

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF

THE DISTRICT SCHOOL BOARD
OF HERNANDO COUNTY, FLORIDA

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018



PREPARED BY:
FINANCE DEPARTMENT



District School Board of Hernando County, Florida
Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2018

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INTRODUCTORY SECTION





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The School District of Hernando County, Florida

Office of the Superintendent

919 N. Broad Street

Brooksville, FL 34601

Phone: (352) 797-7000

Fax: (352) 797-7010



Superintendent: *John Stratton*
Board Chairperson: *Susan Duval*
Vice Chairperson: *Linda K. Prescott*
Board Members:
Gus Guadagnino
Kay Hatch
Jimmy Lodato

February 22, 2019

District School Board of Hernando County
919 North Broad Street
Brooksville, Florida 34601

Dear Chair, Members of the School Board and Citizens of Hernando County:

The Comprehensive Annual Financial Report of the District School Board of Hernando County, Florida (District) for the fiscal year ended June 30, 2018, is submitted herewith. We believe the information, as presented, is accurate in all material aspects; that it is presented in a manner designed to set forth fairly the financial position and the changes in financial position of the District as measured and reported by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain an adequate understanding of the District's financial affairs have been included. The responsibility for the preparation of the accompanying financial statements and other information contained in this report, based on the above standards, rests with the District's management.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all materials respects.

The District's financial statements have been independently audited by the Florida Auditor General. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ending June 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion on the District's financial statements for the fiscal year ended June 30, 2018. The independent auditor's report on financial statements is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District is part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grant agencies. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

The standards of governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. Information related to this single audit, including the Schedule of Expenditures of Federal Awards (SEFA), schedule of findings and questioned costs, summary schedule of prior audit findings, and the independent auditor's reports on the system of internal control and on compliance with applicable requirements, is included in the compliance section.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditor.

The accompanying report includes all funds of both the District and the Hernando School Board Leasing Corporation (Leasing Corporation). The Leasing Corporation was formed by the School Board to be the lessor in connection with financing the acquisition and/or construction of certain educational facilities and is considered a blended component unit.

PROFILE OF THE DISTRICT

The District and its governing Board were created pursuant to Section 4, Article IX of the Constitution of the State of Florida. The District is an independent taxing and reporting entity managed, controlled, operated, administered, and supervised by the District school officials in accordance with Chapter 1001.30, Florida Statutes. The Board consists of five elected officials responsible for the adoption of policies, which govern the operation of public schools in Hernando County. The Superintendent of Schools is responsible for the administration and management of the schools within the applicable parameters of Florida Statutes, State Board of Education Rules, and District policies. The Superintendent is also specifically delegated the responsibility of maintaining a uniform system of records and accounts in the District by State Board of Education Rule 6A-1.001, Florida Administrative Code.

This report contains the audited financial statements for all operations over which the School Board is financially accountable. Various potential component units were evaluated to determine whether they should be considered as part of the District's reporting entity. Accordingly, included in the reporting entity are the Hernando County Education Direct Support Organization, Inc., (Foundation) a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, and the three charter schools, Brooksville Engineering, Science & Technology, Inc., Gulf Coast Middle School, Inc., and Gulf Coast Academy of Science and Technology, Inc. The charter schools are not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter Schools are funded through the District with FEFP funds. Both the Foundation and the charter schools are included as discretely presented component units in the accompanying financial statements. Additional information regarding these component units can be found in the notes to the financial statements.

The geographic boundaries of the District are those of Hernando County. Hernando County is located on the central-west coast of Florida, north of Tampa Bay. It is bounded by the Gulf of Mexico on the west, Citrus County to the north, Sumter County to the east, and Pasco County to the south. Hernando County stretches 37 miles east to west, and 18 miles north to south, for a total of approximately 479 square miles.

During the 2017-2018 fiscal year, the District had 26 schools, including 10 elementary schools, 4 middle schools, 5 high schools, 3 K-8 schools (Challenger K-8, Explorer K-8, and Winding Waters K-8), 1 alternative school, and 3 charter schools, and served approximately 23,340 prekindergarten

through adult students. The projected prekindergarten through grade 12 student enrollment for fiscal year 2018-19 is 23,000 unweighted full-time equivalent students. The average age of the school buildings within the District is approximately 30.4 years.

The District serves students from infants through adults. Students in the District represent a diverse community of learners, including a variety of ethnic and cultural backgrounds. In addition to the various educational programs offered to K-12 students, the District offers pre-kindergarten services including: programs for babies of teen parents who are progressing toward achieving high school diplomas; programs for special education infants and toddlers below the age of three; pre-kindergarten programs for three and four-year-old disabled students; and programs for eligible low-income, at-risk students.

The District also offers programs for adults to learn the necessary skills in order to enter the workforce or increase opportunities for advancement in current positions. Also, students from foreign countries have the opportunity to learn communication skills through the District's English for Speakers of Other Languages (ESOL) programs, and all citizens can take fee-supported courses to increase personal development in various subjects such as computers, photography, and personal financial planning.

The annual budget serves as the foundation for the District's financial planning and control. The District establishes and maintains budgetary controls. The objective is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the District. Activities of all governmental fund types are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot exceed the appropriated amount) is established at the object level within each function level for all funds.

Budgetary information is integrated into the accounting system. To facilitate budgetary control, budget balances are encumbered when purchase orders are issued. Appropriations expire at year-end and encumbrances outstanding are honored in the subsequent year's appropriations.

In order to provide budgetary control for salaries, the District utilizes a centralized position control system. The District has adopted a staffing plan that establishes teaching positions based primarily on student populations served. Additionally, support and administrative positions are created based on established criteria.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the District operates.

Economic Conditions

Hernando County has experienced limited population growth, increasing 7.42 percent (12,826) since the 2010 census. The County's current population as of April 1, 2018, is 185,604 with anticipated growth estimated to be 190,300 in the year 2020 and 213,500 in the year 2030. The median age is 49.2 years.

The local area economy continues to be affected by the national and State economic downturn. Unemployment improved during 2017-2018 but still remains high at 4.2 percent for Hernando County and 3.3 percent for the State as of December 2018. The County's rate is reportedly higher than the national average of 3.9 percent during the same period.

The final property tax roll for Hernando County increased approximately \$616 million or 7.06 percent, bringing the tax roll to \$9.35 billion for the 2017-2018 fiscal year. Property taxable values experienced a decline in rates from the 2008-2009 fiscal year of approximately 9 percent. Subsequent to the economic downturn, the tax roll significantly increased from 2013-2014 taxable values by approximately 18 percent.

While the District is heavily reliant upon State funding for the core of the educational programs within the District, and while the economic conditions of the nation and State interact with State funding adequacy and availability, the economic outlook for the District is consistent with the national situation. The State of Florida is heavily dependent upon sales tax collections and tourism. Any funding fluctuations will mean new programs, innovative initiatives, and educational enhancements may not be available within the desired time frames, but the positive improvements will continue to occur. In addition, the Board, Superintendent and staff are acutely aware of the perils of interrupted revenue receipts. Prudent business practices, accompanied by statutes mandating balanced budgets, result in a continual review of the financial condition of the District.

The District recognizes that the continued enhancement of the local economy is of mutual benefit to both the District and the County and that an excellent system of public education is a significant factor in attracting new business and industry to the County. The District remains Hernando County's largest employer, employing 2,897 full-time employees, including 1,538 instructional personnel.

Long-Term Financial Planning

Funding for school districts in the State of Florida is set by the Florida Legislature annually through the General Appropriations Act.

Relevant Financial Policies

The District follows procedures established by Board Policy, Florida Statutes and the State Board of Education rules in establishing and adopting annual budgets for each of the governmental fund types.

Budgets are prepared using the same modified accrual basis as is used to account for governmental funds. Appropriations are controlled at the object level (e.g. salaries, benefits and purchased services) within each function activity (e.g. instruction, pupil personnel services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.

ACADEMIC ACCOMPLISHMENTS

One of the ways to judge a school district is to compare the results of its students on national and statewide testing and the accomplishments of its staff.

The District believes that its students and staff have performed remarkably well based on various tests and accomplishments as noted below.

- Schools through Florida are held accountable and receive school grades based on the results of the Florida Standards Assessment Test (FSA). The 2017-2018 fiscal year marks the nineteenth year of this accountability program. The District received a "B" grade in the 2017-2018 fiscal year under the State A+ Plan. This year seven schools received a grade of "A", five received a grade of "B", thirteen received a grade of a "C", and one received a grade of "D".
- The District had 54 percent of all students scoring proficient in reading and 51 percent making learning gains in reading under the State's A+ Plan. Hernando had 43 percent of students in the lowest 25 percentile make learning gains in reading.
- District students scored at 59 percent proficient in math and 55 percent making learning gains in math under the State's A+ plan. Hernando had a 48 percent of students in the lowest 25th percentile making learning gains in math.

More than 34 percent of Hernando County School District teachers have earned Master degrees or higher. Additionally, the District has 35 teachers who have successfully completed the rigorous and time-intensive program of the National Board of Professional Teaching Standards.

To achieve the highly esteemed National Certification, teachers are required to provide a portfolio of information regarding teaching styles, examples of work performed by students, and successfully pass an examination.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District School Board of Hernando County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This was the sixteenth consecutive year that the District has received this prestigious award. In order to be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation and completion of this Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance department. Each member of the department has our sincere appreciation for the contributions made in the preparation and completion of this report.

In closing, we would like to thank the members of the School Board for their leadership and support in planning and conducting the financial operations of the District. We also thank the citizens of Hernando County, whose cooperation, support, and assistance have contributed greatly to the operation of this innovative school system.

Respectfully submitted,



John Stratton
Superintendent of Schools



Lisa Becker
Executive Director of Business Services



Joyce McIntyre
Director of Finance & Purchasing

District School Board of Hernando County, Florida

List of Principal Officials

School Board Members and Superintendent

(Members are elected for a four-year term; Superintendent is an appointed position)



Kay Hatch
District 1
Member Since Nov. 2018



Linda K. Prescott
District 2
Member Since Nov. 2016



Jimmy Lodato
District 3
Member Since Nov. 2018



Gus Guadagnino
District 4
Member Since Nov 2012

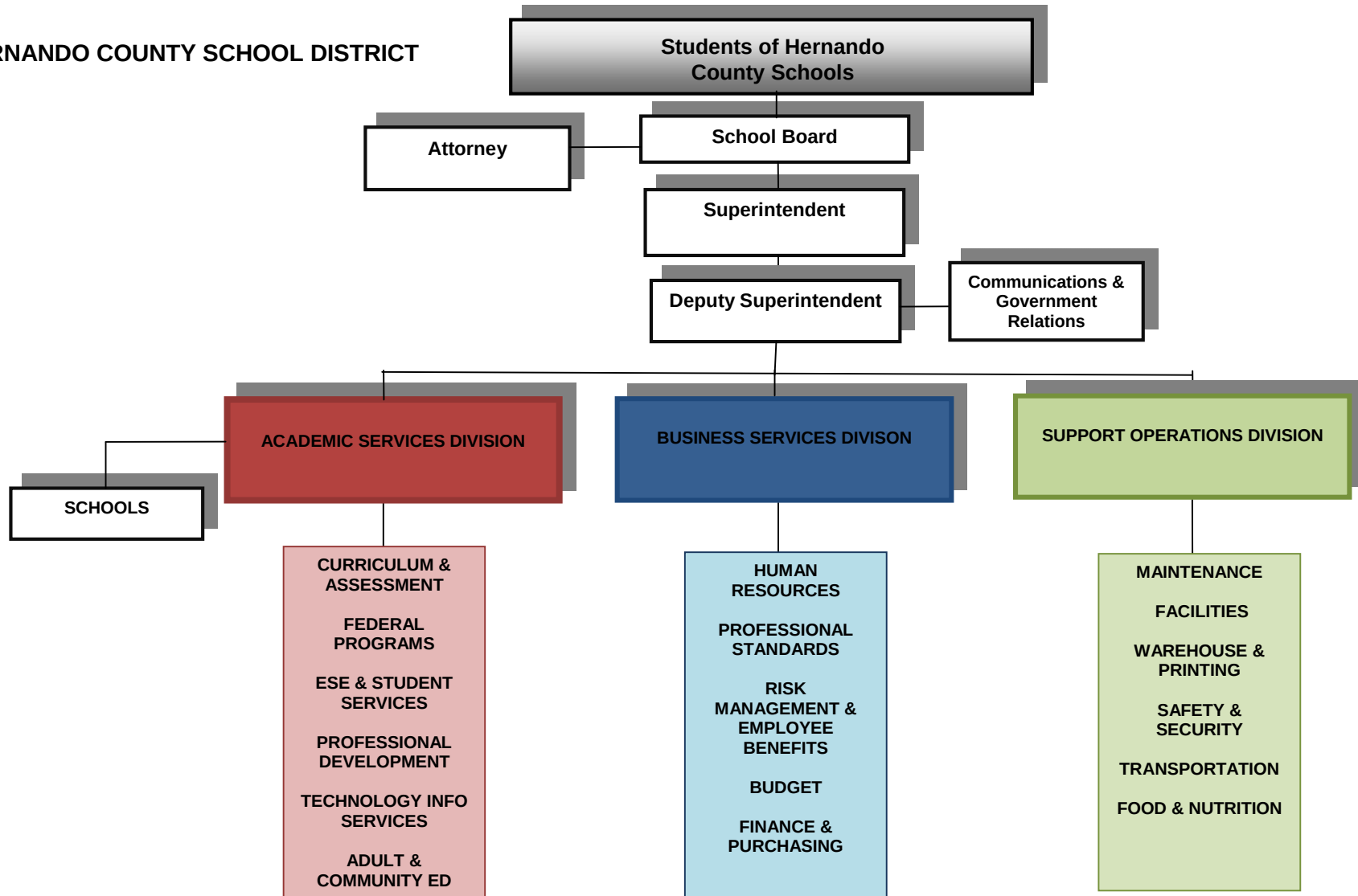


Susan Duval
District 5
Member Since Nov. 2016



John Stratton
Superintendent

HERNANDO COUNTY SCHOOL DISTRICT





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**District School Board
of Hernando County, Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO

FINANCIAL SECTION





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Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



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Fax: (850) 488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Hernando 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 statements of the school internal funds, which represent 13 percent of the assets and 92 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 Hernando County District School Board, as of June 30, 2018, and the respective changes in financial position 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 2. 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 Fund**, **Budgetary Comparison Schedule – Special Revenue – Other Federal Programs Fund**, **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 and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund statements and schedules and the introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Also, 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 combining and individual fund statements and schedules and the accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund statements and schedules, and the accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**, are fairly stated in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 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, CPA
Tallahassee, Florida
February 22, 2019
Audit Report No. 2019-137



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District School Board of Hernando County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Hernando County District School Board (District) has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 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:

- Total Net Position is \$213,215,664 which represents a 1.17 percent increase from the 2016-17 fiscal year.
- General revenues totaled \$205,060,272, or 92.58 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital gains and contributions total \$16,424,367 or 7.42 percent of all revenues.
- Expenses total \$216,702,802; only \$16,424,367 of these expenses were offset by program revenues, with the remainder paid from general revenues.
- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$213,215,664.
- The total combined assigned and unassigned fund balance of the General Fund representing the net fund balance that is spendable and not restricted, totals \$23,590,237, or 14.1 percent of total General Fund revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to 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 primary government presented on the accrual basis of accounting. The statement of net position provides information about the government's financial position, its assets, its liabilities, and its deferred outflows/inflows 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.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The government activities of the District include such functions as instruction, student personnel services, administration, student transportation, maintenance, and other items.

The government-wide financial statements include not only the District itself (known as the primary government), but also Brooksville Engineering, Science & Technology Academy, Inc.; Gulf Coast Middle School, Inc.; and Gulf Coast Academy of Science and Technology, Inc., all charter schools, and the Hernando County Education Direct Support Organization, Inc. (Foundation) all of which the District is required to report as component units. Financial information for the component units is reported separately from the financial information presented for the primary government itself.

Fund 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be classified under two categories: governmental funds and fiduciary funds.

- **Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds 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 evaluating a government's near-term financial 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 financial 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 District maintains 11 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Revenue – Other Federal Programs Fund, Debt Service – Other Debt Service Fund, and Capital Projects - Other Capital Projects Fund all of which are considered to be major funds. Data from the other seven 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 all the major funds to demonstrate compliance with this budget.

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 private-purpose trust funds 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 Supplementary Information. In addition to this management's discussion and analysis, this report also presents certain required supplementary information concerning the District's changes in its total other postemployment benefits other than pensions liability to its employees and its net pension liability.

