590.75	$ 1,223,506.77	$ 24,083,488.72
-	-	9,585.22	9,585.22
25,000.00	12,283.20	-	294,338.72
-	-	-	726,734.39
217,614.04	2,300,542.95	188,435.63	5,101,453.48
-	-	-	10,012.50
-	-	173,609.69	481,658.36
-	-	-	3,624,388.60
-	-	-	4,311,963.17
$ 4,122,381.31	$ 14,929,416.90	$ 1,595,137.31	$ 38,643,623.16
$ -	$ 1,021.59	$ 6,608.62	$ 228,959.88
-	22.61	965.75	1,247,325.23
302,225.19	16,349.31	46,359.74	893,457.40
-	-	-	775,817.25
-	-	-	311.85
-	-	-	7,276.47
302,225.19	17,393.51	53,934.11	3,153,148.08
-	-	173,609.69	481,658.36
-	-	-	740,340.00
-	-	871,649.19	8,808,633.79
3,820,156.12	14,912,023.39	13,074.86	18,745,254.37
-	-	482,869.46	482,869.46
3,820,156.12	14,912,023.39	1,367,593.51	28,777,097.62
-	-	-	6,231,719.10
3,820,156.12	14,912,023.39	1,541,203.20	35,490,475.08
$ 4,122,381.31	$ 14,929,416.90	$ 1,595,137.31	$ 38,643,623.16

Flagler County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Total Fund Balances - Governmental Funds		$ 35,490,475.08
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.		193,064,436.45
Investment in real property used in governmental activities is not a financial resource and, therefore, is not reported as an asset in the governmental funds.		1,022,520.00
Deferred outflow 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	$ 27,836,406.00	
Deferred Inflows Related to Pensions	(6,090,803.00)	21,745,603.00
Deferred charges on debt refundings are not financial resources and, therefore, are not reported as assets in the governmental funds. These amounts are reported in the statement of net position and amortized over the life of the refunding debt.		
Bonds Payable, Series 2014B		
Deferred Outflows: Deferred Charge on Debt Refunding	$ 14,622.49	
Certificates of Participation Payable, Series 2014A		
Deferred Outflows: Deferred Charge on Debt Refunding	2,570,356.44	
Issuance Costs: Prepaid Insurance, Net	49,957.46	
Certificates of Participation Payable, Series 2015A		
Deferred Outflows: Deferred Charge on Debt Refunding	97,651.29	2,732,587.68
The deferred inflows of resources related to other postempoyment benefits are applicable to future periods and, therefore, are not reported in the governmental funds.		(26,777.00)
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Bonds Payable, Net	$ (1,988,040.00)	
Certificates of Participation Payable, Net	(54,753,860.00)	
Compensated Absences Payable	(5,149,161.00)	
Special Termination Benefits Payable	(2,244,000.00)	
Other Postemployment Benefits Payable	(1,720,717.00)	
Net Pension Liability	(66,748,159.00)	(132,603,937.00)
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 fund are included in governmental activities in the statement of net position.		4,371,047.27
Net Position - Governmental Activities		$ 125,795,955.48

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

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Flagler County District School Board
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General Fund	Special Revenue - Other Fund	Debt Service - Other Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 131,900.91	$ 864,638.92	$ -
Federal Through State and Local	712,052.59	6,623,875.70	-
State	50,234,029.62	-	-
Local:			
Property Taxes	44,176,768.35	-	-
Local Sales Taxes	-	-	-
Impact Fees	-	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	3,596,110.92	821.58	81,883.40
Total Local Revenues	47,772,879.27	821.58	81,883.40
Total Revenues	98,850,862.39	7,489,336.20	81,883.40
Expenditures			
Current - Education:			
Instruction	63,164,951.69	3,509,772.48	-
Student Support Services	7,161,392.42	1,703,105.27	-
Instructional Media Services	1,005,032.68	-	-
Instruction and Curriculum Development Services	877,547.27	671,741.72	-
Instructional Staff Training Services	468,268.54	629,119.00	-
Instruction-Related Technology	747,917.55	-	-
Board	619,712.79	-	-
General Administration	364,987.78	268,469.62	-
School Administration	5,374,718.26	22,666.34	-
Facilities Acquisition and Construction	-	-	-
Fiscal Services	729,719.83	-	-
Food Services	-	-	-
Central Services	1,266,982.39	-	-
Student Transportation Services	5,068,232.70	2,950.03	-
Operation of Plant	8,559,052.78	-	-
Maintenance of Plant	2,692,161.52	-	-
Administrative Technology Services	996,752.53	-	-
Community Services	1,994,635.41	664,347.70	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	-	-	-
Other Capital Outlay	1,105.50	17,164.04	-
Debt Service:			
Principal	-	-	3,225,000.00
Interest and Fiscal Charges	86,089.36	-	2,039,871.00
Total Expenditures	101,179,261.00	7,489,336.20	5,264,871.00
Excess (Deficiency) of Revenues Over Expenditures	(2,328,398.61)	-	(5,182,987.60)
Other Financing Sources (Uses)			
Transfers In	2,945,051.98	-	5,567,433.11
Sale of Capital Assets	30,506.73	-	-
Loss Recoveries	17,051.43	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	2,992,610.14	-	5,567,433.11
Net Change in Fund Balances	664,211.53	-	384,445.51
Fund Balances, Beginning	6,615,896.24	-	7,552,539.09
Fund Balances, Ending	$ 7,280,107.77	$ 0.00	$ 7,936,984.60

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
$ -	$ -	$ -	$ 996,539.83
-	-	5,104,639.99	12,440,568.28
-	-	1,212,668.54	51,446,698.16
12,893,446.80	-	-	57,070,215.15
-	6,102,309.08	-	6,102,309.08
-	4,137,372.28	-	4,137,372.28
-	-	793,369.23	793,369.23
95,160.42	176,068.75	21,517.75	3,971,562.82
12,988,607.22	10,415,750.11	814,886.98	72,074,828.56
12,988,607.22	10,415,750.11	7,132,195.51	136,958,634.83
-	-	-	66,674,724.17
-	-	-	8,864,497.69
-	-	-	1,005,032.68
-	-	-	1,549,288.99
-	-	-	1,097,387.54
-	-	-	747,917.55
-	-	-	619,712.79
-	-	-	633,457.40
-	-	-	5,397,384.60
3,772,910.66	4,798,633.29	306,711.98	8,878,255.93
-	-	-	729,719.83
-	-	5,871,316.78	5,871,316.78
-	-	-	1,266,982.39
-	-	-	5,071,182.73
-	-	-	8,559,052.78
-	-	-	2,692,161.52
-	-	-	996,752.53
-	-	-	2,658,983.11
389,481.66	-	100,349.16	489,830.82
1,491,456.44	258,835.96	106,309.25	1,874,871.19
-	-	409,000.00	3,634,000.00
492,735.00	-	112,870.81	2,731,566.17
6,146,583.76	5,057,469.25	6,906,557.98	132,044,079.19
6,842,023.46	5,358,280.86	225,637.53	4,914,555.64
-	-	-	8,512,485.09
-	-	-	30,506.73
215,736.45	-	-	232,787.88
(6,021,881.09)	(2,065,340.00)	(425,264.00)	(8,512,485.09)
(5,806,144.64)	(2,065,340.00)	(425,264.00)	263,294.61
1,035,878.82	3,292,940.86	(199,626.47)	5,177,850.25
2,784,277.30	11,619,082.53	1,740,829.67	30,312,624.83
$ 3,820,156.12	$ 14,912,023.39	$ 1,541,203.20	$ 35,490,475.08

Flagler 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, 2018

Net Change in Fund Balances - Governmental Funds			$ 5,177,850.25
Amounts reported for governmental activities in the statement of activities are different because:			
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year.			(5,846,645.33)
The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets.			(3,866.72)
Certain expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Amortization of Premiums on Debt Refundings		$ 274,951.00	
Amortization of Certain Issuance Costs on Debt Refundings		(3,842.88)	
Amortization of Deferred Charges on Debt Refundings		(218,869.11)	52,239.01
Repayments of long-term debt is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position. This is the net amount of repayments in the current fiscal year.			
Bonds Payable		$ 409,000.00	
Certificates of Participation Payable		3,225,000.00	3,634,000.00
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year.			(62,837.00)
In the statement of activities, the cost of special termination benefits is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for special termination benefits. This is the net amount of special termination benefits earned in excess of the amount paid in the current fiscal year.			(186,000.00)
Governmental funds report District other postemployment benefits (OPEB) contributions as expenditures. However, in the statement of activities, the cost of OPEB benefits earned net of employee contributions, as determined through an actuarial valuation, is reported as an OPEB expense.			
Increase in OPEB Liability		$ (29,211.00)	
Increase in Deferred Inflows of Resources - OPEB		(26,777.00)	(55,988.00)
Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.			
	Contributions	Expenses	
FRS Pension	$ 4,213,309.00	$ (6,946,934.00)	
HIS Pension	1,129,695.00	(1,575,012.00)	
Total	5,343,004.00	(8,521,946.00)	(3,178,942.00)
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of the internal service fund is reported with governmental activities.			(119,346.18)
Change in Net Position - Governmental Activities			$ (589,535.97)

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

Flagler County District School Board
Statement of Net Position – Proprietary Fund
June 30, 2018

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 6,561,219.64
Accounts Receivable	44,514.48
Due from Other Funds	49,082.86
Total Current Assets	6,654,816.98
Noncurrent Assets:	
Cash with Fiscal Agent	167,000.00
TOTAL ASSETS	6,821,816.98
LIABILITIES	
Current Liabilities:	
Accounts Payable	92,769.71
Unearned Revenues	1,684,000.00
Estimated Liability for Self-Insurance Program	674,000.00
Total Current Liabilities	2,450,769.71
NET POSITION	
Unrestricted	4,371,047.27
TOTAL NET POSITION	$ 4,371,047.27

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

Flagler County District School Board
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premium Revenues	$ 10,141,792.04
Other	396,018.51
Total Operating Revenues	10,537,810.55
OPERATING EXPENSES	
Purchased Services	1,990,080.90
Capital Outlay	13,875.95
Insurance Claims	8,653,199.88
Total Operating Expenses	10,657,156.73
Operating Loss	(119,346.18)
Change in Net Position	(119,346.18)
Total Net Position - Beginning	4,490,393.45
Total Net Position - Ending	$ 4,371,047.27

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

Flagler County District School Board
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums and Other Revenues	$ 10,433,241.23
Cash Payments to Suppliers for Goods and Services	(1,972,868.20)
Cash Payments for Insurance Claims	(8,701,199.88)
Net Cash Used by Operating Activities	(240,826.85)
Net Decrease in Cash and Cash Equivalents	(240,826.85)
Cash and Cash Equivalents, Beginning	6,969,046.49
Cash and Cash Equivalents, Ending	$ 6,728,219.64

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:

Operating Loss	$ (119,346.18)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Accounts Receivable	(44,514.48)
Due from Other Funds	(43,946.84)
Accounts Payable	31,088.65
Unearned Revenues	(16,108.00)
Estimated Liability for Self-Insurance Program	(48,000.00)
Total Adjustments	(121,480.67)
Net Cash Used by Operating Activities	$ (240,826.85)

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

Flagler County District School Board
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2018

	Private-Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	$ 97,646.66	$ 2,166,174.00
LIABILITIES		
Internal Accounts Payable	-	$ 2,166,174.00
NET POSITION		
Held in Trust for Scholarships and Other Purposes	$ 97,646.66	

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

Flagler County District School Board
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Fiscal Year Ended June 30, 2018

	Private-Purpose Trust Fund
DEDUCTIONS	
Scholarship Payments	$ 500.00
Total Deductions	500.00
Change in Net Position	(500.00)
Net Position - Beginning	98,146.66
Net Position - Ending	$ 97,646.66

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Flagler County School District's (District) governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense is associated with the District's functions and is allocated to those functions.

B. Reporting Entity

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

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

Blended Component Unit. A blended component unit is, in substance, part of the District's operations, even though it is a legally separate entity. Thus, a blended component unit is appropriately presented as a part of the District. The Flagler County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note III.L.1. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

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

The Flagler County Education Direct-Support Organization, Inc. (DSO) and The Flagler Auditorium Governing Board, Inc. (Auditorium) are separate not-for-profit corporations organized and operated as direct-support organizations under Section 1001.453, Florida Statutes to receive, hold, invest, and administer property and to make expenditures to and for the benefit of the District. Because of the nature and significance of their relationship with the District, the DSO and Auditorium are considered component units.