The combining statements with non-major governmental funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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:

	Governmental Activities	
	June 30, 2018	June 30, 2017
Current and Other Assets	\$ 66,854,025	\$ 61,968,496
Capital Assets	377,348,756	377,767,259
Total Assets	444,202,781	439,735,755
Deferred Outflows of Resources	44,543,240	38,900,974
Long-Term Liabilities	257,924,945	256,578,549
Other Liabilities	3,565,867	2,794,141
Total Liabilities	261,490,812	259,372,690
Deferred Inflows of Resources	14,039,545	8,506,741
Net Position:		
Net Investment in Capital Assets	255,798,875	249,506,834
Restricted	32,481,524	41,168,493
Unrestricted (Deficit)	(75,064,735)	(79,918,029)
Total Net Position	\$ 213,215,664	\$ 210,757,298

The largest portion of the District's net position reflects its investment in capital assets (e.g., land; buildings and fixed equipment; furniture, fixtures and equipment net of depreciation), less any related debt still outstanding net of unspent debt proceeds. 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 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:

Changes in Net Position

	Governmental Activities	
	June 30, 2018	June 30, 2017
Program Revenues:		
Charges for Services	\$ 1,669,862	\$ 2,034,302
Operating Grants and Contributions	11,623,384	9,731,565
Capital Grants and Contributions	3,131,121	1,536,802
General Revenues:		
Property Taxes	58,848,048	57,208,577
Local Sales Tax	11,353,186	10,391,995
Grants and Contributions Not Restricted to Specific Programs	130,386,623	127,269,757
Unrestricted Investment Earnings	431,310	305,927
Miscellaneous	4,041,105	4,382,703
Total Revenues	221,484,639	212,861,628
Functions/Program Expenses:		
Instruction	112,178,899	108,581,464
Student Support Services	9,475,910	8,978,591
Instructional Media Services	1,670,186	1,580,760
Instruction and Curriculum Development Services	4,984,827	4,606,251
Instructional Staff Training Services	3,187,021	3,366,519
Instruction-Related Technology	615,107	634,787
Board	702,006	485,796
General Administration	1,385,010	1,646,718
School Administration	11,885,259	11,297,615
Facility Services - Non-Capitalized	6,876,093	2,188,737
Fiscal Services	859,712	854,703
Food Services	12,811,088	11,602,638
Central Services	2,076,296	1,841,843
Student Transportation Services	7,522,704	7,033,814
Operation of Plant	16,363,264	14,972,754
Maintenance of Plant	5,412,786	5,374,764
Administrative Technology Services	2,889,131	2,734,734
Community Services	983	1,452
Unallocated Interest on Long-Term Debt	3,781,555	4,042,505
Unallocated Depreciation Expense	12,024,965	11,339,724
Total Functions/Program Expenses	216,702,802	203,166,169
Increase in Net Position	4,781,837	9,695,459
Net Position - Beginning	210,757,298	201,061,839
Adjustment to Beginning Net Position (1)	(2,323,471)	-
Net Position - Beginning, as Restated	208,433,827	201,061,839
Net Position - Ending	\$ 213,215,664	\$ 210,757,298

(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 total governmental net position increased by \$4,781,837 during the current year, as compared to a net increase of \$9,695,459 in the previous year. Total revenues increased by \$8,623,011 or 4.05 percent compared to the prior year. District expenses increased \$13,536,633 or 6.66 percent.

Program revenues – Capital Grants and Contributions increased \$1,594,319 due, in part, to the District's Food Service Program qualifying for the Community Eligibility Provision resulting in reimbursement for all meals served. Program Revenues – Operating Grants and Contributions increased \$1,891,819 due, in part, to the Best and Brightest Scholarship awards.

Direct instructional expenses, including school administration increased \$4,951,222 due in part, to all employees receiving raises and performance pay increases of \$3,557,223.

District-level expenses increased \$8,585,411 due, in part, to expenses increases in Facilities Acquisition and Construction of \$4,687,356, Operation of Plant of \$1,390,510 and Food Services of \$1,208,450 utilizing the proceeds from a one-half cent sales tax for capital improvements such as heating, ventilating and air conditioning (HVAC) systems and kitchen renovations.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$57,690,638, an increase of \$3,859,544 in comparison with the prior year. The following schedule indicates the fund balances and changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2018, and June 30, 2017.

Fund Balance	June 30, 2018	June 30, 2017	Increase (Decrease)	Percentage Change
Major Governmental Funds:				
General Fund	\$ 25,609,116	\$ 19,500,773	\$ 6,108,343	31.32%
Other Debt Service Fund	6,858,658	6,824,570	34,088	0.50%
Other Capital Projects Fund	13,426,692	10,204,525	3,222,167	31.58%
Other Governmental Funds (nonmajor)	11,796,172	17,301,226	(5,505,054)	-31.82%
Total Fund Balance	<u>\$ 57,690,638</u>	<u>\$ 53,831,094</u>	<u>\$ 3,859,544</u>	<u>7.17%</u>

General Fund. The General Fund is the primary operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$18,369,962, while total fund balance was \$25,609,116. Unassigned fund balance represents 10.98 percent of General Fund revenues, while total assigned and unassigned fund balance represents 14.1 percent of that same amount.

During the current fiscal year, the total fund balance of the General Fund increased by \$6,108,343 or 31.32 percent.

The following schedule shows the changes in General Fund revenues and transfers in for fiscal years ended June 30, 2018, and June 30, 2017.

General Fund Revenues and Other Financing Sources	June 30, 2018	June 30, 2017	Increase (Decrease)	Percentage Change
Federal Direct Sources:				
Reserve Officers Training Corps (ROTC)	\$ 204,147	\$ 210,176	\$ (6,029)	-2.87%
Federal through State Sources:				
Medicaid	1,446,712	1,050,099	396,613	37.77%
Other Federal through State Sources	763,507	-	763,507	100.00%
State Sources:				
Florida Education Finance Program (FEFP)	88,568,231	87,219,990	1,348,241	1.55%
Categorical Programs	24,340,886	24,053,925	286,961	1.19%
Other State Sources	2,733,519	2,031,692	701,827	34.54%
Local Sources:				
Ad Valorem Taxes	45,514,011	44,718,926	795,085	1.78%
Interest Income	431,310	104,113	327,197	314.27%
Other Local Sources	3,358,529	2,720,339	638,190	23.46%
	<u>\$ 167,360,852</u>	<u>\$ 162,109,260</u>	<u>\$ 5,251,592</u>	<u>3.24%</u>
Other Financing Sources:				
Transfers In	5,100,000	5,300,000	(200,000)	-3.77%
Other Financing Sources	126,856	28,595	98,261	343.63%
Total Revenues and Other Financing Sources	<u>\$ 172,587,708</u>	<u>\$ 167,437,855</u>	<u>\$ 5,149,853</u>	<u>3.08%</u>

The following schedule shows the changes in General Fund expenditures (by major object) for fiscal years ended June 30, 2018, and June 30, 2017.

General Fund Expenditures by Major Object	June 30, 2018	June 30, 2017	Increase (Decrease)	Percentage Change
Salaries	\$ 106,192,172	\$ 100,414,932	\$ 5,777,240	5.75%
Employee Benefits	31,447,884	30,780,420	667,464	2.17%
Purchased Services	12,289,199	11,206,165	1,083,034	9.66%
Energy Services	6,425,742	5,857,006	568,736	9.71%
Materials and Supplies	5,107,633	5,167,620	(59,987)	-1.16%
Capital Outlay	2,751,806	2,247,723	504,083	22.43%
Other Expenditures	867,825	935,220	(67,395)	-7.21%
Total Expenditures by Major Object	<u>\$ 165,082,261</u>	<u>\$ 156,609,086</u>	<u>\$ 8,473,175</u>	<u>5.41%</u>

As the table above illustrates, the largest portions of General Fund expenditures are for Salaries and Employee Benefits with \$137,640,056 expended or 83.38 percent of total expenditures in the 2017-18 fiscal year compared to \$131,195,352 or 83.77 percent in the 2016-17 fiscal year.

Total General Fund. Expenditures are up \$8,473,175 or 5.41 percent higher than the 2016-17 fiscal year due, in part, to the increase of \$6,444,704 or 4.91 percent in Salaries and Employee Benefits.

Special Revenue – Other Federal Programs Fund. These funds are federally provided grants and entitlements that are received by the District from various federal and state agencies. Special Revenue Funds do not report fund balance because revenues are reported to the extent of expenditures. Revenues and expenditures decreased \$13,552 from the previous year.

Debt Service – Other Debt Service Fund. The fund balance of the Debt Service – Other Debt Service Fund increased from \$6,824,570 to \$6,858,658. The fund is restricted for the payment of debt service on the note payable and certificates of participation.

Capital Projects – Other Capital Projects Fund. The fund balance of the Capital Projects – Other Fund increased by \$3,222,167 to \$13,426,692 primarily due to an increase in the local half cent sales

tax revenues. This fund is restricted for educational capital outlay needs, including new construction, renovations and remodeling projects, and debt service payments. Of the total fund balance, \$3,725,221 has been encumbered for specific projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The following schedule shows the changes in General Fund revenues and other financing sources between the original and final budgets for the fiscal year ended June 30, 2018.

General Fund Revenues and Other Financing Sources	Original Budget	Final Budget	Increase (Decrease)	Percentage Change
Federal Direct Sources:				
Reserve Officers Training Corps (ROTC)	\$ 194,000	\$ 204,147	\$ 10,147	5.23%
Federal through State Sources:				
Medicaid	1,020,000	1,446,712	426,712	41.83%
Other Federal through State Sources	-	763,507	763,507	100.00%
State Sources:				
Florida Education Finance Program (FEFP)	90,155,370	89,383,470	(771,900)	-0.86%
Categorical Programs	23,686,506	23,526,247	(160,259)	-0.68%
Other State Sources	1,425,924	2,732,919	1,306,995	91.66%
Local Sources:				
Ad Valorem Taxes	45,964,810	45,514,011	(450,799)	-0.98%
Interest Income	70,000	311,086	241,086	344.41%
Other Local Sources	1,669,811	3,478,753	1,808,942	108.33%
Other Financing Sources:				
Transfers In	5,100,000	5,100,000	-	0.00%
Other Financing Sources	-	126,856	126,856	100.00%
Total Revenues and Other Financing Sources	<u>\$ 169,286,421</u>	<u>\$ 172,587,708</u>	<u>\$ 3,301,287</u>	<u>1.95%</u>

Final budgeted revenues and other financing sources for the General Fund when compared to the initial budget were \$3,301,287 or 1.95 percent higher. Medicaid actual billing reimbursements increased \$426,712 greater than anticipated during budget planning. In addition, actual collections from Other Local Sources resulted in an increase of \$1,808,942 in actual revenues due in part to receipt of funds related to insurance refunds and profit share revenues.

The following schedule shows the changes in General Fund expenditures by function between the original and final budgets for the fiscal year ended June 30, 2018.

General Fund Expenditures and Other Financing Uses:	Original Budget	Final Budget	Increase (Decrease)	Percentage Change
Current:				
Instruction	\$ 109,920,177	\$ 104,873,634	(5,046,543)	-4.59%
Pupil Personnel Services	6,372,276	6,893,287	521,011	8.18%
Instructional Media Services	1,321,033	1,622,464	301,431	22.82%
Instruction and Curriculum Development	1,458,399	2,028,249	569,850	39.07%
Instructional Staff Training	646,800	776,996	130,196	20.13%
Instruction-Related Technology	218,412	352,564	134,152	61.42%
School Board	562,622	681,947	119,325	21.21%
General Administration	955,195	972,978	17,783	1.86%
School Administration	11,006,022	11,545,666	539,644	4.90%
Facility Services - Non Capitalized	460,751	459,567	(1,184)	-0.26%
Fiscal Services	833,930	835,148	1,218	0.15%
Central Services	2,006,480	2,016,197	9,717	0.48%
Pupil Transportation Services	7,832,463	7,283,045	(549,418)	-7.01%
Operation of Plant	16,146,751	15,892,768	(253,983)	-1.57%
Maintenance of Plant	5,065,313	5,251,839	186,526	3.68%
Administrative Related Technology Services	3,090,063	2,805,435	(284,628)	-9.21%
Community Services	2,050	956	(1,094)	-53.37%
Capital Outlay	-	789,521	789,521	100.00%
Other Financing Uses:				
Transfers Out	1,347,189	1,397,104	49,915	3.71%
Total Expenditures by Function	<u>\$ 169,245,926</u>	<u>\$ 166,479,365</u>	<u>\$ (2,766,561)</u>	<u>-1.63%</u>

The final budgeted expenditures and other financing uses were lower than the original budget by \$2,766,561 or 1.63 percent. Reductions were realized through the District's conservative spending and through savings initiatives that were implemented during the fiscal year.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets. The District's investment in capital assets for governmental activities as of June 30, 2018, amounts to \$377,348,756 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and construction in progress. The total decrease of \$418,503 in the District's investment in capital assets (net of accumulated depreciation) for the current fiscal year was 0.11 percent.

	Governmental Activities	
	June 30, 2018	June 30, 2017
Land	\$ 10,317,174	\$ 10,317,174
Improvements Other Than Buildings	10,472,041	10,743,490
Buildings and Fixed Equipment	344,243,921	346,761,795
Furniture, Fixtures, and Equipment	5,494,007	2,760,363
Motor Vehicles	1,176,706	351,669
Construction in Progress	5,644,907	6,832,768
Total Capital Assets	<u>\$ 377,348,756</u>	<u>\$ 377,767,259</u>

Additional information on the District's capital assets can be found in Note 4 of this report.

Long-Term Debt. At the end of the current fiscal year, the District has total long-term debt outstanding of \$110,694,434. This amount is composed of a note payable of \$2,313,347; \$104,578,087 in Certificates of Participation (COPs); and Bonds Payable of \$3,803,000, which is backed by full faith and credit of the State of Florida.

The District's current rating on outstanding COPs from Fitch's Rating Services is A+ with a stable outlook.

During the current fiscal year, the District paid \$6,073,736 for principal payments on long-term debt as follows:

State School Bonds	\$ 594,000
Other Debt Service:	
District Revenue Bonds	100,000
Certificates of Participation	4,094,429
Notes Payable	<u>1,285,307</u>
Total Principal Payments	<u>\$ 6,073,736</u>

Additional information on the District's long-term debt can be found in Notes 5. through 9. of this report.

ECONOMIC FACTORS AND FORECAST

As of June 2018, the unemployment rate for Hernando County was 4.2 percent, which is a decrease from the rate of 5.9 percent a year ago. This compares to the State's average unemployment rate of 3.3 percent. These factors were considered in preparing the District budget for the 2018-19 fiscal year.

During the current fiscal year, the fund balance in the General Fund increased by \$6,108,343 to \$25,609,116. Included in this total, the District has inventories of \$1,465,072 that are classified as nonspendable, \$485,379 in State categorical and \$68,428 Workforce Development funds reported as restricted, and \$23,921 in encumbrances reported as assigned, which are reappropriated in the budget for the 2018-19 fiscal year. Assigned fund balance also includes, in part, \$2,116,363 health insurance rebates and profit sharing, which will be held in fund balance until appropriated. It is anticipated that this use of assigned fund balance will be replenished at year end through unspent appropriations and operating fund property tax revenues in excess of the budget. It is anticipated that the fund balance at June 30, 2019, will be in excess of 3 percent of General Fund revenues.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, Hernando County District School Board, 919 North Broad Street, Brooksville, Florida 34601.

BASIC FINANCIAL STATEMENTS





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DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	\$ 24,218,051	\$ 584,616
Investments	32,466,719	-
Accounts Receivable	27,043	146,272
Due from Other Agencies	3,532,920	17,406
Inventories	1,584,774	83,226
Prepaid Items	208,827	29,024
Capital Credits Receivable	4,371,657	-
Bond Insurance	444,034	-
Capital Assets:		
Nondepreciable Capital Assets	15,962,081	-
Depreciable Capital Assets, Net	361,386,675	207,780
Total Assets	444,202,781	1,068,324
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	1,384,763	-
Pension	43,158,477	-
Total Deferred Outflows of Resources	44,543,240	-
LIABILITIES		
Salaries and Benefits Payable	180	49,480
Accounts Payable	3,526,557	35,256
Due to Other Agencies	3,074	17,405
Accrued Interest Payable	29,167	-
Deposits Payable	6,760	-
Sales Tax Payable	129	-
Long-Term Liabilities:		
Due Within One Year	8,878,171	50,463
Due in More Than One Year	249,046,774	91,377
Total Liabilities	261,490,812	243,981
DEFERRED INFLOWS OF RESOURCES		
Unearned Revenue	781,829	-
Gain on Refunding	696,374	-
Other Postemployment Benefits	435,497	-
Pensions	12,125,845	-
Total Deferred Inflows of Resources	14,039,545	-
NET POSITION		
Net Investment in Capital Assets	255,798,875	65,940
Restricted for:		
State Required Carryover Programs	553,807	-
Food Service	4,314,420	-
Debt Service	7,212,935	-
Capital Projects	20,400,362	-
Other Purposes	-	274,554
Unrestricted	(75,064,735)	483,849
Total Net Position	\$ 213,215,664	\$ 824,343

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

		Program Revenues	
		Charges for Services	Operating Grants and Contributions
<u>Functions/Programs</u>	<u>Expenses</u>		
Primary Government:			
Governmental Activities:			
Instruction	\$ 112,178,899	\$ 107,632	\$ -
Student Personnel Services	9,475,910	-	-
Instructional Media Services	1,670,186	-	-
Instruction and Curriculum Development Services	4,984,827	-	-
Instructional Staff Training Services	3,187,021	-	-
Instruction Related Technology	615,107	-	-
Board	702,006	-	-
General Administration	1,385,010	-	-
School Administration	11,885,259	-	-
Facility Services - Non-Capitalized	6,876,093	-	-
Fiscal Services	859,712	-	-
Food Services	12,811,088	1,394,814	11,623,384
Central Services	2,076,296	-	-
Student Transportation Services	7,522,704	167,416	-
Operation of Plant	16,363,264	-	-
Maintenance of Plant	5,412,786	-	-
Administrative Technology Services	2,889,131	-	-
Community Services	983	-	-
Unallocated Interest on Long-Term Debt	3,781,555	-	-
Unallocated Depreciation Expense *	12,024,965	-	-
Total Primary Government	\$ 216,702,802	\$ 1,669,862	\$ 11,623,384
Component Units			
Educational Foundation/Charter School	\$ 3,578,526	\$ 225,538	\$ 1,023,761