The Palm Harbor Academy, Inc., is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. Imagine Schools at Town Center is a limited liability corporation organized pursuant to Chapter 608, Florida Statutes, the Limited Liability Company Act, and Section 1002.33, Florida Statutes. These charter schools operate under charters approved by their sponsor, the Board. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charter, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the DSO, the Auditorium, and the charter schools' audited financial statements for the fiscal year ended June 30, 2018. The audit reports are filed in the District's administrative offices at 1769 East Moody Boulevard, Bunnell, Florida 32110.

C. Basis of Presentation: Government-Wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Debt Service – Other Fund – to account for the accumulation of financial resources for, and the payment of, debt principal, interest, and related costs associated with the District's Certificates of Participation (COPs) and Qualified Zone Academy Bonds (QZAB).
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, new and replacement equipment, motor vehicle purchases, and debt service payments.
- Capital Projects – Other Fund – to account for various financial resources (e.g., capital outlay sales tax, impact fees) to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

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

- Internal Service Fund – to account for the District's individual self-insurance program.
- Private-Purpose Trust Fund – to account for resources of the Olga A. Kozminski Scholarship Trust Fund.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

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

E. Measurement Focus and Basis of Accounting

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

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

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

The proprietary and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

The DSO and Auditorium are accounted for as governmental entities engaged in business-type activities using the economic resources measurement focus and the accrual basis of accounting.

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

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

1. Cash and Cash Equivalents

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

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

2. Investments

Investments consist of amounts placed in the SBA debt service accounts for investment of debt service moneys, amounts placed with the SBA for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes, and those made locally. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

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

Investments made locally consist of money market mutual funds and United States Treasury Securities and are reported at fair value.

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

3. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the first-in, first-out basis, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

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

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

Description	Estimated Useful Lives
Improvements Other Than Buildings	20 years
Buildings and Fixed Equipment	40 years
Furniture, Fixtures, and Equipment	5 years
Motor Vehicles	10 years
Audio Visual Materials and Computer Software	5 years

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

5. Pensions

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

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

6. Long-Term Liabilities

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

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category. The first is the deferred charge on refunding that results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is the deferred outflows of resources related to pensions, which is discussed in a subsequent note.

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

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2018.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. As authorized in Board Policy 701, the Chief Financial Officer has the authority to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

In addition, the District has established Board Policy 701, which provides that the adopted annual operating fund budget shall include, if feasible, a combined assigned and unassigned fund balance which is 5 percent to 8 percent of the projected General Fund revenues to cover unforeseen events (e.g., revenue shortfalls, student enrollment under projections, etc.). In the event the reserves are needed, it shall be brought before the Board prior to the adoption of the annual operating budget.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

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

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

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

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

3. District Property Taxes

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

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

The Board adopted the 2017 tax levy on September 5, 2017. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

Taxes become a lien on the property on January 1 and are delinquent on April 1 of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Flagler County Tax Collector at fiscal year end but not yet remitted to the District.

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

4. Capital Outlay Surtax

In August 2012, the voters of Flagler County approved a one-half cent school capital outlay surtax on sales authorized under Section 212.055(6), Florida Statutes, effective January 1, 2013, to be collected through December 2022. The proceeds are used to pay for installation and upgrading of technology in the schools, the construction, reconstruction, and improvement of new and existing public schools, land acquisition and improvement costs, and for debt service payments of capital acquisition and improvement projects of educational facilities.

5. Educational Impact Fees

Flagler County (County) imposes an educational impact fee based on an ordinance adopted by the County Commission in 2004. The educational impact fee is collected for most new residential construction by the County and each municipality within the County based on an interlocal agreement. The fees are to be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development and are not to be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include, but are not limited to, land acquisition, construction, and expansion and equipping of educational sites and education capital facilities necessitated by new residential development.

6. Federal Revenue Sources

The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

7. Compensated Absences

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

8. Proprietary Fund Operating and Nonoperating Revenues and Expenses

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

II. ACCOUNTING CHANGE

Governmental Accounting Standards Board Statement No. 75. The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. This Statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statement for the OPEB that they provide; and requires more extensive note disclosures and supplementary information about a government's OPEB liability. The beginning net position of the District was increased by $650,507 due to implementation of GASB Statement No. 75. The District's total OPEB liability reported at

June 30, 2017, decreased by $650,507 to $1,691,506 as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75, and beginning balance for deferred inflows of resources was not restated.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

B. Investments

The District's investments at June 30, 2018, are reported as follows:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	30 Day Average	$ 19,444,867.74
Debt Service Accounts	6 Months	9,585.22
United States Treasury Securities (2)	October 25, 2018	3,624,388.60
Money Market Mutual Fund:		
Dreyfus Institutional Treasury Securities Cash Advantage Fund (1)(3)(4)	49 Day Average	37,043.89
Total Investments		$ 23,115,885.45

(1) These investments are reported as cash equivalents for financial statement reporting purposes.
(2) The investment is held by a paying agent in connection with a QZAB financing arrangement.
(3) Money market mutual funds are invested in U.S. Treasury Securities and repurchase agreements relating to such securities.
(4) The investment includes $504.92 held by a paying agent in connection with a QZAB financing arrangement.

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

		Fair Value Measurements Using		
Investments by Fair Value Level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Obserable Inputs (Level 2)**	**Significant Unobservable Inputes (Level 3)**
SBA Debt Service Accounts	$ 9,585.22	$ 9,585.22	$ -	$ -
United States Treasury Securities	3,624,388.60	3,624,388.60	-	-
Total Investments by Fair Value Level	$3,633,973.82	$ 3,633,973.82	$ 0.00	$ 0.00

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Florida PRIME and Dreyfus Institutional Treasury Security Cash Advantage Fund use a weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, 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, 2018, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Credit Risk

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

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

The District's investments in Florida PRIME and the Dreyfus Institutional Treasury Securities Cash Advantage Fund are rated AAAm by Standard & Poor's.

C. Changes in Capital Assets

Changes in capital assets are presented in the following table:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 9,013,811.21	$ -	$ -	$ 9,013,811.21
Construction in Progress	692,166.17	357,121.90	456,751.83	592,536.24
Total Capital Assets Not Being Depreciated	9,705,977.38	357,121.90	456,751.83	9,606,347.45
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	7,105,730.89	589,290.92	-	7,695,021.81
Buildings and Fixed Equipment	294,694,203.96	169.83	-	294,694,373.79
Furniture, Fixtures, and Equipment	15,745,399.72	485,821.43	553,230.94	15,677,990.21
Motor Vehicles	11,877,548.11	1,389,049.76	501,329.60	12,765,268.27
Audio Visual Materials and Computer Software	1,828,808.02	-	-	1,828,808.02
Total Capital Assets Being Depreciated	331,251,690.70	2,464,331.94	1,054,560.54	332,661,462.10
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	5,554,496.31	314,774.31	-	5,869,270.62
Buildings and Fixed Equipment	109,665,589.85	7,075,126.03	-	116,740,715.88
Furniture, Fixtures, and Equipment	14,398,208.91	468,720.64	548,279.78	14,318,649.77
Motor Vehicles	10,593,332.05	352,726.36	500,129.60	10,445,928.81
Audio Visual Materials and Computer Software	1,831,092.46	-	2,284.44	1,828,808.02
Total Accumulated Depreciation	142,042,719.58	8,211,347.34	1,050,693.82	149,203,373.10
Total Capital Assets Being Depreciated, Net	189,208,971.12	(5,747,015.40)	3,866.72	183,458,089.00
Governmental Activities Capital Assets, Net	$ 198,914,948.50	$ (5,389,893.50)	$ 460,618.55	$ 193,064,436.45

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Instruction	$ 7,616,782.02
Student Support Services	17,302.95
Instructional Media Services	2,333.26
Instruction and Curriculum Development Services	3,035.84
Instructional Staff Training Services	4,543.33
Instruction-Related Technology	1,958.97
Board	12,207.80
General Administration	4,463.01
School Administration	9,003.77
Fiscal Services	2,578.39
Food Services	33,927.13
Central Services	1,657.03
Student Transportation Services	267,731.27
Operation of Plant	9,685.61
Maintenance of Plant	105,368.53
Administrative Technology Services	100,978.77
Community Services	17,789.66
Total Depreciation Expense - Governmental Activities	$ 8,211,347.34

D. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

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

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

The District's FRS and HIS pension expense totaled $8,521,946 for the fiscal year ended June 30, 2018.

FRS Pension Plan

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

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

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

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

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

Class, Initial Enrollment, and Retirement Age/Years of Service	Percent Value
Regular Members Initially Enrolled Before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Members Initially Enrolled On or After July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Elected County Officers	3.00
Senior Management Service	2.00

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017-18 fiscal year were as follows:

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
FRS, Regular	3.00	7.92
FRS, Elected County Officers	3.00	45.50
FRS, Senior Management Service	3.00	22.71
DROP – Applicable to Members from All of the Above Classes	0.00	13.26
FRS, Reemployed Retiree	(2)	(2)

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

The District's contributions to the Plan totaled $4,213,309 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a liability of $44,154,997 for its proportionate share of the Plan's net pension liability. The net pension 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, 2017. The District's proportionate share of the net pension liability was based on the District's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was 0.149276535 percent, which was an increase of 0.002237219 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized the Plan pension expense of $6,946,934. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 4,052,366	$ 244,596
Change of Assumptions	14,839,196	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	1,094,271
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	369,652	2,019,248
District FRS Contributions Subsequent to the Measurement Date	4,213,309	-
Total	$ 23,474,523	$ 3,358,115

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling $4,213,309, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ 1,883,715
2020	5,682,156
2021	3,826,965
2022	530,279
2023	2,856,392
Thereafter	1,123,592
Total	$ 15,903,099

Actuarial Assumptions. The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	7.10 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.0%	3.0%	1.8%
Fixed Income	18%	4.5%	4.4%	4.2%
Global Equity	53%	7.8%	6.6%	17.0%
Real Estate (Property)	10%	6.6%	5.9%	12.8%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	9.7%
Total	100%			
Assumed inflation - Mean			2.6%	1.9%

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

<u>Discount Rate</u>. The discount rate used to measure the total pension liability was 7.1 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2017 valuation was updated from 7.6 percent to 7.1 percent.

<u>Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate</u>. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.1 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.1 percent) or 1 percentage point higher (8.1 percent) than the current rate:

	1% Decrease (6.1%)	Current Discount Rate (7.1%)	1% Increase (8.1%)
District's Proportionate Share of the Net Pension Liability	$ 79,917,879	$ 44,154,997	$ 14,463,613

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

Payables to the Pension Plan. At June 30, 2018, the District reported a payable of $742,371 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2018.

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Federal Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2018, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled $1,129,695 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the District reported a net pension liability of $22,593,162 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, and update procedures were used to determine liabilities as of July 1, 2017. The District's proportionate share of the net pension liability was based on the District's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was 0.211299915 percent, which was an increase of 0.000261897 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized the HIS Plan pension expense of $1,575,012. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ 47,043
Change of Assumptions	3,175,819	1,953,653
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	12,530	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	43,839	731,992
District HIS Contributions Subsequent to the Measurement Date	1,129,695	-
Total	$ 4,361,883	$ 2,732,688

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling $1,129,695, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ 226,786
2020	224,415
2021	223,277
2022	126,081
2023	12,408
Thereafter	(313,467)
Total	$ 499,500

Actuarial Assumptions. The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	3.58 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 3.58 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 2.85 percent to 3.58 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.58 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
District's Proportionate Share of the Net Pension Liability	$ 25,781,790	$ 22,593,162	$ 19,937,211

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

Payables to the Pension Plan. At June 30, 2018, the District reported a payable of $154,957 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2018.

2. FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2017-18 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled $781,473 for the fiscal year ended June 30, 2018.

Payables to the Investment Plan. At June 30, 2018, the District reported a payable of $146,642 for the outstanding amount of contributions to the Investment Plan required for the fiscal year ended June 30, 2018.

E. Other Postemployment Benefit Obligations

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

Benefits Provided. The OPEB Plan provides healthcare and prescription drug benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	42
Active Employees	1,719
Total	1,761

Total OPEB Liability. The District's total OPEB liability of $1,720,717 was measured as of June 30, 2018, and was determined by an actuarial valuation as of March 1, 2017, and update procedures were used to determine the total OPEB liability as of June 30, 2018.