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

Net Position - Ending

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

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

(Continued)

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
	Primary Government Governmental Activities	Component Units
\$ -	\$ (112,071,267)	\$ -
-	(9,475,910)	-
-	(1,670,186)	-
-	(4,984,827)	-
-	(3,187,021)	-
-	(615,107)	-
-	(702,006)	-
-	(1,385,010)	-
-	(11,885,259)	-
2,442,948	(4,433,145)	-
-	(859,712)	-
-	207,110	-
-	(2,076,296)	-
-	(7,355,288)	-
-	(16,363,264)	-
-	(5,412,786)	-
-	(2,889,131)	-
-	(983)	-
688,173	(3,093,382)	-
-	(12,024,965)	-
<u>\$ 3,131,121</u>	<u>(200,278,435)</u>	<u>-</u>
<u>\$ 72,979</u>	<u>-</u>	<u>(2,256,248)</u>
	45,514,011	-
	13,334,037	-
	11,353,186	-
	130,386,623	2,228,035
	431,310	-
	4,041,105	94,504
	<u>205,060,272</u>	<u>2,322,539</u>
	4,781,837	66,291
	210,757,298	758,052
	(2,323,471)	-
	<u>208,433,827</u>	<u>758,052</u>
	<u>\$ 213,215,664</u>	<u>\$ 824,343</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Special Revenue - Other Federal Programs Fund	Debt Service - Other Debt Service Fund
ASSETS			
Cash and Cash Equivalents	\$ 3,344,139	\$ 6,745	\$ 5,097,941
Investments	20,589,390	-	1,764,217
Accounts Receivable	23,074	-	-
Prepaid Items	208,827	-	-
Due from Other Funds	554,080	-	-
Due from Other Agencies	433,841	556,042	-
Inventories	1,465,072	-	-
TOTAL ASSETS	<u>26,618,423</u>	<u>562,787</u>	<u>6,862,158</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	-	-	-
Accounts Payable	999,344	8,707	3,500
Due to Other Funds	-	554,080	-
Due to Other Agencies	3,074	-	-
Accrued Interest Payable	-	-	-
Deposits Payable	6,760	-	-
Sales Tax Payable	129	-	-
Total Liabilities	<u>1,009,307</u>	<u>562,787</u>	<u>3,500</u>
Deferred Inflows of Resources:			
Unearned Revenue	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Nonspendable	1,465,072	-	-
Spendable:			
Restricted	553,807	-	6,858,658
Assigned	5,220,275	-	-
Unassigned	18,369,962	-	-
Total Fund Balances	<u>25,609,116</u>	<u>-</u>	<u>6,858,658</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 26,618,423</u>	<u>\$ 562,787</u>	<u>\$ 6,862,158</u>

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

(Continued)

Capital Projects - Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 8,564,142	\$ 7,205,084	\$ 24,218,051
5,454,409	4,658,703	32,466,719
800	3,169	27,043
-	-	208,827
-	-	554,080
2,539,347	3,690	3,532,920
-	119,702	1,584,774
<u>16,558,698</u>	<u>11,990,348</u>	<u>62,592,414</u>
-	180	180
2,385,144	129,862	3,526,557
-	-	554,080
-	-	3,074
-	29,167	29,167
-	-	6,760
-	-	129
<u>2,385,144</u>	<u>159,209</u>	<u>4,119,947</u>
<u>746,862</u>	<u>34,967</u>	<u>781,829</u>
<u>746,862</u>	<u>34,967</u>	<u>781,829</u>
-	119,702	1,584,774
13,426,692	11,642,367	32,481,524
-	34,103	5,254,378
-	-	18,369,962
<u>13,426,692</u>	<u>11,796,172</u>	<u>57,690,638</u>
<u>\$ 16,558,698</u>	<u>\$ 11,990,348</u>	<u>\$ 62,592,414</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total Fund Balances - Governmental Funds \$ 57,690,638

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.

Nondepreciable Capital Assets	\$ 15,962,081	
Depreciable Capital Assets, Net	<u>361,386,675</u>	377,348,756

Capital credits to be received in future years are not available to liquidate liabilities in governmental funds, but are accrued in the government-wide statements. 4,371,657

Deferred outflows/inflows of resources for pensions are not available in the current period and therefore, are not reported in the governmental funds. At fiscal year end, these are the deferred outflows/inflows of resources for pensions:

Deferred Outflows of Resources	\$ 43,158,477	
Deferred Inflows of Resources	<u>(12,125,845)</u>	31,032,632

Deferred outflows/inflows of resources for OPEB are not available in the current period and therefore, are not reported in the governmental funds. At fiscal year end, these are the deferred outflows/inflows of resources for OPEB:

Deferred Outflows of Resources	\$ 1,384,763	
Deferred Inflows of Resources	<u>(435,497)</u>	949,266

Bond insurance costs related to the issuance of debt is reported as an asset in the government-wide statements and amortized over the life of the debt, but is not reported in the governmental funds. 444,034

The gain on refunded debt is reported as a deferred inflow of resources in the government-wide statements and amortized over the life of the debt, but is not reported in the governmental funds. (696,374)

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

Bonds Payable	\$ (4,007,869)	
Certificates of Participation Payable	(114,976,325)	
Note Payable	(2,313,347)	
Other Postemployment Benefits Payable	(14,207,009)	
Net Pension Liability	(106,758,828)	
Compensated Absences Payable	<u>(15,661,567)</u>	<u>(257,924,945)</u>

Total Net Position - Governmental Activities \$ 213,215,664

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



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DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

	General Fund	Special Revenue - Other Federal Programs Fund	Debt Service - Other Debt Service Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 204,147	\$ -	\$ -
Federal Through State and Local	2,210,219	12,329,621	-
State	115,642,636	-	-
Local:			
Property Taxes Levied for Operational Purposes	45,514,011	-	-
Property Taxes Levied for Capital Projects	-	-	-
Local Sales Taxes	-	-	-
Impact Fees	-	-	-
Charges for Service - Food Services	-	-	-
Other	3,789,839	-	30,088
Total Revenues	167,360,852	12,329,621	30,088
Expenditures			
Current:			
Instruction	104,873,634	4,097,414	-
Student Personnel Services	6,893,287	2,311,871	-
Instructional Media Services	1,622,464	-	-
Instruction and Curriculum Development Services	2,028,249	2,813,203	-
Instructional Staff Training Services	776,996	2,318,008	-
Instruction Related Technology	352,564	244,967	-
Board	681,947	-	-
General Administration	972,978	363,919	-
School Administration	11,545,666	-	-
Facility Services - Non-Capitalized	459,567	-	-
Fiscal Services	835,148	-	-
Food Services	-	-	-
Central Services	2,016,197	-	-
Student Transportation Services	7,283,045	22,460	-
Operation of Plant	15,892,768	-	-
Maintenance of Plant	5,251,839	-	-
Administrative Technology Services	2,805,435	-	-
Community Services	956	-	-
Debt Service:	-	-	-
Principal	-	-	5,379,736
Interest and Fiscal Charges	-	-	4,208,804
Dues and Fees	-	-	7,000
Capital Outlay:	-	-	-
Facilities Acquisition and Construction	162,800	157,779	-
Other Capital Outlay	626,721	-	-
Total Expenditures	165,082,261	12,329,621	9,595,540
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,278,591		(9,565,452)
Other Financing Sources (Uses)			
Transfers In	5,100,000	-	9,599,540
Sale of Capital Assets	-	-	-
Insurance Loss Recoveries	126,856	-	-
Transfers Out	(1,397,104)	-	-
Total Other Financing Sources (Uses)	3,829,752	-	9,599,540
Net Change in Fund Balances	6,108,343	-	34,088
Fund Balances, July 1, 2017	19,500,773	-	6,824,570
Fund Balances, June 30, 2018	\$ 25,609,116	\$ -	\$ 6,858,658

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

(Continued)

Capital Projects - Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 204,147
-	11,495,693	26,035,533
58,704	1,720,236	117,421,576
-	-	45,514,011
-	13,334,037	13,334,037
11,353,186	-	11,353,186
1,748,325	-	1,748,325
-	1,394,814	1,394,814
149,532	167,417	4,136,876
13,309,747	28,112,197	221,142,505
-	-	108,971,048
-	-	9,205,158
-	-	1,622,464
-	-	4,841,452
-	-	3,095,004
-	-	597,531
-	-	681,947
-	-	1,336,897
-	-	11,545,666
5,103,263	1,299,627	6,862,457
-	-	835,148
-	12,427,740	12,427,740
-	-	2,016,197
-	-	7,305,505
-	-	15,892,768
-	-	5,251,839
-	-	2,805,435
-	-	956
-	-	-
-	694,000	6,073,736
-	210,559	4,419,363
-	1,791	8,791
-	-	-
4,997,017	5,659,734	10,977,330
-	21,364	648,085
10,100,280	20,314,815	217,422,517
3,209,467	7,797,382	3,719,988
-	49,915	14,749,455
12,700	-	12,700
-	-	126,856
-	(13,352,351)	(14,749,455)
12,700	(13,302,436)	139,556
3,222,167	(5,505,054)	3,859,544
10,204,525	17,301,226	53,831,094
\$ 13,426,692	\$ 11,796,172	\$ 57,690,638

**DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
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 **\$ 3,859,544**

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current period.

Capital Outlay - Facilities and Construction - Governmental Funds	\$ 10,977,330	
Capital Outlay - Other Capital Outlay - Governmental Funds	648,085	
Less: Depreciation Expense	(12,043,918)	(418,503)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period. 6,073,736

Premiums are reported in the governmental funds in the year debt is issued, but are capitalized and amortized over the life of the debt in the statement of activities.

Unamortized Premium:

Prior Year	\$ 11,226,896	
Less: Current Year	(10,603,107)	623,789

Bond Insurance for the 2016 COPS Refunding Debt Amortization

Prior Year	\$ (468,703)	
Less: Current Year	444,034	(24,669)

Gain on Refunding of the 2005 COPS - Amortization

Prior Year	\$ 735,062	
Less: Current Year	(696,374)	38,688

The net change in the pension liability and deferred outflows and inflows is reported in the government-wide statements, but not in the governmental fund statements.

Increase in Pension Liability	\$ (3,751,319)	
Increase in Deferred Outflows of Resources-Pension	4,726,206	
Increase in Deferred Inflows of Resources-Pension	(5,528,348)	(4,553,461)

Capital credits to be received in future years are accrued in the government-wide statements, but the credits do not provide current financial resources and are not recognized in the governmental funds.

Current Year Accruals	\$ 4,371,657	
Less: Prior Year Accruals	(4,169,079)	202,578

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 used in the current period. (1,329,519)

The net change in the other postemployment benefits liability and deferred outflows and inflows is reported in the government-wide statements, but not in the governmental fund statements.

Increase in OPEB Liability	\$ (639,612)	
Increase in Deferred Outflows of Resources-OPEB	1,384,763	
Increase in Deferred Inflows of Resources-OPEB	(435,497)	309,654

Change in Net Position - Governmental Activities **\$ 4,781,837**

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	Private-Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 1,726,482
Investments	53,546	-
Accounts Receivable	-	13,234
TOTAL ASSETS	<u>\$ 53,546</u>	<u>\$ 1,739,716</u>
LIABILITIES		
Internal Accounts Payable	\$ -	\$ 1,739,716
Total Liabilities	<u>-</u>	<u>\$ 1,739,716</u>
NET POSITION		
Held in Trust for Scholarships and Other Purposes	<u>\$ 53,546</u>	

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended June 30, 2018

	Private-Purpose Trust Fund
ADDITIONS	
Investment Earnings	\$ (925)
DEDUCTIONS	
Scholarship Payments	<u>3,200</u>
Change in Net Position	(4,125)
Net Position, July 1, 2017	<u>57,671</u>
Net Position, June 30, 2018	<u><u>\$ 53,546</u></u>

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



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DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

• **Reporting Entity**

The Hernando County District School Board (Board) has direct responsibility for operation, control, and supervision of Hernando County School District (District) schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education. 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 Hernando County.

Criteria for determining if other entities are potential component units which 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 entities for which the District School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School 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 Board's reporting entity:

Blended Component Unit. The Hernando School Board Leasing Corporation (Leasing Corporation) was formed in July 2011 to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 6. The governing board of the Leasing Corporation is the District School Board. 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 of 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 Hernando County Education Direct Support Organization, Inc., (Foundation), and the following charter schools: Brooksville Engineering, Science & Technology Academy, Inc.; Gulf Coast Middle School, Inc.; and the Gulf Coast Academy of Science and Technology, Inc.

The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the District. The Foundation is considered to be a component unit of the District because of the nature and significance of its relationship to the District.

The charter schools are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the *Florida Not for Profit Corporation Act*, and Section 1002.33, Florida Statutes. The charter schools operate under a charter of the sponsoring District. 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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

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.

Annual audits of the Foundation's and the charter schools' financial statements are conducted by independent certified public accountants and are filed in the District's administrative office at 919 North Broad Street, Brooksville, Florida 34601.

- **Basis of Presentation**

Government-wide Financial Statements. Government-wide financial statements, including the statement of net position and the statement of activities, present information about the School District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's motor vehicles is allocated to the applicable functions when identified, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The effects of interfund activity have been eliminated from the government-wide financial statements.

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

The District reports the following major governmental funds:

General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purpose.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

Special Revenue – Other Federal Programs Fund - to account for certain Federal Grant program revenue sources that are legally restricted for specified purposes. This Special Revenue Fund tracks Federal grants and entitlements that are received by the District from various Federal and State agencies.

Debt Service – Other Debt Service Fund - to account for principal, interest and related costs of the Notes Payable and the Certificates of Participation issued in 2013A and 2016A.

Capital Projects – Other Capital Projects Fund - to account for the financial resources generated by the local voted sales tax and the impact fees levied by the Hernando County Board of County Commissioners. The sales tax is to be used for new school construction. The impact fees may be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments.

Additionally, the District reports the following fiduciary fund types:

Private-Purpose Trust Fund – to account for resources of the Hernando High School Renaissance Scholarship Endowment Fund which are used for student scholarships.

Agency Funds – to account for resources of the school internal funds which are used to administer moneys collected at the various 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. 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 to report only the net amount of transfers.

- **Basis of Accounting**

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

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become 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.

The District considers property taxes, sales taxes, and interest to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, pensions, and other postemployment benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Revenues can be classified into two kinds of transactions: (a) exchange and exchange-like transactions, in which each party receives and gives up essentially equal value, and (b) non-exchange transactions, in which a government gives (or receives) value without directly receiving (or giving) equal value in exchange. Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place.

Revenues resulting from non-exchange transactions are further classified into: (a) derived tax revenues, (b) imposed non-exchange revenues, (c) government-mandated non-exchange transactions, and (d) voluntary non-exchange transactions. Derived tax revenues (e.g., sales tax) are recorded when the exchange transaction occurs. Imposed non-exchange transactions (e.g., property taxes) are recorded when use of the resource is required or first permitted by time requirements (e.g., for property taxes, the period for which they are levied). Government-mandated and voluntary non-exchange transactions, (e.g., Federal mandates, grants, and donations) are recorded when all eligibility requirements have been met. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The three charter schools, shown as discretely presented component units, are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

The Foundation shown as a discretely presented component unit, is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

- **Deposits**

The District's cash and cash equivalents are considered to be demand deposits. On June 30, 2018, the carrying amount of the District's bank deposit accounts was \$24,218,051.

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

Statutes. The Agency Funds consider cash as those accounts used as demand deposit accounts and considers cash equivalents as those amounts invested in certificates of deposit.

- **Investments**

The District holds assets that are defined as investments. The District's investments are recorded at fair value unless the investment qualifies as an external investment pool under the guidance in GASB Statement No. 79.

Fair Value Measurement:

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

- o Level 1 Inputs – are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- o Level 2 Inputs – are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- o Level 3 Inputs – are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

Investments consist of amounts placed in State Board of Administration (SBA) Debt Service accounts for investment of debt service moneys and amounts placed with the SBA for participation in Florida PRIME (formerly known as the Local Government Surplus Funds Trust Fund Investment Pool) investment pool created by Section 218.405, Florida Statutes, and those made locally. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes. Under the fair value hierarchy, SBA Debt Service moneys are considered to be Level 1.

The District's investments in Florida PRIME and the Florida Education Investment Trust Fund (FEIT) are external investment pools and are similar to money market funds in which shares are owned in the fund rather than the underlying investments. In accordance with GASB Statement No. 79, the investments are recorded at amortized costs.

The District's other investments consist of United States Treasury securities, and are reported at fair value. Under the fair value hierarchy, investments in United States Treasury securities are considered to be Level 1.

- **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at average cost, except for transportation and food service inventories which are stated at last invoice, which approximates the first-in, first-out basis. The 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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

- **Capital Assets**

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

Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

Capital assets are depreciated using the composite method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Fixed Equipment	50 years
Improvements Other than Buildings	25 years
Furniture, Fixtures, and Equipment	7 years
Motor Vehicles	10 years

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

- **Pensions**

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

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

- **Long-Term Liabilities**

Long-term obligations that will be paid 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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

using the effective interest method. Bonds and certificates of participation payable are reported net of the applicable premium or discount. As a result of the implementation of GASB Statement No. 65, debt issuance costs (except for Bond Insurance) are no longer treated as deferred charges.

Governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued, and premiums on debt issuances, are reported as other financing sources, while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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, for example, unused reimbursable leave still outstanding following employee resignations and retirements.

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

- **Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of net position and the governmental funds balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. The first two are deferred inflows of resources related to pensions and OPEB reported only in the government-wide statement of net position and are further discussed in subsequent notes. The third item is a gain on refunding. This amount is the difference between the reacquisition price and the net carrying amount of the old debt, resulting in a gain for accounting purposes. The amount is deferred and amortized over the shorter of the life of the refunded or refunded debt. The fourth item is unearned revenue. Both the statement of net position and the balance sheet report unearned revenues from two sources: impact fees and prepaid student meals. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- **State Revenue Sources**

Revenues from State sources for current operations are primarily from the Florida Education Finance Program (FEFP) administered by the Florida Department of Education (Department) 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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
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For the Fiscal Year Ended June 30, 2018

data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting during specified time periods following the date of original reports. Such amendments may impact funding allocations for subsequent years.

The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain categorical educational programs. State Board of Education 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 year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical 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 Department.

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

- **District Property Taxes**

The School 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 Hernando County Property Appraiser, and property taxes are collected by the Hernando County Tax Collector.

The School Board adopted the 2017 tax levy on September 19, 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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
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financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Hernando County Tax Collector at fiscal year end but not remitted to the District. Millages and taxes levied for the current year are presented in a subsequent note.

- **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.

- **Local Sales Tax**

On September 8, 2015, the voters of Hernando County approved a one-half cent sales tax for ten years, commencing on January 1, 2017, to finance capital improvements to school facilities and related costs in accordance with Section 212.055(6), Florida Statutes.

- **Educational Impact Fees**

The District receives residual educational impact fees based on an ordinance adopted by the Hernando County Commission (County) on October 28, 1986. The fees are collected by the County and each municipality within the County for most new residential construction based on an interlocal agreement. The fees shall be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development, and shall not be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include land acquisition; facility design and construction costs; furniture and equipment; and payment of principal, interest, and related costs of indebtedness necessitated by new residential development. Because the educational impact fee is similar to a capital-type special assessment, it is reported as program revenue in the government-wide financial statements.

2. ACCOUNTING CHANGES

Implementation of Governmental Accounting Standards Board Statement No. 75 and Adjustment to Beginning Net Position

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 decreased by

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\$2,323,471 due to implementation of GASB Statement No. 75. The District's total OPEB liability reported at June 30, 2017, increased by \$2,323,471 to \$13,567,397 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 balances for deferred outflows/inflows of resources were not restated.

3. INVESTMENTS

Cash and Cash Equivalents and Investment Portfolio.

On February 15, 2000, the District formally adopted a comprehensive investment policy, as revised on June 13, 2017, pursuant to Section 218.415, Florida Statutes, that established permitted investments, asset allocation and issuer limits, credit rating requirements, and maturity limits to protect the District's cash and investment assets. The District maintains a common cash and investment pool for the use of all funds. In addition, cash and investments are separately held by the District's special revenue, debt service, capital projects, and trust funds.

Investment holdings, totaling \$32,466,719 (Statement of Net Position) and \$53,546 (Fiduciary Funds) consist of amounts placed in a Local Government Surplus Funds Trust Fund, an Intergovernmental Investment Pool, and U.S. Treasury Bonds.

Section 218.415, Florida Statutes, limits the types of investments that the District can invest in unless specifically authorized in the District's investment policy. The District's formal investment policy allows for the following investments: United States Government Securities, United States Government Agencies, Federal Instrumentalities, Non-Negotiable Interest Bearing Time Certificates of Deposit, Commercial Paper, Bankers Acceptances, Corporate Notes, State and/or Local Government Taxable and/or Tax-Exempt Debt, Registered Investment Companies (Money Market Mutual Funds), Local Government Surplus Funds Trust Fund ("Florida PRIME"), and Intergovernmental Investment Pools.

As of June 30, 2018, the District has the following investments and maturities:

<u>Security Type</u>	<u>Value</u>	<u>Weighted Average Duration</u>
State Board of Administration:		
Florida PRIME	\$ 17,158,083	30 days
Debt Service Accounts	70,657	6 months
Intergovernmental Investment Pool:		
FEIT	15,237,979	32 days
U.S. Treasury Bonds	<u>53,546</u>	4.63 years
Total	<u>\$ 32,520,265</u>	0.10

The Florida PRIME (the SBA) June 30, 2018, report was the source for of the weighted average maturity and credit rating for Florida PRIME. <https://www.sbafla.com/prime/>.

The Fund Fact Sheet as of June 30, 2018, was the source for the Florida Education Investment Trust Fund's credit rating and weighted average maturity <https://www.feitf.com>.

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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's investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of current operating funds shall have maturities of no longer than 24 months. Investments of bond reserves, construction funds, and other non-operating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with debt covenants. The purchase of investments for core funds with maturities longer than 5 years requires Board approval prior to purchase.

The FEIT and Florida PRIME use a weighted average days to maturity (WAM).

The District also uses WAM as a measurement of interest rate risk and as of June 30, 2018, the investment portfolio had a weighted average duration of 0.10 years. 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.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy permits for investments which are limited to credit quality ratings from nationally recognized rating agencies as follows:

Commercial paper of any United States company that is rated, at the time of purchase, "Prime-1" by Moody's and "A-1" by Standard & Poor's (prime commercial paper). In addition, corporate obligations allowed are corporate obligations issued by financial institutions that participate in the FDIC's Temporary Liquidity Guarantee Program and are fully insured by the FDIC and are guaranteed by the full faith and credit of the United States Government.

Bankers' acceptances which are issued by a domestic bank which has at the time of purchase, an unsecured, uninsured and unguaranteed obligation rating of at least "Prime-1" by Moody's or "A-1" by Standard & Poor's.

Corporate notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum single "Aa" by Moody's and a minimum long term debt rating of "AA" by Standard & Poor's. In addition, corporate obligations allowed are corporate obligations issued by financial institutions that participate in the FDIC's Temporary Liquidity Guarantee Program and are fully insured by the FDIC and are guaranteed by the full faith and credit of the United States Government.

State and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least "Aa" by Moody's or "AA" by Standard & Poor's for long-term debt, or rated at least "MIG-2" by Moody's or "SP-2" by Standard & Poor's for short-term debt.

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Registered Investment Companies (Money Market Mutual Funds) shall be rated "AAAm" by Standard & Poor's or the equivalent by another national rating agency.

Investment pools shall be rated "AAAm" by Standard & Poor's or the equivalent by another rating agency.

As of June 30, 2018, \$32,396,062 of the District's investment securities were individually rated "AAAm" by Standard & Poor's, and \$53,546 rated "AA+" by Standard & Poor's.

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 the interest rate risk and credit risk for this account.

As of June 30, 2018, the District had the following credit quality:

<u>Security Type</u>	<u>Standard & Poor's Credit Rating</u>
State Board of Administration:	
Florida PRIME	AAAm
Debt Service Accounts	N/A
Intergovernmental Investment Pool:	
FEIT	AAAm
U.S. Treasury Bonds	AA+

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy pursuant to Section 218.415(18), Florida Statutes, requires securities, with the exception of certificates of deposits, shall be held with a third-party custodian; and all securities purchased by, and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. A third-party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and is doing business in the State of Florida. Certificates of Deposit will be placed in the provider's safekeeping department for the term of the deposit.

As of June 30, 2018, the District's investment portfolio was held with a third-party custodian as required by the District's investment policy.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
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Concentration of Credit Risk

The District's investment policy has established asset allocation and issuer limits, which are designed to reduce concentration of credit risk of the District's investment portfolio, for the following investments:

A maximum of 100% of available funds may be invested in the United States Government Securities, 100% of available funds may be invested in United States Government agencies with a 40% limit on individual issuers, 75% of available funds may be invested in Federal Instrumentalities with a 40% limit on individual issuers, 50% of available funds may be invested in non-negotiable interest bearing time certificates of deposit, 25% of available funds may be invested in commercial paper with a 5% limit on individual issuers, 25% of available funds may be invested in corporate notes with a 5% limit on individual issuers, 25% of available funds may be invested in State and/or Local Government Taxable and/or Tax-Exempt Debt with a 5% limit on individual issuers, 50% of available funds may be invested in Registered Investment Companies (Money Market Mutual Funds) with a 25% limit of individual issuers, and 75% of available funds may be invested in Intergovernmental Investment Pools with a 50% limit of individual issuers.

As of June 30, 2018, the District had the following issuer concentration based on fair value:

<u>Security Type</u>	<u>Value</u>	<u>Portfolio Asset Allocation</u>
State Board of Administration:		
Florida PRIME	\$ 17,158,083	52.76%
Debt Service Accounts	70,657	0.22%
Intergovernmental Investment Pool:		
FEIT	15,237,979	46.86%
U.S. Treasury Bonds	53,546	0.16%
Total	<u>\$ 32,520,265</u>	<u>100.00%</u>

Foreign Currency Risk

The District investment policy does not allow for investments in foreign currency therefore the District has no exposure to foreign currency risk.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
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For the Fiscal Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 10,317,174	\$ -	\$ -	\$ 10,317,174
Construction in Process	6,832,768	4,660,895	(5,848,756)	5,644,907
Total Capital Assets Not Being Depreciated	<u>17,149,942</u>	<u>4,660,895</u>	<u>(5,848,756)</u>	<u>15,962,081</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	29,019,848	925,630	-	29,945,478
Buildings and Fixed Equipment	487,017,906	7,369,882	-	494,387,788
Furniture, Fixtures, and Equipment	40,104,470	3,561,982	(525,721)	43,140,731
Motor Vehicles	14,577,577	955,782	-	15,533,359
Total Capital Assets Being Depreciated	<u>570,719,801</u>	<u>12,813,276</u>	<u>(525,721)</u>	<u>583,007,356</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(18,276,358)	(1,197,079)	-	(19,473,437)
Buildings and Fixed Equipment	(140,256,111)	(9,887,756)	-	(150,143,867)
Furniture, Fixtures, and Equipment	(37,344,107)	(828,338)	525,721	(37,646,724)
Motor Vehicles	(14,225,908)	(130,745)	-	(14,356,653)
Total Accumulated Depreciation	<u>(210,102,484)</u>	<u>(12,043,918)</u>	<u>525,721</u>	<u>(221,620,681)</u>
Total Capital Assets Being Depreciated, Net	<u>360,617,317</u>	<u>769,358</u>	<u>-</u>	<u>361,386,675</u>
Governmental Activities Capital Assets, Net	<u>\$ 377,767,259</u>	<u>\$ 5,430,253</u>	<u>\$ (5,848,756)</u>	<u>\$ 377,348,756</u>

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Facility Services - Non-Capitalized	\$ 117
Food Services	5,018
Central Services	796
Student Transportation Services	2,322
Operation of Plant	3,042
Maintenance of Plant	6,477
Administrative Technology Services	1,181
Unallocated	<u>12,024,965</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 12,043,918</u>

5. NOTES PAYABLE

Notes payable is comprised of the following:

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Balance at
June 30, 2018

Banc of America Public Capital Corp:

\$14,419,695 was borrowed on March 16, 2007, under provisions of Section 1013.23, Florida Statutes, at an interest rate of 3.83 percent. Proceeds were used to refinance the purchase of energy savings equipment. The ending principal balance was \$6,403,131 before refinancing on March 17, 2015. \$6,403,131 was borrowed at an interest rate of 1.95 percent. This maturity date is March 20, 2020.

\$ 2,313,347

Fiscal Year Ending June 30,	Total	Principal	Interest
2019	\$ 1,347,188	\$ 1,311,651	\$ 35,537
2020	1,011,468	1,001,696	9,772
Total	<u>\$ 2,358,656</u>	<u>\$ 2,313,347</u>	<u>\$ 45,309</u>

6. CERTIFICATES OF PARTICIPATION

The District entered into various financing arrangements each of which was characterized as a lease-purchase agreement, with the Hernando County School Board Leasing Corporation (Leasing Corporation) whereby the District secured financing of various educational facilities in the total amount of \$119,807,000. The Certificates of Participation, Series 2013A for \$29,162,000 and the Certificates of Participation, Series 2016A for \$90,645,000 were used to advance refund the outstanding Certificates of Participation, Series 2003A and Certificates of Participation, Series 2005 respectively. The financings were 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 arrangement, the District has given ground leases on District property to the Leasing Corporation, with terms ranging from 20 to 30 years.

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 lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreements for the benefit of the securers of the Certificates for a period of time specified by the arrangement which may be up to 35 years from the date of inception of the arrangements.

The District properties included in the ground leases under this arrangement include land on which the projects have been constructed. The projects related to the ground leases are as follows:

Series 2016A Certificates

Explorer K-8 School
Winding Waters K-8 School
Grade Specific Additions to Pine Grove Elementary School, West
Hernando Middle School and Central High School
Improvements and Additions to Hernando High School
Improvements and Additions to Springstead High School
Improvements and Additions to Spring Hill Elementary School

Series 2013A Certificates

Challenger K-8 Science and Mathematics

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The lease payments for the 2013A and 2016A Series are payable by the District, semiannually, on July 1 and January 1, at interest rates ranging from 2.08 percent to 5 percent. The payment of principal and interest on the bonds underlying the lease agreements are due on July 1 and January 1 of each year. The July 1 payment is typically made on or around June 15 and is considered to be a reduction of bond principal as of June 30.

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

Fiscal Year Ending June 30,	Total	Principal	Interest
2019	\$ 8,245,664	\$ 4,220,260	\$ 4,025,404
2020	8,236,914	4,337,543	3,899,371
2021	8,243,164	4,473,872	3,769,292
2022	8,243,164	4,608,977	3,634,187
2023	8,241,664	4,747,435	3,494,229
2024-2028	43,276,500	29,080,000	14,196,500
2029-2033	43,277,550	36,555,000	6,722,550
2034-2036	17,303,650	16,555,000	748,650
Total Minimum Lease Payments	145,068,270	104,578,087	40,490,183
Unamortized COP Premiums	10,398,238	10,398,238	-
Total	\$ 155,466,508	\$ 114,976,325	\$ 40,490,183

7. BONDS PAYABLE

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

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

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<u>Bond Type</u>	<u>Original Debt Issue Amount</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:				
Series 2009A, Refunding	\$ 370,000	\$ 35,000	5.0	2019
Series 2010A	1,435,000	1,030,000	3.50 - 5.0	2030
Series 2011A, Refunding	365,000	220,000	3.0 - 5.0	2023
Series 2014A, Refunding	523,000	376,000	3.0 - 5.0	2025
Series 2014B, Refunding	1,299,000	102,000	2.0 - 5.0	2020
Subtotal	3,992,000	1,763,000		
Unamortized Premium	792,352	204,869		
State School Bonds	4,784,352	1,967,869		
District Revenue Bonds:				
Series 2001, Refunding	3,290,000	2,040,000	4.875 - 5.125	2031
Total Bonds Payable	\$ 8,074,352	\$ 4,007,869		

- **State School Bonds**

These bonds are issued by the State Board of Education (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**

Refunding and Capital Improvement Revenue Bonds, Series 2001

These bonds were issued in June 2001 to refund the Refunding and Improvement Revenue Bonds, Series 1992, and to finance the costs of various capital improvements within the school district. These bonds were authorized by Chapter 79-471, Laws of Florida, which provides that the bonds be secured from racetrack funds and jai alai fronton funds accruing annually 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) 7.a., Florida Statutes (2001), now Section 212.20(6) (d) 6.a., Florida Statutes (2014). The annual distribution is remitted by the Florida Department of Financial Services to the District.

The District has pledged as sole security for the bonds, the entire annual pari-mutuel tax proceeds of \$209,750, which is remitted by the Florida Department of Financial Services to the District. The pledged revenue is committed until final maturity of the debt, or December 1, 2031. Approximately 98 percent of this revenue stream has been pledged in connection with the debt service on the revenue bonds. As required by the bond resolution, the District

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has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

The Series 2001 bonds, totaling \$3.3 million, were issued to provide funds, together with other available funds of the Board, sufficient to refund the District's outstanding Refunding Revenue Bonds, Series 1992 and finance the costs of acquisition, construction, and installation of, and renovation to, certain capital improvements and educational facilities within the District, and pay costs associated with the issuance of the bonds.

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2019	\$ 308,240	\$ 233,000	\$ 75,240
2020	272,240	208,000	64,240
2021	225,400	170,000	55,400
2022	229,900	183,000	46,900
2023	231,750	193,000	38,750
2024-2028	650,800	546,000	104,800
2029-2030	244,000	230,000	14,000
	<u>2,162,330</u>	<u>1,763,000</u>	<u>399,330</u>
Unamortized Bond Premium	204,869	204,869	-
Total State School Bonds	<u>2,367,199</u>	<u>1,967,869</u>	<u>399,330</u>
District Revenue Bonds:			
2019	205,622	105,000	100,622
2020	205,313	110,000	95,313
2021	204,688	115,000	89,688
2022	203,813	120,000	83,813
2023	202,688	125,000	77,688
2024-2028	1,014,922	730,000	284,922
2029-2031	812,516	735,000	77,516
	<u>2,849,562</u>	<u>2,040,000</u>	<u>809,562</u>
Total District Revenue Bonds	<u>2,849,562</u>	<u>2,040,000</u>	<u>809,562</u>
Total	<u>\$ 5,216,761</u>	<u>\$ 4,007,869</u>	<u>\$ 1,208,892</u>

8. DEFEASED DEBT

In prior years, the Board defeased in substance certain outstanding bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the in-substance defeased bonds are not included in the District's financial statements.