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

Inflation	2.30 percent
Salary Increases	Male – 4.87 percent decreasing to an ultimate rate of 1.75 percent over 30 years. Female – 5.07 percent decreasing to an ultimate rate of 1.36 percent over 30 years.
Discount Rate	3.87 percent
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend rates starting at 6 percent and gradually decreasing to an ultimate trend rate of 4 percent.

The discount rate was based on the Bond Buyer 20-Year Bond GO Index as of the respective measurement date.

The demographic assumptions used are predominately consistent with those used in the 2016 actuarial valuation of the FRS for Regular Class members.

The remaining actuarial assumptions were based on a review of recent plan experience done concurrently with the March 1, 2017, valuation.

Changes in the Total OPEB Liability.

	Amount
Balance at June 30, 2017, as Restated	$ 1,691,506
Changes for the year:	
Service Cost	123,424
Interest	62,763
Changes of Assumptions or Other Inputs	(32,356)
Benefit Payments	(124,620)
Net Changes	29,211
Balance at June 30, 2018	$ 1,720,717

Changes of assumptions or other inputs reflect a change in the discount rate from 3.58 percent as of June 30, 2017, to 3.87 as of June 30, 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	$ 1,832,804	$ 1,720,717	$ 1,611,266

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5 percent decreasing to 3 percent) or 1 percentage point higher (7 percent decreasing to 5 percent) than the current healthcare cost trend rates:

	1% Decrease (5% decreasing to 3%)	Current Trend Rate (6% decreasing to 4%)	1% Increase (7% decreasing to 5%)
Total OPEB Liability	$ 1,511,487	$ 1,720,717	$ 1,971,034

OPEB Expense and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2018, the District recognized OPEB expense of $180,608. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Inflows of Resources
Change of Assumptions or Other Inputs	$ 26,777

The amount reported as deferred inflows of resources related to OPEB, will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ (5,579)
2020	(5,579)
2021	(5,579)
2022	(5,579)
2023	(4,461)
Total	$ (26,777)

F. Special Termination Benefits

The Board's collective bargaining agreements with Flagler County Educators Association and Flagler Educational Support Personnel Association provide for the payment of special termination benefit bonuses of $6,000 to qualifying employees at the date of their retirement. In addition to payments for accrued leave balances, the District recorded expenditures of $276,000 during the 2017-18 fiscal year for these special termination benefit bonuses. The reported amount of $2,244,000 represents the District's estimated liability for future payments to qualified employees as of June 30, 2018.

G. Other Significant Commitments

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

The following is a schedule of encumbrances at June 30, 2018:

Capital Projects - Local Capital Improvement	Capital Projects - Other	Total Governmental Funds
$ 223,031	$ 191,434	$ 414,465

H. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Flagler County District School Board is a member of the North East Florida Educational Consortium (Consortium) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Putnam County District School Board serves as fiscal agent for the Consortium.

The Board has established a self-insurance program for group health and hospitalization coverage, which includes medical and prescription drug coverage up to specified amounts. The District has entered into an agreement with an insurance company to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis, and aggregate excess coverage when total claims minus specific excess coverage exceeds the loss fund established annually by the District. The District has contracted with an insurance administrator to administer the self-insurance programs, including the processing, investigating, and payment of claims. Dental, vision, and life insurance is being provided through commercial insurance with minimum deductibles for each line of coverage.

The District's health and hospitalization insurance program is administered by an insurance carrier under an agreement wherein the total premium is divided and the District retains on deposit a portion of the premium in a minimum premium account. The insurance carrier draws on this account to pay claims submitted by District employees and dependents.

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

A liability in the amount of $674,000 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2018.

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

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2016-17	$ 870,000.00	$ 7,416,094.48	$ (7,564,094.48)	$ 722,000.00
2017-18	722,000.00	8,653,199.88	(8,701,199.88)	674,000.00

I. Operating Lease Commitments

The District leases computers under operating leases which expire on August 18, 2019. The leased assets and the related commitment are not reported on the District's statement of net position. Operating lease payments are recorded as expenses when paid and incurred. Outstanding commitments resulting from the lease agreements are contingent upon future appropriations. Future minimum lease commitments for the noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2019	$ 512,863.14
2020	129,008.04
Total Minimum Payments Required	$ 641,871.18

J. Changes in Short-Term Debt

The following is a schedule of changes in short-term debt:

	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note	$ 0	$ 9,900,000	$ 9,900,000	$ 0

Proceeds from the tax anticipation note were used for the payment of operating expenses incurred in operating the District's schools for the 2017-18 fiscal year. The note was issued on August 17, 2017, under the provisions of Section 1011.13, Florida Statutes, with a stated interest rate of 1.36 percent. The note was repaid on January 17, 2018.

K. Long-Term Liabilities

1. Certificates of Participation

Certificates of participation at June 30, 2018, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
2005-QZAB	$ 5,000,000	None	2022	$ 5,000,000
2014A, Refunding	39,585,000	3.25 - 5.00	2031	43,870,000
2015A, Refunding	6,755,000	2.08	2024	8,915,000
Subtotal Certificates of Participation	51,340,000			$ 57,785,000
Plus Unamortized Premiums:				
Series 2014A, Refunding	3,413,860			
Total Certificates of Participation	$ 54,753,860			

The District entered into a financing arrangement on April 1, 1998, which was characterized as a lease-purchase agreement, with Flagler County School Board Leasing Corporation (Leasing Corporation) whereby the District secured financing of various educational facilities. The financing was accomplished 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 arrangements, the District gave ground leases on District property to the Leasing 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 Agreement for the benefit of the securers of the certificates for a period of time specified by the arrangements, which may be up to 30 years from the date of inception of the arrangements.

A summary of the lease terms is as follows:

Certificates	**Lease Term**
Series 2014A, Refunding	Eariler of date paid in full or July 1, 2030
Series 2015A, Refunding	Earlier of date paid in full or July 1, 2023

The District properties included in the various ground leases under these arrangements include Rymfire Elementary School; Matanzas High School; Government Services Building; and various school facility renovations.

On October 1, 2005, the District entered into a financing arrangement for Series 2005–QZAB Certificates of Participation issued under a special program whereby the certificates, commencing on October 27, 2005, will mature in full on October 27, 2021, for the original amount of $5,000,000. There is no interest cost for borrowing moneys under the program. The financing proceeds were used for improvements and to acquire technology-related equipment at two designated schools, which are leased by the District from the Leasing Corporation. The District entered into a forward delivery agreement under which mandatory deposits (rent payments) of $257,691 for 16 consecutive years began on October 27, 2006. The forward delivery agreement provides a guaranteed investment return whereby the required deposits, along with accrued interest, will be sufficient to redeem the certificates at maturity. The invested assets accumulate pursuant to the forward delivery agreement and are held under a trust agreement until the certificates mature. The Series 2005-QZAB issue is secured by the assets held under the trust agreement in the event of cancellation or default.