On June 30, 2018, bonds considered defeased in substance are as follows:

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Bond Issues	Amount Outstanding
Refunding and Capital Improvement Revenue Bonds, Series 1992	\$ 340,000
State School Bonds, Series 1999A	70,000
State School Bonds, Series 2003A	285,000
State School Bonds, Series 2004A	200,000
State School Bonds, Series 2005A	260,000
State School Bonds, Series 2004B	495,000
Total Defeased Debt	\$ 1,650,000

9. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 4,497,000	\$ -	\$ 694,000	\$ 3,803,000	\$ 338,000
Unamortized Premium	250,978	-	46,109	204,869	46,109
Total Bonds Payable	4,747,978	-	740,109	4,007,869	384,109
 Certificates of Participation Payable	 108,672,516	 -	 4,094,429	 104,578,087	 4,220,260
Unamortized Premium	10,975,918	-	577,680	10,398,238	577,680
Total Certificates of Participation Payable	119,648,434	-	4,672,109	114,976,325	4,797,940
 Note Payable	 3,598,654	 -	 1,285,307	 2,313,347	 1,311,651
Other Postemployment Benefits (1)	13,567,397	1,466,623	827,011	14,207,009	396,200
Net Pension Liability (2)	103,007,509	54,741,914	50,990,595	106,758,828	988,271
Compensated Absences Payable	14,332,048	4,603,757	3,274,238	15,661,567	1,000,000
Total Governmental Activities	\$ 258,902,020	\$ 60,812,294	\$ 61,789,369	\$ 257,924,945	\$ 8,878,171

- (1) OPEB balance at June 30, 2017, adjusted for adoption of GASB Statement No. 75 as described in Note 2.
(2) The amount due within one year relates to the Health Insurance Subsidy (HIS) portion of the Net Pension Liability wherein the HIS's fiduciary net position is less than the amount of benefit payments expected to be paid within one year.

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

10. FUND BALANCE REPORTING

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* provides a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB Statement No. 54 provides two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to

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remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The District has inventory items that are considered nonspendable. The District has no nonspendable funds related to endowments.

In addition to the nonspendable fund balance, GASB Statement No. 54 has provided a hierarchy of the spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: Fund balances that contain constraints imposed by formal action of the government from its highest level of decision-making authority. At the end of the fiscal year, there were no commitments.
- Assigned: Fund balances that contain self-imposed constraints by the governing body to be used for a particular purpose.
- Unassigned: Fund balance of the General Fund that is not constrained for any particular purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The District has classified its fund balances with the following hierarchy:

Nonspendable: The District has inventories totaling \$1,584,774 that are classified as nonspendable.

Spendable: The District has classified the spendable fund balances as *Restricted, Assigned, and Unassigned* and considered each to have been spent when expenditures are incurred. The District currently has no fund balances classified as *Committed*.

- Restricted for State Categorical Programs, Workforce Development, Food Services, Debt Service, and Capital Projects.

Federal Laws, Florida Statutes, and local ordinances require that specifically designated for the purposes of capital and debt service requirements and for certain designated State categorical spending. These funds have been included in the restricted category of fund balance. The restricted fund balance totaled \$32,481,524 and represented \$485,379 for State categorical programs, \$68,428 for workforce development programs, \$4,314,420 for food services, \$7,212,935 for debt service, and \$20,400,362 for capital projects.

- Assigned for School Operations, Department of Education (Department) Obligations, Health Insurance Rebates

In accordance with Fund Balance Policy 7.11, the assigned fund balance includes amounts which are assigned for a specific purpose by the Board or by delegation to the Superintendent or his or her designee. The School Board has set aside certain spendable fund balance for school operations. At year end, the assigned General Fund balance of \$5,220,275 consists, in part of \$23,921 assigned for outstanding encumbrances for school

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operations, \$2,905,417 assigned for District project carryforwards, and \$2,116,363 assigned for health insurance rebates received to be used for premium increases.

- Unassigned:

The unassigned fund balance for the General Fund is \$18,369,962.

The following is a schedule of Fund Balances by category at June 30, 2018:

	Major Funds			Non Major Funds	Total Governmental Funds
	General	Other Debt Service	Capital Projects - Other		
Fund Balances					
Nonspendable:					
Inventory	\$ 1,465,072	\$ -	\$ -	\$ 119,702	\$ 1,584,774
Restricted:					
State Required Carryover Programs	485,379	-	-	-	485,379
Workforce Development	68,428	-	-	-	68,428
Debt Service	-	6,858,658	-	354,277	7,212,935
Capital Projects	-	-	13,426,692	6,973,670	20,400,362
Food Services	-	-	-	4,314,420	4,314,420
Assigned:					
School Operations:					
Encumbrances	23,921	-	-	34,103	58,024
Department of Education FTE Audit	174,574	-	-	-	174,574
Other	2,905,417	-	-	-	2,905,417
Health Insurance Rebates/Profit Sharing	2,116,363	-	-	-	2,116,363
Unassigned	<u>18,369,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,369,962</u>
Total Fund Balances	<u>\$ 25,609,116</u>	<u>\$ 6,858,658</u>	<u>\$ 13,426,692</u>	<u>\$ 11,796,172</u>	<u>\$ 57,690,638</u>

At the end of the fiscal year, the assigned/unassigned General Fund balance was \$23,590,237 or 14.1 percent of General Fund revenues.

11. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 554,080	\$ -
Special Revenue - Other Federal Programs	-	554,080
Total Governmental Funds	<u>\$ 554,080</u>	<u>\$ 554,080</u>

Interfund receivables and payables are temporary loans of cash between funds allowable under Section 1011.09, Florida Statutes, for a period of less than 13 months. The temporary loans do not restrict, impede, or limit implementation or fulfillment of the original purposes for which the moneys were received in the fund providing the advancement.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 5,100,000	\$ 1,397,104
Debt Service - Other Debt Service	9,599,540	-
Nonmajor Governmental	49,915	13,352,351
Total Governmental Funds	\$ 14,749,455	\$ 14,749,455

Interfund transfers represent permanent transfers of moneys between funds. In general, funds are transferred from the General Fund and Capital Projects Funds to the Debt Service Funds for annual debt payments and from the Capital Projects Funds to the General Fund to assist in financing maintenance operations of the District and payment of property-casualty insurance premiums.

12. SCHEDULE OF STATE REVENUE SOURCES

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

Source	Amount
Florida Education Finance Program:	
Transportation	\$ 5,074,973
Instructional Materials	1,621,739
Florida Teachers Lead	361,305
School Recognition	814,639
Other	81,510,214
Categorical Educational Program - Class Size Reduction	23,526,247
Motor Vehicle License Tax (Capital Outlay and Debt Service)	697,281
Workforce Development Program	573,537
Charter School Capital Outlay	500,614
Food Service Supplement	127,689
Discretionary Lottery Funds	38,604
Interest on Investment of Bond Reserves	14,857
Miscellaneous	2,559,877
Total	\$ 117,421,576

Accounting policies relating to certain State revenue sources are described in Note 1.

13. PROPERTY TAXES

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

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	<u>Millages</u>	<u>Taxes Levied</u>
<u>General Fund</u>		
Nonvoted School Tax:		
Required Local Effort	4.371	\$ 39,162,939
Basic Discretionary Local Effort	0.748	6,701,871
<u>Capital Projects Funds</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	13,439,581
Total	<u>6.619</u>	<u>\$ 59,304,391</u>

14. RETIREMENT PLANS

A. Florida Retirement System (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 Health Insurance Subsidy (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 \$13,043,563 for the fiscal year ended June 30, 2018.

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FRS Pension Plan

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

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

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 chart shows the percentage value for each year of service credit earned:

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

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

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

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
Florida Retirement System, Regular	3.00	7.92
Florida Retirement System, Elected County Officers	3.00	45.50
Florida Retirement System, Senior Management Service	3.00	22.71
Deferred Retirement Option Program – Applicable to Members from All of the Above Classes	0.00	13.26
Florida Retirement System, 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 PEORP.

(2) Contribution rates are dependent upon the retirement class in which reemployed.

The District's contribution to the plan totaled \$6,213,024 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 \$70,025,480 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

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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 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the District's proportionate share was 0.236737893 percent, which was a decrease of 0.007203148 percent 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 \$10,625,361. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 6,426,654	\$ 387,905
Change of Assumptions	23,533,505	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	1,735,406
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	-	4,430,837
District FRS Contributions Subsequent to the Measurement Date	6,213,024	-
Total	\$ 36,173,183	\$ 6,554,148

The deferred outflows of resources related to pensions, totaling \$6,213,024, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended 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:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2019	\$ 2,595,596
2020	8,619,549
2021	5,800,654
2022	497,800
2023	4,214,638
Thereafter	1,677,774
Total	\$ 23,406,011

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:

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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 real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	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

Discount Rate. The discount rate used to measure the total pension liability was 7.10 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 7.60 percent to 7.10 percent.

Sensitivity of the District's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 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 (6.10 percent) or 1 percentage-point higher (8.10 percent) than the current rate:

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	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's Proportionate Share of the Net Pension Liability	\$ 126,741,890	\$ 70,025,480	\$ 22,937,866

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

HIS Pension Plan

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

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 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 \$1,663,487 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 \$36,733,348 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 one year, net of the District's proportionate share of the HIS pension 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

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July 1, 2016, and update procedures were used to determine the 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 0.343544359 percent, which was a decrease of 0.011785345 percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$2,418,202 related to the HIS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 76,485
Change of Assumptions	5,163,446	3,176,372
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	20,371	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	137,990	2,318,840
District HIS Contributions Subsequent to the Measurement Date	1,663,487	-
Total	<u>\$ 6,985,294</u>	<u>\$ 5,571,697</u>

The deferred outflows of resources totaling \$1,663,487, resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended 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:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 226,174
2020	222,319
2021	220,468
2022	36,736
2023	(226,105)
Thereafter	(729,482)
Total	<u>\$ (249,890)</u>

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:

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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 Florida Retirement System Actuarial Assumptions Conference reviewed the actuarial assumptions for the 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	\$ 41,917,614	\$ 36,733,348	\$ 32,415,140

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.

B. FRS – Defined Contribution Pension Plan

The District contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida 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

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member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. 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 Class, 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's accounts during the 2017-18 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. 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 \$1,424,882 for the fiscal year ended June 30, 2018.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2018

15. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to Section 112.0801, Florida Statutes, former employees who retire from the District and eligible dependents, may continue to participate in the District's fully insured group health plan. Retirees and their eligible dependents shall be offered the same group health plan 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 group health plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in high costs to the group health plan on average than those of active employees. The OPEB Plan contribution requirements and benefit terms of the District and the OPEB Plan members are established and may be amended through negotiations between the District and the respective unions. 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 insurance 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, 2017, the following employees were covered by the benefits terms:

Inactive Members or Beneficiaries	
Currently Receiving Benefits	83
Active Members	<u>2,921</u>
Total Membership	<u>3,004</u>

Total OPEB Liability. The District's total OPEB liability of \$14,207,009 was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2016, and update procedures were used to determine the total OPEB liability as of June 30, 2017.

Actuarial Assumption 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	2.60 percent
Salary Increases	4.00 – 7.80 percent, including inflation
Discount Rate	3.56 percent
Healthcare Cost Trend Rates	7.75 percent for 2016, decreasing to an ultimate rate of 5.00 percent for 2022

The discount rate was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer. Mortality rates were based on the RP 2000 mortality tables, with adjustments for FRS experience and generational mortality improvements using Scale BB.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

The demographic actuarial assumptions for mortality, retirement, disability incidence, and withdrawal used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013, adopted by the FRS. The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016, valuation were based on a review of recent plan experience done concurrently with the June 30, 2016, valuation.

Changes in the Total OPEB Liability.

	<u>Amount</u>
Balance at June 30, 2017, as Restated	\$ 13,567,397
Changes for the year:	
Service Cost	1,062,870
Interest on TOL and Cash Flows	403,753
Differences Between Expected and Actual Experience	(60,978)
Changes in Assumptions or Other Inputs	(456,379)
Benefit Payments and Implicit Subsidy Credit	<u>(309,654)</u>
Net Changes	<u>639,612</u>
Balance at June 30, 2018	<u>\$ 14,207,009</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.01 percent in 2016 to 3.56 percent in 2017.

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 liability would be if it were calculated using the discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current rate.

	<u>1% Decrease (2.56%)</u>	<u>Current Discount Rate (3.56%)</u>	<u>1% Increase (4.56%)</u>
Total OPEB Liability	\$ 15,032,479	\$ 14,207,009	\$ 13,375,702

Sensitivity of the Total OPEB Liability to the Healthcare Cost Trend Rate Assumption. 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 the healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 12,473,894	\$ 14,207,009	\$ 16,252,411

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$1,384,763. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 51,330
Changes in assumptions	-	384,167
District contribution subsequent to the measurement date	1,384,763	-
Total	<u>\$ 1,384,763</u>	<u>\$ 435,497</u>

The amount reported as deferred outflows of resources related to OPEB, totaling \$1,384,763, resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year, will be included as a reduction of the total OPEB liability in the fiscal year ended June 30, 2019. The amount reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2019	\$ (81,860)
2020	(81,860)
2021	(81,860)
2022	(81,860)
2023	(81,860)
Thereafter	(26,197)
Total	<u>\$ (435,497)</u>

16. COMMITMENTS

The District uses encumbrance accounting for recording purchase order commitments for goods and services. At June 30, 2018, encumbrances totaled \$4,115,575 consisting of \$23,921 within the General Fund, \$3,725,221 within Other Capital Projects, and \$366,433 within nonmajor governmental funds.

17. MEMBERSHIP IN NONPROFIT CORPORATION

The District participated in a nonprofit electric cooperative, the Withlacoochee River Electric Cooperative, Inc., established under the provisions of Chapter 425, Florida Statutes. In accordance with this statute, revenues in excess of operating expenses, unless determined by a vote of the membership, are distributed by the Cooperative on a pro rata basis to its members. The policy of the Cooperative is to credit the excess revenues to members' accounts. Capital credits are distributed only after the Cooperative attains a certain margin of profit required by the Rural Electrification Administration. At June 30, 2018, the accumulated credits to the District's account are \$4,371,657. During the 2017-18 fiscal year, the District received \$202,578 in capital credits.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2018

18. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a participating district 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 and participants 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 and participant assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess property coverage of up to \$75 million during the 2017-18 fiscal year, which is the same excess property coverage provided during the 2016-17 fiscal year. The Board of Directors for the Consortium is composed of superintendents of all member districts. The Putnam County District School Board serves as fiscal agent for the Consortium.

Health and hospitalization coverage is being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

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

19. LITIGATION AND CONTINGENCIES

The District is subject to potential litigation in the normal course of business. It is the opinion of management, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations on governmental liability on uninsured risks, that the amount of losses resulting from litigation, which exceed the above-mentioned limits, would not be material to the financial position of the District.

Amounts received or receivable from grantors are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by grantors, cannot be determined at this time. In the opinion of District management, no material refunds will be required as a result of expenditures disallowed by grantors.

REQUIRED SUPPLEMENTARY INFORMATION





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DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Fiscal Year Ended June 30, 2018

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 194,000	\$ 204,147	\$ 204,147	\$
Federal Through State and Local	1,020,000	2,210,219	2,210,219	
State	115,267,800	115,642,636	115,642,636	
Local:				
Property Taxes Levied for Operational Purposes	45,964,810	45,514,011	45,514,011	
Miscellaneous	1,739,811	3,789,839	3,789,839	
Total Revenues	164,186,421	167,360,852	167,360,852	
Expenditures				
Current:				
Instruction:				
Salaries	73,094,721	73,863,863	73,863,863	
Employee Benefits	23,250,250	20,995,000	20,995,000	
Purchased Services	4,501,432	5,618,922	5,618,922	
Energy Services	-	359	359	
Materials and Supplies	8,285,183	3,047,192	3,047,192	
Capital Outlay	173,243	794,857	794,857	
Other Expenses	615,348	553,441	553,441	
Total Instruction	109,920,177	104,873,634	104,873,634	
Student Personnel Services:				
Salaries	4,729,694	5,244,039	5,244,039	
Employee Benefits	1,612,067	1,520,663	1,520,663	
Purchased Services	10,615	58,081	58,081	
Energy Services	7,000	5,418	5,418	
Materials and Supplies	10,900	44,295	44,295	
Capital Outlay	-	16,264	16,264	
Other Expenses	2,000	4,527	4,527	
Total Student Personnel Services	6,372,276	6,893,287	6,893,287	
Instructional Media Services:				
Salaries	894,061	1,112,319	1,112,319	
Employee Benefits	321,382	311,078	311,078	
Purchased Services	91,180	106,167	106,167	
Energy Services	300	-	-	
Materials and Supplies	9,200	7,359	7,359	
Capital Outlay	400	83,303	83,303	
Other Expenses	4,510	2,238	2,238	
Total Instructional Media Services	1,321,033	1,622,464	1,622,464	
Instruction and Curriculum Development Services:				
Salaries	\$ 974,640	\$ 1,423,994	1,423,994	
Employee Benefits	293,065	399,904	399,904	
Purchased Services	160,750	168,264	168,264	
Energy Services	500	155	155	
Materials and Supplies	27,944	34,466	34,466	
Capital Outlay	-	233	233	
Other Expenses	1,500	1,233	1,233	
Total Instruction and Curriculum Development Services	1,458,399	2,028,249	2,028,249	
Instructional Staff Training Services:				
Salaries	438,354	510,986	510,986	
Employee Benefits	133,296	138,491	138,491	
Purchased Services	10,650	59,445	59,445	
Materials and Supplies	11,500	6,390	6,390	
Capital Outlay	20,000	19,846	19,846	
Other Expenses	33,000	41,838	41,838	
Total Instructional Staff Training Services	646,800	776,996	776,996	
Instruction Related Technology:				
Salaries	135,197	254,581	254,581	
Employee Benefits	83,215	94,806	94,806	
Purchased Services	-	3,138	3,138	
Materials and Supplies	-	39	39	
Total Instruction Related Technology	218,412	352,564	352,564	

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2018

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures				
Current (Continued)				
Board:				
Salaries	190,746	213,906	213,906	
Employee Benefits	132,011	137,270	137,270	
Purchased Services	212,925	308,609	308,609	
Materials and Supplies	1,990	2,046	2,046	
Other Expenses	24,950	20,116	20,116	
Total Board of Education	562,622	681,947	681,947	
General Administration:				
Salaries	656,112	689,647	689,647	
Employee Benefits	193,713	185,534	185,534	
Purchased Services	51,345	42,749	42,749	
Materials and Supplies	19,800	14,134	14,134	
Capital Outlay	-	1,920	1,920	
Other Expenses	34,225	38,994	38,994	
Total General Administration	955,195	972,978	972,978	
School Administration:				
Salaries	\$ 8,208,388.00	\$ 8,757,763.00	8,757,763	
Employee Benefits	2,783,707	2,609,335	2,609,335	
Purchased Services	3,776	50,835	50,835	
Materials and Supplies	4,800	59,522	59,522	
Capital Outlay	-	20,471	20,471	
Other Expenses	5,351	47,740	47,740	
Total School Administration	11,006,022	11,545,666	11,545,666	
Facility Services - Non-Capitalized:				
Salaries	196,212	199,611	199,611	
Employee Benefits	60,599	59,899	59,899	
Purchased Services	200,340	195,872	195,872	
Materials and Supplies	3,600	4,011	4,011	
Other Expenses	-	174	174	
Total Facility Services - Non-Capitalized	460,751	459,567	459,567	
Fiscal Services:				
Salaries	496,269	505,868	505,868	
Employee Benefits	163,224	158,510	158,510	
Purchased Services	137,525	142,944	142,944	
Materials and Supplies	7,200	6,001	6,001	
Capital Outlay	-	5,180	5,180	
Other Expenses	29,712	16,645	16,645	
Total Fiscal Services	833,930	835,148	835,148	
Central Services:				
Salaries	984,641	1,025,641	1,025,641	
Employee Benefits	339,084	327,198	327,198	
Purchased Services	479,270	482,023	482,023	
Materials and Supplies	103,120	86,418	86,418	
Capital Outlay	72,955	63,685	63,685	
Other Expenses	27,410	31,232	31,232	
Total Central Services	2,006,480	2,016,197	2,016,197	
Student Transportation Services:				
Salaries	3,849,773	3,863,099	3,863,099	
Employee Benefits	1,610,843	1,458,213	1,458,213	
Purchased Services	453,397	277,725	277,725	
Energy Services	1,004,000	974,751	974,751	
Materials and Supplies	810,150	630,981	630,981	
Capital Outlay	104,000	34,756	34,756	
Other Expenses	300	43,520	43,520	
Total Student Transportation Services	7,832,463	7,283,045	7,283,045	

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)
For the Fiscal Year Ended June 30, 2018

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures				
Current (Continued)				
Operation of Plant:				
Salaries	\$ 4,389,722	\$ 4,554,562	4,554,562	
Employee Benefits	2,016,467	1,770,606	1,770,606	
Purchased Services	3,424,157	3,571,291	3,571,291	
Energy Services	5,428,280	5,322,615	5,322,615	
Materials and Supplies	746,021	575,173	575,173	
Capital Outlay	45,295	38,422	38,422	
Other Expenses	96,809	60,099	60,099	
Total Operation of Plant	<u>16,146,751</u>	<u>15,892,768</u>	<u>15,892,768</u>	
Maintenance of Plant:				
Salaries	2,675,482	2,829,501	2,829,501	
Employee Benefits	936,686	936,625	936,625	
Purchased Services	737,836	727,322	727,322	
Energy Services	125,000	122,444	122,444	
Materials and Supplies	526,600	545,994	545,994	
Capital Outlay	58,109	84,535	84,535	
Other Expenses	5,600	5,418	5,418	
Total Maintenance of Plant	<u>5,065,313</u>	<u>5,251,839</u>	<u>5,251,839</u>	
Administrative Technology Services:				
Salaries	1,312,062	1,142,792	1,142,792	
Employee Benefits	405,144	344,752	344,752	
Purchased Services	343,679	475,187	475,187	
Materials and Supplies	865,739	43,583	43,583	
Capital Outlay	163,439	798,511	798,511	
Other Expenses		610	610	
Total Administrative Technology Services	<u>3,090,063</u>	<u>2,805,435</u>	<u>2,805,435</u>	
Community Services:				
Purchased Services	275	927	927	
Materials and Supplies	1,775	29	29	
Total Community Services	<u>2,050</u>	<u>956</u>	<u>956</u>	
Capital Outlay:				
Facilities Acquisition and Construction		162,800	162,800	
Other Capital Outlay		626,721	626,721	
Total Fixed Capital Outlay		<u>789,521</u>	<u>789,521</u>	
Total Expenditures	<u>167,898,737</u>	<u>165,082,261</u>	<u>165,082,261</u>	
Excess (Deficiency) of Revenues Over(Under) Expenditures	<u>(3,712,316)</u>	<u>2,278,591</u>	<u>2,278,591</u>	
Other Financing Sources (Uses)				
Transfers In	5,100,000	5,100,000	5,100,000	
Insurance Loss Recoveries		126,856	126,856	
Transfers Out	(1,347,189)	(1,397,104)	(1,397,104)	
Total Other Financing Sources (Uses)	<u>3,752,811</u>	<u>3,829,752</u>	<u>3,829,752</u>	
Net Change in Fund Balances	<u>40,495</u>	<u>6,108,343</u>	<u>6,108,343</u>	
Fund Balances, July 1, 2017	<u>19,500,773</u>	<u>19,500,773</u>	<u>19,500,773</u>	
Fund Balances, June 30, 2018	<u>\$ 19,541,268</u>	<u>\$ 25,609,116</u>	<u>\$ 25,609,116</u>	<u>\$</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE - OTHER FEDERAL PROGRAMS FUND
For the Fiscal Year Ended June 30, 2018

	Special Revenue - Other Federal Programs Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Through State and Local	\$ 12,185,598	12,329,621	12,329,621	\$
Total Revenues	<u>12,185,598</u>	<u>12,329,621</u>	<u>12,329,621</u>	
Expenditures				
Current:				
Instruction:				
Salaries	2,039,173	2,161,406	2,161,406	
Employee Benefits	886,594	777,257	777,257	
Purchased Services	137,500	132,424	132,424	
Materials and Supplies	1,734,980	270,151	270,151	
Capital Outlay	40,649	700,695	700,695	
Other Expenses	56,315	55,481	55,481	
Total Instruction	<u>4,895,211</u>	<u>4,097,414</u>	<u>4,097,414</u>	
Student Personnel Services				
Salaries	1,037,771	1,679,010	1,679,010	
Employee Benefits	550,710	505,747	505,747	
Purchased Services	6,000	17,456	17,456	
Materials and Supplies	1,355	104,419	104,419	
Capital Outlay		1,511	1,511	
Other Expenses		3,728	3,728	
Total Student Personnel Services	<u>1,595,836</u>	<u>2,311,871</u>	<u>2,311,871</u>	
Instruction and Curriculum Development Services:				
Salaries	2,011,443	2,081,407	2,081,407	
Employee Benefits	602,293	599,194	599,194	
Purchased Services	6,643	44,876	44,876	
Materials and Supplies	675	2,610	2,610	
Capital Outlay	500	77,126	77,126	
Other Expenses	250	7,990	7,990	
Total Instruction & Curriculum Development Services	<u>2,621,804</u>	<u>2,813,203</u>	<u>2,813,203</u>	
Instructional Staff Training Services:				
Salaries	1,687,383	1,418,501	1,418,501	
Employee Benefits	497,444	375,583	375,583	
Purchased Services	57,692	408,736	408,736	
Materials and Supplies	40,000	83,310	83,310	
Capital Outlay	138,500	16,827	16,827	
Other Expenses		15,051	15,051	
Total Instructional Staff Training Services	<u>2,421,019</u>	<u>2,318,008</u>	<u>2,318,008</u>	
Instruction Related Technology:				
Salaries	174,612	174,099	174,099	
Employee Benefits	76,789	64,979	64,979	
Capital Outlay		5,889	5,889	
Total Instruction Related Technology	<u>251,401</u>	<u>244,967</u>	<u>244,967</u>	
General Administration:				
Other Expenses	400,327	363,919	363,919	
Total General Administration	<u>400,327</u>	<u>363,919</u>	<u>363,919</u>	
Student Transportation Services				
Salaries		12,278	12,278	
Employee Benefits		2,124	2,124	
Energy Services		8,008	8,008	
Other Expenses		50	50	
Total Student Transportation Services		<u>22,460</u>	<u>22,460</u>	
Expenditures				
Capital Outlay:				
Facilities Acquisition and Construction		157,779	157,779	
Other Capital Outlay		<u>157,779</u>	<u>157,779</u>	
Total Expenditures	<u>12,185,598</u>	<u>12,329,621</u>	<u>12,329,621</u>	
Net Change in Fund Balances				
Fund Balances, July 1, 2017				
Fund Balances, June 30, 2018	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 1,062,870
Interest on the Total OPEB Plan Liability	403,753
Difference Between Expected and Actual Experience	(60,978)
Changes of Assumptions	(456,379)
Benefits Payments	<u>(309,654)</u>
Net Change in Total OPEB Plan Liability	639,612
Total OPEB Plan Liability, Beginning of the Year	<u>13,567,397</u>
Total OPEB Plan Liability, End of Year	<u><u>\$ 14,207,009</u></u>
Covered Payroll	\$ 109,705,301
Total OPEB Liability as a Percentage of Covered-Employee Payroll	12.95%

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
FLORIDA RETIREMENT SYSTEM PENSION PLAN (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the FRS net pension liability	0.236737893%	0.243941041%	0.275441374%	0.277347267%	0.281845212%
District's proportionate share of the FRS net pension liability	\$ 70,025,480	\$ 61,595,303	\$ 35,576,948	\$ 16,922,262	\$ 48,518,105
District's covered payroll	\$ 109,508,812	\$ 109,705,301	\$ 113,452,195	\$ 111,491,590	\$ 108,014,295
District's proportionate share of the FRS net pension liability as a percentage of its covered payroll	63.95%	56.15%	31.36%	15.18%	44.92%
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.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS -
FLORIDA RETIREMENT SYSTEM PENSION PLAN (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required FRS contribution	\$ 6,213,024	\$ 5,740,861	\$ 5,588,867	\$ 6,715,495	\$ 6,075,082
FRS contributions in relation to the contractually required contribution	<u>(6,213,024)</u>	<u>(5,740,861)</u>	<u>(5,588,867)</u>	<u>(6,715,495)</u>	<u>(6,075,082)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 113,049,763	\$ 109,508,812	\$ 109,705,301	\$ 113,452,195	\$ 111,491,590
FRS contributions as a percentage of covered payroll	5.50%	5.24%	5.09%	5.92%	5.45%

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
HEALTH INSURANCE SUBSIDY PENSION PLAN (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the HIS net pension liability	0.343544359%	0.355329704%	0.373508028%	0.375157423%	0.371591305%
District's proportionate share of the HIS net pension liability	\$ 36,733,348	\$ 41,412,206	\$ 38,091,943	\$ 35,078,134	\$ 32,351,909
District's covered payroll	\$ 109,508,812	\$ 109,705,301	\$ 113,452,195	\$ 111,491,590	\$ 108,014,295
District's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.54%	37.75%	33.58%	31.46%	29.95%
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.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS -
HEALTH INSURANCE SUBSIDY PENSION PLAN (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 1,663,487	\$ 1,626,251	\$ 1,583,194	\$ 1,427,780	\$ 1,285,163
HIS contributions in relation to the contractually required contribution	<u>(1,663,487)</u>	<u>(1,626,251)</u>	<u>(1,583,194)</u>	<u>(1,427,780)</u>	<u>(1,285,163)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 113,049,763	\$ 109,508,812	\$ 109,705,301	\$ 113,452,195	\$ 111,491,590
HIS contributions as a percentage of covered payroll	1.47%	1.49%	1.44%	1.26%	1.15%

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

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

1. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

The Board follows procedures established by State statutes and State Board of Education 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 law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, student personnel services, and school administration) and may be amended by resolution at any School 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 except that no budget appropriation is made for capital leases in the year of inception.
- 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 OTHER POSTEMPLOYMENT BENEFITS LIABILITY AND RELATED RATIOS

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

Changes of Assumptions. The discount rate was changed from 3.01 percent as of June 30, 2016, to 3.56 percent as of June 30, 2017.

3. SCHEDULE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS – FLORIDA RETIREMENT SYSTEM PENSION PLAN

Changes of Assumptions. In 2017, 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. In 2017, the municipal bond rate used to determine total pension liability was increased from 2.85 percent to 3.58 percent.

OTHER SUPPLEMENTARY INFORMATION





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Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to be expended for particular purposes.

Food Service Fund – To account for and report on activities of the food service program in serving breakfast and lunch at the schools. These activities are primarily funded through local charges and Federal awards.

Debt Service Funds

The Debt Service Funds are used to account for the payment of principal and interest of the current portion of long-term debt.

SBE/COBI Bonds Fund – To account for and report on payment of principal, interest, and related costs of the state school bonds issued by the State Board of Education on behalf of the District. These bonds are payable from the District's portion of the state-assessed motor vehicle license tax.

Special Act Bonds Fund – To account for and report on payment of principal, interest, and related costs on the Special Acts bonds. These bonds are authorized by Chapter 79-471, Laws of Florida, which provide that the bonds be secured from racetrack funds and jai alai fronton funds accruing annually 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) 7a., Florida Statutes).

Capital Projects Funds

Capital Projects Funds are used to account for the financing and acquisition or construction of major capital facilities, such as new school buildings or additions to existing buildings, or for major renovation projects.

State Board of Education Bonds Fund – To account for and report on proceeds received from the bonds issued by the State Board of Education on behalf of the District.

Public Education Capital Outlay (PECO) Fund – To account for and report on funds received from the State for the construction and maintenance of schools.

Capital Outlay and Debt Service Fund – To account for and report on the dollars received through the State's Capital Outlay and Debt Service (CO & DS) program, used for construction and maintenance of schools.

Local Capital Improvement Fund – To account for the funds generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payment on certificates of participation.