With the exception of the Series 2005-QZAB issue, the lease payments are payable by the District semiannually, on August 1 and February 1, and must be remitted by the District as of the 15th day of the month preceding the payment dates.

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

Fiscal Year Ending June 30	Total	Principal	Interest
2019	$ 5,230,340	$ 3,325,000	$ 1,905,340
2020	5,232,053	3,465,000	1,767,053
2021	5,232,371	3,610,000	1,622,371
2022	10,231,044	8,760,000	1,471,044
2023	5,222,874	3,910,000	1,312,874
2024-2028	21,324,479	17,020,000	4,304,479
2029-2031	12,013,630	11,250,000	763,630
Subtotal Minimum Lease Payments	64,486,791	51,340,000	13,146,791
Plus: Unamortized Premiums	3,413,860	3,413,860	-
Total Minimum Lease Payments	$ 67,900,651	$ 54,753,860	$ 13,146,791

2. Bonds Payable

Bonds payable at June 30, 2018, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2011A, Refunding	$ 325,000	3 - 5	2023
Series 2014B, Refunding	61,000	2 - 5	2020
District Revenue Bonds:			
Series 1998	1,565,000	5	2029
Subtotal Bonds Payable	1,951,000		
Plus Unamortized Premiuns:			
Series 2014B, Refunding	37,040		
Total Bonds Payable	$ 1,988,040		

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

State School Bonds

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

District Revenue Bonds

Capital Improvement Revenue Bonds, Series 1998, issued in the amount of $3,010,000 are authorized by Chapter 1011, Florida Statutes, and Section 550.135, Florida Statutes, as supplemented by Chapter 3011, Laws of Florida (1955), as amended by Chapters 71-367, 71-639, and 73-466, Laws of Florida. The principal and interest on the bonds are paid solely from, and secured by, a prior lien upon and pledge of that portion of the money distributed to the

District from the State's Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes, (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)6.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the District.

The District has pledged a total of $2,034,375 of sales tax revenues in connection with the District Revenue Bonds, Series 1998, described above. During the 2017-18 fiscal year, the District recognized pledged revenues totaling $223,250 and expended $185,875 (83 percent) of these revenues for debt service directly collateralized by these revenues. Approximately 83 percent of the pledged revenues are committed until final maturity of the debt on August 1, 2028.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	**Total**	**Principal**	**Interest**
State School Bonds:			
2019	$ 100,470	$ 85,000	$ 15,470
2020	102,220	91,000	11,220
2021	72,600	65,000	7,600
2022	74,350	70,000	4,350
2023	77,250	75,000	2,250
Total State School Bonds	426,890	386,000.00	40,890.00
District Revenue Bonds:			
2019	185,500	110,000	75,500
2020	184,875	115,000	69,875
2021	184,000	120,000	64,000
2022	182,875	125,000	57,875
2023	186,375	135,000	51,375
2024-2028	926,250	780,000	146,250
2029	184,500	180,000	4,500
Total District Revenue Bonds	2,034,375	1,565,000	469,375
Total Minimun Bond Payments	2,461,265	1,951,000	510,265
Plus: Unamortized Premiums	37,040	37,040	-
Total Bonds Payable	$ 2,498,305	$ 1,988,040	$ 510,265

3. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	$ 2,360,000	$ -	$ 409,000	$ 1,951,000	$ 195,000
Unamortized Premiums	49,387	-	12,347	37,040	12,347
Bonds Payable, Net	2,409,387	-	421,347	1,988,040	207,347
Certificates of Participation Payable	54,565,000	-	3,225,000	51,340,000	3,325,000
Unamortized Premiums	3,676,464	-	262,604	3,413,860	262,604
Certificates of Participation Payable, Net	58,241,464	-	3,487,604	54,753,860	3,587,604
Compensated Absences Payable	5,086,324	789,991	727,154	5,149,161	711,614
Special Termination Benefits Payable	2,058,000	462,000	276,000	2,244,000	276,000
Other Postemployment Benefits Payable (1)	1,691,506	186,187	156,976	1,720,717	124,620
Net Pension Liability	61,723,150	35,367,968	30,342,959	66,748,159	607,845
Total Governmental Activities	$131,209,831	$36,806,146	$35,412,040	$132,603,937	$5,515,030

(1) OPEB payable beginning balance adjusted for adoption of GASB Statement No. 75 as described in Note II.

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

L. Fund Balance Reporting

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

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

M. Interfund Receivables and Payables

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

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$ 726,734.39	$ 49,082.86
Special Revenue:		
Other	-	726,734.39
Internal Service Fund	49,082.86	-
Total	$ 775,817.25	$ 775,817.25

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

N. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2017-18 fiscal year:

Source	Amount
Florida Education Finance Program	$ 32,539,400.00
Categorical Educational Program - Class Size Reduction	13,037,348.00
Workforce Development Program	1,361,575.00
Voluntary Prekindergarten Program	630,536.92
Adults with Disabilities	535,892.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	489,870.05
School Recognition	467,011.00
Sales Tax Distribution	223,250.00
Gross Receipts Tax (Public Education Capital Outlay)	220,647.00
Charter Schools Capital Outlay Funds	204,617.00
Miscellaneous	1,736,551.19
Total	$ 51,446,698.16

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

2. Property Taxes

The following is a summary of millages and taxes levied on the 2017 tax roll for the 2017-18 fiscal year:

	Millages	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required Local Effort	4.391	$ 39,084,617
Basic Discretionary Local Effort	0.748	6,658,006
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	13,351,615
Total	6.639	$ 59,094,238

O. Interfund Transfers

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major:		
General	$ 2,945,051.98	$ -
Debt Service:		
Other	5,567,433.11	-
Capital Projects:		
Local Capital Improvement	-	6,021,881.09
Other	-	2,065,340.00
Nonmajor Governmental	-	425,264.00
Total	$ 8,512,485.09	$ 8,512,485.09

The transfers out of the capital projects funds were to provide debt service principal and interest payments, to pay a portion of property casualty insurance premiums, and to assist in funding maintenance operations of the District.