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Special Revenue Fund	Debt Service Funds	
	Food Service 410	SBE/COBI Bonds 210	Special Act Bonds 220
ASSETS			
Cash and Cash Equivalents	\$ 4,442,871	\$ -	\$ 307,482
Investments	14,494	70,657	5,305
Accounts Receivable	3,169	-	-
Due from Other Agencies	2,364	-	-
Inventories	119,702	-	-
TOTAL ASSETS	\$ 4,582,600	\$ 70,657	\$ 312,787
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	180	-	-
Accounts Payable	79,228	-	-
Due to Other Agencies	-	29,167	-
Total Liabilities	79,408	29,167	-
DEFERRED INFLOW OF RESOURCES			
Unearned Revenue	34,967	-	-
Fund Balances:			
Nonspendable:			
Inventory	119,702	-	-
Assigned:	34,102	-	-
Restricted for:			
Debt Service	-	41,490	312,787
Capital Projects	-	-	-
Special Revenue - Food Service	4,314,421	-	-
Total Restricted Fund Balance	4,314,421	41,490	312,787
Total Fund Balances	4,468,225	41,490	312,787
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,582,600	\$ 70,657	\$ 312,787

(Continued)

Capital Projects Funds				
State Board of Education Bonds 310	Public Education Capital Outlay (PECO) 340	Capital Outlay and Debt Service 360	Local Capital Improvement 370	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 798,209	\$ 1,656,522	\$ 7,205,084
1,245	-	4,064	4,562,938	4,658,703
-	-	-	-	3,169
-	-	-	1,326	3,690
-	-	-	-	119,702
<u>\$ 1,245</u>	<u>\$ -</u>	<u>\$ 802,273</u>	<u>\$ 6,220,786</u>	<u>\$ 11,990,348</u>
-	-	-	-	180
-	-	-	50,634	129,862
-	-	-	-	29,167
-	-	-	50,634	159,209
-	-	-	-	34,967
-	-	-	-	119,702
-	-	22,868	309,463	366,433
-	-	-	-	354,277
1,245	-	779,405	5,860,689	6,641,339
-	-	-	-	4,314,421
<u>1,245</u>	<u>-</u>	<u>779,405</u>	<u>5,860,689</u>	<u>11,310,037</u>
<u>1,245</u>	<u>-</u>	<u>802,273</u>	<u>6,170,152</u>	<u>11,796,172</u>
<u>\$ 1,245</u>	<u>\$ -</u>	<u>\$ 802,273</u>	<u>\$ 6,220,786</u>	<u>\$ 11,990,348</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

	Special Revenue Fund	Debt Service Funds	
	Food Service 410	SBE/COBI Bonds 210	Special Act Bonds 220
Revenues			
Intergovernmental:			
Federal Through State and Local	\$ 11,495,693	\$ -	\$ -
State	127,689	688,173	209,750
Local:			
Property Taxes Levied for Capital Projects	-	-	-
Charges for Service - Food Services	1,394,814	-	-
Other	8,318	-	298
Total Revenues	13,026,514	688,173	210,048
Expenditures			
Facility Services - Non Capitalized	-	-	-
Food Services	12,427,740	-	-
Capital Outlay:			
Facilities Acquisition and Construction	434,930	-	-
Other Capital Outlay	-	-	-
Debt Service:			
Principal	-	594,000	100,000
Interest and Fiscal Charges	-	104,940	105,619
Dues and Fees	-	493	575
Total Expenditures	12,862,670	699,433	206,194
Excess (Deficiency) of Revenues Over (Under) Expenditures	163,844	(11,260)	3,854
Other Financing Sources (Uses)			
Transfers In	49,915	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	49,915	-	-
Net Change in Fund Balances	213,759	(11,260)	3,854
Fund Balances, July 1, 2017	4,254,466	52,750	308,933
Fund Balances, June 30, 2018	\$ 4,468,225	\$ 41,490	\$ 312,787

(Continued)

Capital Projects Funds				
State Board of Education Bonds 310	Public Education Capital Outlay (PECO) 340	Capital Outlay and Debt Service 360	Local Capital Improvement 370	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 11,495,693
-	500,614	194,010	-	1,720,236
-	-	-	13,334,037	13,334,037
-	-	-	-	1,394,814
-	-	659	158,142	167,417
-	500,614	194,669	13,492,179	28,112,197
-	65,576	7,974	1,226,077	1,299,627
-	-	-	-	12,427,740
-	436,582	-	4,788,222	5,659,734
-	-	-	21,364	21,364
-	-	-	-	694,000
-	-	-	-	210,559
-	-	723	-	1,791
-	502,158	8,697	6,035,663	20,314,815
-	(1,544)	185,972	7,456,516	7,797,382
-	-	-	-	49,915
-	-	-	(13,352,351)	(13,352,351)
-	-	-	(13,352,351)	(13,302,436)
-	(1,544)	185,972	(5,895,835)	(5,505,054)
1,245	1,544	616,301	12,065,987	17,301,226
\$ 1,245	\$ -	\$ 802,273	\$ 6,170,152	\$ 11,796,172

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
For the Fiscal Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Assets				
Cash and Cash Equivalents	\$ 1,770,324	\$ 4,753,275	\$ 4,797,117	\$ 1,726,482
Accounts Receivable	15,704	-	2,470	13,234
Total Assets	<u>\$ 1,786,028</u>	<u>\$ 4,753,275</u>	<u>\$ 4,799,587</u>	<u>\$ 1,739,716</u>
Liabilities				
Accounts Payable and Other Current Liabilities	<u>\$ 1,786,028</u>	<u>\$ 4,753,275</u>	<u>\$ 4,799,587</u>	<u>\$ 1,739,716</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE - FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2018

Special Revenue - Food Service Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Through State and Local	\$ 11,222,500	\$ 11,495,693	\$ 11,495,693	\$ -
State	135,000	127,689	127,689	-
Local:				-
Investment Income	2,517	2,460	2,460	-
Charges for Service - Food Services	1,492,000	1,394,814	1,394,814	-
Other Local Revenue	15,000	5,858	5,858	-
Total Revenues	<u>12,867,017</u>	<u>13,026,514</u>	<u>13,026,514</u>	<u>-</u>
Expenditures				
Current:				
Food Services:				
Salaries	3,539,260	3,718,600	3,718,600	-
Employee Benefits	1,557,527	1,632,801	1,632,801	-
Purchased Services	387,500	289,534	289,534	-
Energy Services	319,250	325,978	325,978	-
Materials and Supplies	5,609,500	4,898,059	4,898,059	-
Capital Outlay	395,000	1,319,527	1,319,527	-
Other Expenses	248,000	243,241	243,241	-
Total Food Services	<u>12,056,037</u>	<u>12,427,740</u>	<u>12,427,740</u>	<u>-</u>
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	434,930	434,930	-
Total Fixed Capital Outlay	<u>-</u>	<u>434,930</u>	<u>434,930</u>	<u>-</u>
Total Expenditures	<u>12,056,037</u>	<u>12,862,670</u>	<u>12,862,670</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>810,980</u>	<u>163,844</u>	<u>163,844</u>	<u>-</u>
Other Financing Sources				
Transfers In	-	49,915	49,915	-
Total Other Financing Sources	<u>-</u>	<u>49,915</u>	<u>49,915</u>	<u>-</u>
Net Change in Fund Balances	<u>810,980</u>	<u>213,759</u>	<u>213,759</u>	
Fund Balances, July 1, 2017	<u>4,254,420</u>	<u>4,254,466</u>	<u>4,254,466</u>	<u>-</u>
Fund Balances, June 30, 2018	<u>\$ 5,065,400</u>	<u>\$ 4,468,225</u>	<u>\$ 4,468,225</u>	<u>\$ -</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND - SBE/COBI BONDS
For the Fiscal Year Ended June 30, 2018

	Debt Service Fund - SBE/COBI Bonds			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
State	\$ 684,090	\$ 688,173	\$ 688,173	\$ -
Total Revenues	<u>684,090</u>	<u>688,173</u>	<u>688,173</u>	<u>-</u>
Expenditures				
Debt Service:				
Principal	594,000	594,000	594,000	-
Interest and Fiscal Charges	84,590	104,940	104,940	-
Dues and Fees	5,500	493	493	-
Total Expenditures	<u>684,090</u>	<u>699,433</u>	<u>699,433</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(11,260)</u>	<u>(11,260)</u>	<u>-</u>
Net Change in Fund Balances		(11,260)	(11,260)	
Fund Balances, July 1, 2017	<u>52,750</u>	<u>52,750</u>	<u>52,750</u>	<u>-</u>
Fund Balances, June 30, 2018	<u>\$ 52,750</u>	<u>\$ 41,490</u>	<u>\$ 41,490</u>	<u>\$ -</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND - SPECIAL ACT BONDS
For the Fiscal Year Ended June 30, 2018

	Debt Service Fund - Special Act Bonds			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
State	\$ 205,619	\$ 209,750	\$ 209,750	\$ -
Local:				
Other	400	298	298	-
Total Revenues	206,019	210,048	210,048	-
Expenditures				
Debt Service:				
Principal	100,000	100,000	100,000	-
Interest and Fiscal Charges	105,619	105,619	105,619	-
Dues and Fees	600	575	575	-
Total Expenditures	206,219	206,194	206,194	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(200)	3,854	3,854	-
Net Change in Fund Balances	(200)	3,854	3,854	
Fund Balances, July 1, 2017	308,933	308,933	308,933	-
Fund Balances, June 30, 2018	\$ 308,733	\$ 312,787	\$ 312,787	\$ -

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND - OTHER DEBT SERVICE
For the Fiscal Year Ended June 30, 2018

	Debt Service Fund - Other Debt Service			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Local:				
Other Local Revenue	\$ -	\$ 30,088	\$ 30,088	\$ -
Total Revenues	-	30,088	30,088	-
Expenditures				
Debt Service:				
Principal	5,380,812	5,379,736	5,379,736	-
Interest and Fiscal Charges	4,207,728	4,208,804	4,208,804	-
Dues and Fees	11,000	7,000	7,000	-
Total Expenditures	9,599,540	9,595,540	9,595,540	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,599,540	(9,565,452)	(9,565,452)	-
Other Financing Sources (Uses)				
Transfers In	9,599,540	9,599,540	9,599,540	-
Total Other Financing Sources (Uses)	9,599,540	9,599,540	9,599,540	-
Net Change in Fund Balances	19,199,080	34,088	34,088	-
Fund Balances, July 1, 2017	6,824,570	6,824,570	6,824,570	-
Fund Balances, June 30, 2018	<u>\$ 26,023,650</u>	<u>\$ 6,858,658</u>	<u>\$ 6,858,658</u>	<u>\$ -</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND - STATE BOARD OF EDUCATION BONDS
For the Fiscal Year Ended June 30, 2018

	Capital Projects Fund - State Board of Education Bonds			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Local:				
Other	\$	\$	\$	\$
Total Revenues				
Expenditures				
Capital Outlay:				
Facilities Acquisition and Construction				
Remodeling and Renovations				
Total Facilities Acquisition and Construction				
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures				
Net Change in Fund Balances				
Fund Balances, July 1, 2017	1,245	1,245	1,245	
Fund Balances, June 30, 2018	<u>\$ 1,245</u>	<u>\$ 1,245</u>	<u>\$ 1,245</u>	<u>\$</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND - PUBLIC EDUCATION CAPITAL OUTLAY (PECO)
For the Fiscal Year Ended June 30, 2018

	Capital Projects Fund - Public Education Capital Outlay (PECO)			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
State	\$ 746,305	\$ 500,614	\$ 500,614	\$
Total Revenues	<u>746,305</u>	<u>500,614</u>	<u>500,614</u>	
Expenditures				
Current:				
Facility Services - Non Capitalized:				
Remodeling and Renovations	746,305	65,576	65,576	
Total Facility Services - Non Capitalized	<u>746,305</u>	<u>65,576</u>	<u>65,576</u>	
Capital Outlay:				
Facilities Acquisition and Construction:				
Remodeling and Renovations		436,582	436,582	
Total Facilities Acquisition and Construction		<u>436,582</u>	<u>436,582</u>	
Total Expenditures	<u>746,305</u>	<u>502,158</u>	<u>502,158</u>	
Excess (Deficiency) of Revenues Over (Under) Expenditures		<u>(1,544)</u>	<u>(1,544)</u>	
Net Change in Fund Balances		<u>(1,544)</u>	<u>(1,544)</u>	
Fund Balances, July 1, 2017	<u>1,544</u>	<u>1,544</u>	<u>1,544</u>	
Fund Balances, June 30, 2018	<u>\$ 1,544</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND - CAPITAL OUTLAY AND DEBT SERVICE
For the Fiscal Year Ended June 30, 2018

	Capital Projects Fund - Capital Outlay and Debt Service			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
State	\$ -	\$ 194,010	\$ 194,010	\$ -
Local:				
Other Local Revenue	100	659	659	-
Total Revenues	<u>100</u>	<u>194,669</u>	<u>194,669</u>	<u>-</u>
Expenditures				
Current:				
Facility Services - Non Capitalized				
Improvements Other Than Buildings	250,000	7,974	7,974	-
Total Facility Services - Non Capitalized	<u>250,000</u>	<u>7,974</u>	<u>7,974</u>	<u>-</u>
Debt Service:				
Dues and Fees	-	723	723	-
Total Expenditures	<u>250,000</u>	<u>8,697</u>	<u>8,697</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(249,900)</u>	<u>185,972</u>	<u>185,972</u>	<u>-</u>
Net Change in Fund Balances	<u>(249,900)</u>	<u>185,972</u>	<u>185,972</u>	<u>-</u>
Fund Balances, July 1, 2017	<u>616,301</u>	<u>616,301</u>	<u>616,301</u>	<u>-</u>
Fund Balances, June 30, 2018	<u><u>\$ 366,401</u></u>	<u><u>\$ 802,273</u></u>	<u><u>\$ 802,273</u></u>	<u><u>\$ -</u></u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND - LOCAL CAPITAL IMPROVEMENT
For the Fiscal Year Ended June 30, 2018

Capital Projects Fund - Local Capital Improvement				
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Local:				
Property Taxes Levied for Capital Projects	\$ 13,439,581	\$ 13,334,037	\$ 13,334,037	\$ -
Other Local Revenue	60,000	158,142	158,142	-
Total Revenues	<u>13,499,581</u>	<u>13,492,179</u>	<u>13,492,179</u>	<u>-</u>
Expenditures				
Current:				
Facility Services - Non Capitalized:				
Furniture, Fixtures, and Equipment	1,316,584	640,683	640,683	-
Motor Vehicles	800,000	-	-	-
Improvements Other than Buildings	135,000	1,281	1,281	-
Remodeling and Renovations	2,940,000	170,960	170,960	-
Computer Software	208,457	413,153	413,153	-
Total Facility Services - Non Capitalized	<u>5,400,041</u>	<u>1,226,077</u>	<u>1,226,077</u>	<u>-</u>
Capital Outlay:				
Facilities Acquisition and Construction:				
Buildings and Fixed Equipment	-	1,490,404	1,490,404	-
Land	-	956,228	956,228	-
Furniture, Fixtures, and Equipment	-	319,697	319,697	-
Improvements Other than Buildings	-	1,238,652	1,238,652	-
Remodeling and Renovations	-	783,241	783,241	-
Total Facilities Acquisition and Construction	<u>-</u>	<u>4,788,222</u>	<u>4,788,222</u>	<u>-</u>
Other Capital Outlay:				
Charter Schools	-	21,364	21,364	-
Total Expenditures	<u>5,400,041</u>	<u>6,035,663</u>	<u>6,035,663</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,099,540</u>	<u>7,456,516</u>	<u>7,456,516</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers Out to General Fund	(5,100,000)	(5,100,000)	(5,100,000)	-
Transfers Out to Debt Service Fund	<u>(8,252,351)</u>	<u>(8,252,351)</u>	<u>(8,252,351)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(13,352,351)</u>	<u>(13,352,351)</u>	<u>(13,352,351)</u>	<u>-</u>
Net Change in Fund Balances	(5,252,811)	(5,895,835)	(5,895,835)	
Fund Balances, July 1, 2017	<u>12,065,987</u>	<u>12,065,987</u>	<u>12,065,987</u>	<u>-</u>
Fund Balances, June 30, 2018	<u>\$ 6,813,176</u>	<u>\$ 6,170,152</u>	<u>\$ 6,170,152</u>	<u>\$ -</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OTHER SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND - OTHER CAPITAL PROJECTS
For the Fiscal Year Ended June 30, 2018

	Capital Projects - Other Capital Projects			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
State	\$ -	\$ 58,704	\$ 58,704	\$ -
Local:				
Local Sales Tax	10,300,000	11,353,186	11,353,186	-
Impact Fees	1,416,500	1,748,325	1,748,325	-
Other	24,500	149,532	149,532	-
Total Revenues	<u>11,741,000</u>	<u>13,309,747</u>	<u>13,309,747</u>	<u>-</u>
Expenditures				
Current				
Facilities Acquisition and Construction:				
Furniture, Fixtures and Equipment	20,000	1,249	1,249	-
Improvements Other than Buildings	7,771,898	718,322	718,322	-
Remodeling and Renovations	-	4,383,692	4,383,692	-
Total Facilities Acquisition and Construction	<u>7,791,898</u>	<u>5,103,263</u>	<u>5,103,263</u>	<u>-</u>
Capital Outlay:				
Facilities Acquisition and Construction:				
Buildings and Fixed Equipment	-	269,795	269,795	-
Furniture, Fixtures and Equipment	-	13,496	13,496	-
Improvements Other than Buildings	-	582,544	582,544	-
Remodeling and Renovations	-	4,131,182	4,131,182	-
Total Facilities Acquisition and Construction	<u>-</u>	<u>4,997,017</u>	<u>4,997,017</u>	<u>-</u>
Total Expenditures	<u>7,791,898</u>	<u>10,100,280</u>	<u>10,100,280</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,949,102</u>	<u>3,209,467</u>	<u>3,209,467</u>	<u>-</u>
Other Financing Uses				
Sale of Capital Assets	-	12,700	12,700	-
Total Other Financing Uses	<u>-</u>	<u>12,700</u>	<u>12,700</u>	<u>-</u>
Net Change in Fund Balances	<u>3,949,102</u>	<u>3,222,167</u>	<u>3,222,167</u>	<u>-</u>
Fund Balances, July 1, 2017	<u>10,204,525</u>	<u>10,204,525</u>	<u>10,204,525</u>	<u>-</u>
Fund Balances, June 30, 2018	<u>\$ 14,153,627</u>	<u>\$ 13,426,692</u>	<u>\$ 13,426,692</u>	<u>\$ -</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 COMBINING SCHEDULE OF NET POSITION - NONMAJOR COMPONENT UNITS
 June 30, 2018
 (With comparative totals for June 30, 2017)

	Brooksville Engineering, Science & Technology Academy, Inc. (Charter School)	Gulf Coast Middle School, Inc. (Charter School)
ASSETS		
Cash and Cash Equivalents	\$ 192,933	\$ 67,514
Accounts Receivable	7,405	-
Due from Other Agencies	-	-
Inventory	-	-
Prepaid Items	-	25,500
Capital Assets:		
Furniture, Fixtures, and Equipment, Net	22,670	27,375
Motor Vehicles, Net	28,915	85,794
Property Under Capital Lease, Net	-	-
Total Assets	<u>251,923</u>	<u>206,183</u>
LIABILITIES		
Salaries and Benefits Payable	\$ -	\$ -
Accounts Payable	308	7,000
Due to Other Agencies	-	17,405
Long-Term Liabilities:		
Due Within One Year:		
Note Payable	18,056	13,888
Due in More Than One Year:		
Note Payable	4,678	68,592
Total Liabilities	<u>23,042</u>	<u>106,885</u>
NET POSITION		
Net Investment in Capital Assets	28,851	30,689
Restricted for:		
Other Purposes	-	-
Unrestricted	<u>200,030</u>	<u>68,609</u>
Total Net Position	<u><u>\$ 228,881</u></u>	<u><u>\$ 99,298</u></u>