IV. INTERLOCAL AGREEMENT

On September 8, 2005, the Board entered into an interlocal agreement with the County pursuant to Section 163.01, Florida Statutes, to construct and use an administrative office facility. The District owns 44.2 percent and the County owns 55.8 percent of the facility, which represents their respective share of office space. The facility is owned by the participants as tenants-in-common in proportion to their ownership interest. The costs and expenses of maintaining the facility and any capital improvements are the responsibility of each party in their respective share of office space. The operating costs necessary to operate, maintain, repair, and replace the common areas are to be shared equally by each participant. The District's share of operating costs was $244,195.74 for the 2017-18 fiscal year.

The District disbursed a total of $10,225,611 for the construction of its respective share of office space. A separate grounds lease agreement was executed with the County for land upon which the District's office space is located. The ground lease agreement provides for an annual rental payment of $10.

V. LITIGATION

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

VI. SUBSEQUENT EVENTS

The Board authorized the issuance of a tax anticipation note (Note) in the amount of $9,900,000. The proceeds will be used for operating expenses for the fiscal year ending June 30, 2019. The closing of the Note took place on August 23, 2018, and matures on January 23, 2019. The stated interest rate is 2.19 percent. On January 22, 2019, the note was paid in full.

The District entered into a Master Lease Purchase Agreement (Lease Agreement) with Apple, Inc., dated July 25, 2018, for the purchase of 1,000 Apple Macbooks. The Lease Agreement, in the amount of $700,000, requires annual principal and interest payments, and matures on July 25, 2021. The stated interest rate is 1.49 percent per annum.

The District entered into a Master Lease Purchase Agreement (Lease Agreement) with Apple, Inc., dated July 25, 2018, for the purchase of 2,000 Apple iPads. The Lease Agreement, in the amount of $588,000, requires annual principal and interest payments, and matures on July 25, 2020. The stated interest rate is 0.90 percent per annum.

The Palm Harbor Academy, Inc. charter school voluntarily terminated the charter contract between itself and the Board effective October 31, 2018.

Budgetary Comparison Schedule
General and Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2018

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 116,000.00	$ 116,000.00	$ 131,900.91	$ 15,900.91
Federal Through State and Local	578,000.00	661,599.41	712,052.59	50,453.18
State	49,806,457.00	50,304,092.70	50,234,029.62	(70,063.08)
Local:				
Property Taxes	43,850,298.00	43,850,298.00	44,176,768.35	326,470.35
Miscellaneous	2,912,477.00	3,696,451.67	3,596,110.92	(100,340.75)
Total Local Revenues	46,762,775.00	47,546,749.67	47,772,879.27	226,129.60
Total Revenues	97,263,232.00	98,628,441.78	98,850,862.39	222,420.61
Expenditures				
Current - Education:				
Instruction	63,619,307.56	64,272,808.90	63,164,951.69	1,107,857.21
Student Support Services	7,033,166.36	7,435,812.78	7,161,392.42	274,420.36
Instructional Media Services	991,492.27	1,005,033.52	1,005,032.68	0.84
Instruction and Curriculum Development Services	519,615.12	877,547.31	877,547.27	0.04
Instructional Staff Training Services	350,789.45	544,438.77	468,268.54	76,170.23
Instruction-Related Technology	796,329.25	802,318.36	747,917.55	54,400.81
Board	612,919.31	619,713.31	619,712.79	0.52
General Administration	371,473.34	374,906.04	364,987.78	9,918.26
School Administration	5,101,010.97	5,374,718.34	5,374,718.26	0.08
Fiscal Services	719,946.57	729,720.57	729,719.83	0.74
Central Services	1,190,581.51	1,266,983.11	1,266,982.39	0.72
Student Transportation Services	5,187,978.50	5,441,913.08	5,068,232.70	373,680.38
Operation of Plant	8,223,029.79	8,573,393.67	8,559,052.78	14,340.89
Maintenance of Plant	2,810,274.71	2,955,737.07	2,692,161.52	263,575.55
Administrative Technology Services	1,045,201.14	1,066,390.91	996,752.53	69,638.38
Community Services	1,850,415.78	2,212,408.04	1,994,635.41	217,772.63
Fixed Capital Outlay:				
Other Capital Outlay	-	1,105.50	1,105.50	-
Debt Service:				
Interest and Fiscal Charges	85,000.00	86,090.00	86,089.36	0.64
Total Expenditures	100,508,531.63	103,641,039.28	101,179,261.00	2,461,778.28
Deficiency of Revenues Over Expenditures	(3,245,299.63)	(5,012,597.50)	(2,328,398.61)	2,684,198.89
Other Financing Sources				
Transfers In	3,515,730.00	2,945,051.98	2,945,051.98	-
Sale of Capital Assets	5,000.00	32,503.40	30,506.73	(1,996.67)
Loss Recoveries	36,200.00	17,061.97	17,051.43	(10.54)
Total Other Financing Sources	3,556,930.00	2,994,617.35	2,992,610.14	(2,007.21)
Net Change in Fund Balances	311,630.37	(2,017,980.15)	664,211.53	2,682,191.68
Fund Balances, Beginning	6,014,523.00	6,014,523.00	6,615,896.24	601,373.24
Fund Balances, Ending	$ 6,326,153.37	$ 3,996,542.85	$ 7,280,107.77	$ 3,283,564.92

Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ -	$ 864,638.92	$ 864,638.92	$ -
6,529,517.00	6,623,875.70	6,623,875.70	-
-	-	-	-
-	-	-	-
-	821.58	821.58	-
-	821.58	821.58	-
6,529,517.00	7,489,336.20	7,489,336.20	-
3,027,925.00	3,509,772.48	3,509,772.48	-
1,632,288.00	1,703,105.27	1,703,105.27	-
-	-	-	-
608,312.00	671,741.72	671,741.72	-
760,970.00	629,119.00	629,119.00	-
-	-	-	-
-	-	-	-
271,354.00	268,469.62	268,469.62	-
-	22,666.34	22,666.34	-
-	-	-	-
-	-	-	-
13,268.00	2,950.03	2,950.03	-
-	-	-	-
-	-	-	-
-	-	-	-
215,400.00	664,347.70	664,347.70	-
-	17,164.04	17,164.04	-
-	-	-	-
6,529,517.00	7,489,336.20	7,489,336.20	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
$ 0.00	$ 0.00	$ 0.00	$ 0.00

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

	2018
Total OPEB Liability	
Service Cost	$ 123,424
Interest	62,763
Changes of Assumptions or Other Inputs	(32,356)
Benefit Payments	(124,620)
Net Change in Total OPEB Liability	29,211
Total OPEB Liability - Beginning, as Restated	1,691,506
Total OPEB Liability - Ending	$ 1,720,717
Covered-Employee Payroll	$ 60,420,849
Total OPEB Liability as a Percentage of Covered-Employee Payroll	2.85%

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

	2017	2016	2015	2014	2013
District's Proportion of the FRS Net Pension Liability	0.149276535%	0.147039316%	0.162963957%	0.168802183%	0.167575155%
District's Proportionate Share of the FRS Net Pension Lliability	$ 44,154,997	$ 37,127,543	$ 21,048,981	$ 10,299,416	$ 28,847,142
District's Covered Payroll	$ 67,360,067	$ 65,226,241	$ 66,098,185	$ 66,283,680	$ 64,634,943
District's Proportionate Share of the FRS Net Pension Liability as a Percentage of Its Covered Payroll	65.55%	56.92%	31.85%	15.54%	44.63%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.89%	84.88%	92.00%	96.09%	88.54%

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

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

	2018	2017	2016	2015	2014
Contractually Required FRS Contribution	$ 4,213,309	$ 3,886,036	$ 3,585,788	$ 3,973,200	$ 3,697,484
FRS Contributions in Relation to the Contractually Required Contribution	(4,213,309)	(3,886,036)	(3,585,788)	(3,973,200)	(3,697,484)
FRS Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 68,056,538	$ 67,360,067	$ 65,226,241	$ 66,098,185	$ 66,283,680
FRS Contributions as a Percentage of Covered Payroll	6.19%	5.77%	5.50%	6.01%	5.58%

(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)

	2017	2016	2015	2014	2013
District's Proportion of the HIS Net Pension Liability	0.211299915%	0.211038018%	0.217635719%	0.223047535%	0.222488454%
District's Proportionate Share of the HIS Net Pension Liability	$ 22,593,162	$ 24,595,607	$ 22,195,420	$ 20,855,489	$ 19,370,545
District's Covered Payroll	$ 67,360,067	$ 65,226,241	$ 66,098,185	$ 66,283,680	$ 64,634,943
District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	33.54%	37.71%	33.58%	31.46%	29.97%
HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	1.64%	0.97%	0.50%	0.99%	1.78%

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

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

	2018	2017	2016	2015	2014
Contractually Required HIS Contribution	$ 1,129,695	$ 1,118,260	$ 1,081,704	$ 831,939	$ 764,086
HIS Contributions in Relation to the Contractually Required Contribution	(1,129,695)	(1,118,260)	(1,081,704)	(831,939)	(764,086)
HIS Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 68,056,538	$ 67,360,067	$ 65,226,241	$ 66,098,185	$ 66,283,680
HIS Contributions as a Percentage of Covered Payroll	1.66%	1.66%	1.66%	1.26%	1.15%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

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

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

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

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

Changes of Assumptions and Other Inputs. The discount rate was changed from 3.58 percent as of June 30, 2017, to 3.87 as of June 30, 2018.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 7.6 percent to 7.1 percent, and the active member mortality assumption was updated.

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

Changes of Assumptions. The municipal bond rate used to determine total pension liability was increased from 2.85 percent to 3.58 percent.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Flagler County District School Board
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Total Expenditures
Clustered			
Child Nutrition Cluster:			
United States Department of Agriculture:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	18002	$ 1,032,072.63
National School Lunch Program	10.555	18001, 18003	3,470,653.33
Summer Food Service Program for Children	10.559	17006, 17007, 18006, 18007	152,124.82
Total Child Nutrition Cluster			4,654,850.78
WIOA Cluster:			
United States Department of Labor:			
Florida Crown Workforce Development Board:			
WIOA Youth Activities	17.259	None	208,469.75
Student Financial Assistance Cluster:			
United States Department of Education:			
Federal Pell Grant Program	84.063	N/A	95,614.72
Special Education Cluster:			
United States Department of Education:			
Special Education - Grants to States:	84.027		
Florida Department of Education		263	2,325,993.40
University of South Florida		None	750.00
Total Special Education - Grants to States	84.027		2,326,743.40
Special Education - Preschool Grants:			
Florida Department of Education	84.173	267	32,553.00
Total Special Education Cluster			2,359,296.40
Not Clustered			
United States Department of Agriculture:			
Florida Department of Health:			
Child and Adult Care Food Program	10.558	A-4477	449,789.21
United States Department of Defense:			
Army Junior Reserve Officers Training Corps	12.UNK	N/A	131,900.91
United States Department of Education:			
Teacher Incentive Fund	84.374	N/A	769,024.20
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191, 193	138,795.00
Title I Grants to Local Educational Agencies	84.010	212, 226	2,718,483.76
Education for Homeless Children and Youth	84.196	127	47,171.29
Twenty-First Century Community Learning Centers	84.287	244	455,877.95
English Language Acquisition State Grants	84.365	102	42,039.80
Supporting Effective Instruction State Grants	84.367	224	336,916.20
Student Support and Academic Enrichment Program	84.424	241	47,167.00
Career and Technical Education - Basic Grants to States:	84.048		
Florida Department of Education		161	245,159.30
Daytona State College		None	21,004.00
Total Career and Technical Education - Basic Grants to States	84.048		266,163.30
Total United States Department of Education			4,821,638.50
Total Expenditures of Federal Awards			$ 12,721,560.27

The accompanying notes are an integral part of this Schedule.

Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Flagler County District School Board (District) under programs of the Federal Government for the fiscal year ended June 30, 2018. 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 for National School Lunch Program. Includes $365,656.49 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

AUDITOR GENERAL
STATE OF FLORIDA

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Auditor General

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Flagler County District School Board, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 11, 2019, 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

Sherrill F. Norman, CPA
Tallahassee, Florida
February 11, 2019

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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

Report on Compliance for Each Major Federal Program

We have audited the Flagler County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2018. The District's major Federal programs are identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
February 11, 2019

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

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reported.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters are reported.

PRIOR AUDIT FOLLOW-UP

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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