(Continued)

Gulf Coast Academy of Science and Technology, Inc. (Charter School)	Hernando County Education Direct Support Organization, Inc. (Foundation)	Totals	
		2018	2017
\$ 122,690	\$ 201,479	\$ 584,616	\$ 488,490
-	138,867	146,272	88,145
17,406	-	17,406	10,338
-	83,226	83,226	49,099
-	3,524	29,024	41,637
3,310	-	53,355	93,511
33,826	-	148,535	146,555
5,890	-	5,890	16,654
<u>183,122</u>	<u>427,096</u>	<u>1,068,324</u>	<u>934,429</u>
\$ 9,127	\$ 40,353	\$ 49,480	\$ 33,985
-	27,948	35,256	20,098
-	-	17,405	10,151
18,519	-	50,463	52,526
18,107	-	91,377	59,617
<u>45,753</u>	<u>68,301</u>	<u>243,981</u>	<u>176,377</u>
6,400	-	65,940	144,577
-	274,554	274,554	227,277
130,969	84,241	483,849	386,198
<u>\$ 137,369</u>	<u>\$ 358,795</u>	<u>\$ 824,343</u>	<u>\$ 758,052</u>

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 COMBINING SCHEDULE OF ACTIVITIES - NONMAJOR COMPONENT UNITS
 For the Fiscal Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Charter Schools				
Governmental Activities:				
Instruction	\$ 1,459,867	\$ 225,538	\$ -	\$ -
Instructional Staff Training Services	200	-	-	-
Board	61,204	-	-	-
General Administration	65,772	-	-	-
School Administration	541,669	-	-	-
Facility Services - Non Capitalized	275,458	-	-	72,979
Fiscal Services	26,550	-	-	-
Food Services	584	-	-	-
Student Transportation Services	51,836	-	39,075	-
Operation of Plant	69,871	-	-	-
Maintenance of Plant	11,733	-	-	-
Interest on Long-Term Debt	8,314	-	-	-
Unallocated Depreciation Expense	93,879	-	-	-
Total Charter Schools	2,666,937	225,538	39,075	72,979
Hernando County Education Direct Support Organization, Inc.	911,589	-	984,686	-
Total Component Units	\$ 3,578,526	\$ 225,538	\$ 1,023,761	\$ 72,979

General Revenues:

Grants and Contributions Not Restricted to Specific Programs
 State and Local Sources

Total General Revenues

Change in Net Position

Net Position - July 1, 2017

Net Position - June 30, 2018

(Continued)

Total Charter Schools	Hernando Education Foundation	Total Component Units
\$ (1,234,329)	\$ -	\$ (1,234,329)
(200)	-	(200)
(61,204)	-	(61,204)
(65,772)	-	(65,772)
(541,669)	-	(541,669)
(202,479)	-	(202,479)
(26,550)	-	(26,550)
(584)	-	(584)
(12,761)	-	(12,761)
(69,871)	-	(69,871)
(11,733)	-	(11,733)
(8,314)	-	(8,314)
(93,879)	-	(93,879)
(2,329,345)	-	(2,329,345)
-	73,097	73,097
(2,329,345)	73,097	(2,256,248)
2,228,035	-	2,228,035
94,504	-	94,504
2,322,539	-	2,322,539
(6,806)	73,097	66,291
472,354	285,698	758,052
\$ 465,548	\$ 358,795	\$ 824,343

STATISTICAL SECTION



Statistical Section

This part of the District School Board of Hernando County, Florida's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the School District's overall financial health.

Contents	Page
Financial Trend Information <i>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over-time.</i>	96
Revenue Capacity Information <i>These schedules contain information to help the reader assess the District's most significant local revenue sources, the property tax.</i>	106
Debt Capacity Information <i>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</i>	112
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</i>	120
Operating Information <i>These schedules contain service data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.</i>	122

TABLE 1

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NET POSITION BY COMPONENT - GOVERNMENT-WIDE
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ending			
	June 30, 2009	June 30, 2010 (Restated)	June 30, 2011	June 30, 2012
Primary Government:				
Governmental Activities:				
Net Investment in Capital Assets (1)	\$ 244,788,425	\$ 261,589,398	\$ 272,982,528	\$ 266,338,102
Restricted	74,596,072	57,039,558	31,888,578	30,470,226
Unrestricted	<u>1,903,139</u>	<u>2,988,133</u>	<u>4,312,371</u>	<u>59,489</u>
Total Governmental Activities Net Position	<u>321,287,636</u>	<u>321,617,089</u>	<u>309,183,477</u>	<u>296,867,817</u>
Total Primary Government Net Position	<u>\$ 321,287,636</u>	<u>\$ 321,617,089</u>	<u>\$ 309,183,477</u>	<u>\$ 296,867,817</u>

(1) Prior to 2011, the growth in net position was due primarily to the increase in property taxes, increase in impact fees, and inception of the second voter approved local option half cent sales tax. These revenues were used to payoff debt and to construct or purchase capital assets that will be expensed in future years through depreciation.

(2) The decline in net position is primarily due to the implementation of GASB Statement No.68 which required the District to report a proportionate share of pension liabilities.

Source: District records

TABLE 1 (Continued)

Fiscal Year Ending					
June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
\$ 245,324,633	\$ 252,232,149	\$ 247,598,971	\$ 243,008,106	\$ 249,506,834	\$ 255,798,875
42,909,843	31,149,082	34,480,595	36,222,596	41,168,493	32,481,524
387,651	(3,116,673)	(84,211,485)	(78,168,863)	(79,918,029)	(75,064,735)
288,622,127	280,264,558	197,868,081	201,061,839	210,757,298	213,215,664
<u>\$ 288,622,127</u>	<u>\$ 280,264,558</u>	<u>\$ 197,868,081</u>	<u>\$ 201,061,839</u>	<u>\$ 210,757,298</u>	<u>\$ 213,215,664</u>

(2)

TABLE 2

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
CHANGES IN NET POSITION - GOVERNMENT-WIDE
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ending			
	June 30, 2009	June 30, 2010 (Restated)	June 30, 2011	June 30, 2012
Expenses:				
Governmental Activities				
Instruction	\$ 103,745,430	\$ 103,169,236	\$ 109,286,283	\$ 98,717,026
Student Personnel Services	9,659,517	10,523,787	11,190,219	9,550,196
Instructional Media Services	2,405,268	2,257,766	2,158,115	1,962,166
Instruction and Curriculum Development Services	3,416,775	3,505,308	3,607,898	3,661,358
Instructional Staff Training Services	3,172,689	3,326,018	3,695,145	3,122,643
Instruction Related Technology	1,056,421	1,013,023	1,078,892	1,283,515
Board	481,247	473,107	470,422	371,024
General Administration	751,679	1,224,187	1,173,733	944,946
School Administration	10,317,777	10,628,079	11,630,524	11,041,666
Facility Services - Non Capitalized	7,902,932	5,654,963	7,223,486	18,555,981
Fiscal Services	810,278	842,412	1,043,193	919,336
Food Services	9,802,355	9,975,167	10,123,836	10,458,339
Central Services	1,938,922	1,749,237	1,906,293	1,905,301
Student Transportation Services	9,230,050	9,138,394	9,464,261	7,675,794
Operation of Plant	14,714,540	14,975,932	15,095,661	14,319,724
Maintenance of Plant	4,548,453	4,704,812	5,073,419	4,554,190
Administrative Technology Services	1,804,846	1,725,352	1,884,354	1,722,324
Community Services	67,495	72,223	51,574	52,954
Unallocated Interest on Long Term Debt	9,341,317	9,067,113	8,446,040	8,088,488
Unallocated Deprecation	12,442,492	14,390,404	15,360,681	
Total Governmental Activities Expenses	207,610,483	208,416,520	219,964,029	198,906,971
Program Revenues:				
Governmental Activities				
Charges for Services				
Food Service	2,957,657	2,508,261	2,530,839	2,473,071
Transportation	74,241	95,330	91,506	9,774
Instruction	3,216	3,880	7,796	56,592
Operating Grants and Contributions	11,545,815	7,546,609	7,846,239	8,156,319
Capital Grants and Contributions	6,732,775	1,848,617	2,149,168	866,466
Total Governmental Activities Program Revenues	21,313,704	12,002,697	12,625,548	11,562,222
Net Expenses Governmental Activities	(186,296,779)	(196,413,823)	(207,338,481)	(187,344,749)
Total Primary Government Net Expenses	(186,296,779)	(196,413,823)	(207,338,481)	(187,344,749)
General Revenues and Other Changes in Net Assets:				
Governmental Activities				
Property Taxes				
Levied for Operational Purposes	63,936,956	61,263,111	51,986,840	48,807,293
Levied for Debt Service	2,571,651	34,753		
Levied for Capital Projects	19,325,518	15,358,825	13,189,912	12,242,466
Local Sales Tax	7,558,751	7,470,501	7,828,758	7,832,909
Grants and Contributions not restricted to specific programs	94,316,939	108,040,457	118,663,422	101,639,556
Unrestricted Investment Earnings	(931,032)	1,732,003	652,985	459,580
Miscellaneous	3,760,426	2,624,192	2,802,386	4,047,285
Total Governmental Activities	190,539,209	196,523,842	195,124,303	175,029,089
Total Primary Government General Revenues and Other Changes in Net Position	190,539,209	196,523,842	195,124,303	175,029,089
Change in Net Position:				
Governmental Activities	4,242,430	110,019	(12,214,178)	(12,315,660)
Total Primary Government	\$ 4,242,430	\$ 110,019	\$ (12,214,178)	\$ (12,315,660)

Source: District records

TABLE 2 (Continued)

Fiscal Year Ending					
June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
\$ 100,345,605	\$ 105,662,000	\$ 106,464,738	\$ 105,595,214	\$ 108,581,464	\$ 112,178,899
9,481,173	9,262,052	9,271,687	8,570,746	8,978,591	9,475,910
1,944,186	2,118,740	2,189,442	1,832,370	1,580,760	1,670,186
4,153,389	4,103,785	4,611,206	4,345,473	4,606,251	4,984,827
2,742,317	2,214,563	2,834,048	2,992,562	3,366,519	3,187,021
1,466,935	1,681,610	1,495,715	740,282	634,787	615,107
460,031	460,573	480,877	501,111	485,796	702,006
1,036,546	1,286,149	1,391,321	1,297,242	1,646,718	1,385,010
11,209,818	11,230,650	11,254,519	11,166,980	11,297,615	11,885,259
3,125,424	2,013,899	2,430,003	2,470,261	2,188,737	6,876,093
784,117	1,101,844	1,107,565	778,107	854,703	859,712
10,639,194	10,901,515	10,428,835	10,358,424	11,602,638	12,811,088
1,784,314	1,895,196	1,538,384	1,381,116	1,841,843	2,076,296
7,396,420	8,120,089	7,905,288	6,980,040	7,033,814	7,522,704
14,386,258	14,998,980	14,866,067	14,482,370	14,972,754	16,363,264
4,749,690	4,786,141	4,715,632	5,201,852	5,374,764	5,412,786
1,950,483	1,944,813	2,140,357	2,580,640	2,734,734	2,889,131
33,324	186,817	20,549	6,104	1,452	983
7,596,032	7,604,707	5,804,308	6,102,038	4,042,505	3,781,555
12,641,415	15,209,697	12,079,806	12,090,214	11,339,724	12,024,965
197,926,671	206,783,822	203,030,347	199,473,146	203,166,169	216,702,802
2,455,483	2,453,338	2,143,141	1,858,156	1,796,468	1,394,814
-	157,721	152,795	152,003	150,590	167,416
57,567	64,628	86,746	84,512	87,244	107,632
8,334,627	8,740,134	8,909,622	9,842,901	9,731,565	11,623,384
888,495	881,129	1,063,330	1,549,777	1,536,802	3,131,121
11,736,172	12,296,950	12,355,634	13,487,349	13,302,669	16,424,367
(186,190,499)	(194,486,872)	(190,674,713)	(185,985,797)	(189,863,500)	(200,278,435)
(186,190,499)	(194,486,872)	(190,674,713)	(185,985,797)	(189,863,500)	(200,278,435)
48,159,073	45,785,613	45,018,129	46,435,418	44,718,926	45,514,011
12,136,449	11,873,491	11,912,140	12,229,002	12,489,651	13,334,037
8,206,074	9,007,765	5,284,711	4,955,233	10,391,995	11,353,186
105,093,241	114,790,011	117,033,440	120,575,310	127,269,757	130,386,623
443,527	479,244	(121,985)	276,542	305,927	431,310
3,906,445	5,641,459	2,661,570	4,708,050	4,382,703	4,041,105
177,944,809	187,577,583	181,788,005	189,179,555	199,558,959	205,060,272
177,944,809	187,577,583	181,788,005	189,179,555	199,558,959	205,060,272
(8,245,690)	(6,909,289)	(8,886,708)	3,193,758	9,695,459	4,781,837
\$ (8,245,690)	\$ (6,909,289)	\$ (8,886,708)	\$ 3,193,758	\$ 9,695,459	\$ 4,781,837

TABLE 3

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Unaudited)

	FISCAL YEAR ENDING			
	June 30, 2009	June 30, 2010 (Restated)	June 30, 2011	June 30, 2012
Property Taxes:				
Levied for Operational Purposes	\$ 63,936,956	\$ 61,263,111	\$ 51,986,840	\$ 48,807,293
Levied for Debt Service (2)	2,571,651	34,753		
Levied for Capital Projects	19,325,518	15,358,825	13,189,912	12,242,466
Local Sales Taxes (1)	7,558,751	7,470,501	7,828,758	7,832,909
Total	<u>\$ 93,392,876</u>	<u>\$ 84,127,190</u>	<u>\$ 73,005,510</u>	<u>\$ 68,882,668</u>

(1) Fiscal year ending June 30, 2005, the District began receiving a new 10-year local option half cent sales tax that was approved by voters on March 9, 2004. The half cent sales tax expired on December 31, 2014, however a new ten year half cent sales tax, commencing on January 1, 2016, was subsequently approved in a special election held in September 8, 2015 .

(2) The property tax for Debt Service steadily declined over the years because the debt service requirement also declined. In prior years, the combination of an increase in taxable property values and the decline in millage necessary to meet the debt service, reduced the amount levied for debt service. However, in the 2009-2010 fiscal year, sufficient funds were available to meet the debt service requirement thereby eliminating the need to levy a specific debt service millage. Collections represent collections from prior years.

Source: District records

TABLE 3 (Continued)

FISCAL YEAR ENDING					
June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
\$ 48,159,073	\$ 45,785,613	\$ 45,018,129	\$ 46,435,418	\$ 44,718,926	\$ 45,514,011
12,136,449	11,873,491	11,912,140	12,229,002	12,489,651	13,334,037
8,206,074	9,007,765	5,284,711	4,955,233	10,391,995	11,353,186
<u>\$ 68,501,596</u>	<u>\$ 66,666,869</u>	<u>\$ 62,214,980</u>	<u>\$ 63,619,653</u>	<u>\$ 67,600,572</u>	<u>\$ 70,201,234</u>

TABLE 4

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)

		Fiscal Year Ending			
		June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
		Restated (1)	Restated (1)	Restated (1)	Restated (1)
General Fund					
Fund Balances:					
	Nonspendable	\$ 2,217,341	\$ 1,529,590	\$ 1,536,754	\$ 1,440,561
	Spendable:				
	Restricted	265,638	2,268,658	1,119,658	978,496
	Assigned	708,550	925,935	13,572,025	10,216,038
	Unassigned (2)	8,906,593	14,222,563	4,476,866	4,224,837
Total General Fund		<u>\$ 12,098,122</u>	<u>\$ 18,946,746</u>	<u>\$ 20,705,303</u>	<u>\$ 16,859,932</u>
All Other Governmental Funds					
Fund Balances:					
	Nonspendable	\$ 9,130,163	\$ 3,781,823	\$ 2,784,619	\$ 2,452,182
	Spendable:				
	Restricted	141,446,480	97,876,944	59,268,493	46,419,030
	Assigned	88,907	78,263	80,059	
	Unassigned (2)			(1,878,472)	
Total All Other Governmental Funds		<u>\$ 150,665,550</u>	<u>\$ 101,737,030</u>	<u>\$ 60,254,699</u>	<u>\$ 48,871,212</u>
Total Combined All Governmental funds		<u>\$ 162,763,672</u>	<u>\$ 120,683,776</u>	<u>\$ 80,960,002</u>	<u>\$ 65,731,144</u>

(1) The District implemented GASB 54 for the fiscal year ended June 30, 2011. The fund balances from the prior fiscal years were restated for comparison purposes.

(2) The District reported a negative unassigned fund balance for the All Other Governmental Funds for fiscal year ending June 30, 2011. This was the result of a Section 1011, Florida Statutes, loan.

Source: District records

TABLE 4 (Continued)

Fiscal Year Ending					
June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
\$ 1,490,830	\$ 1,434,975	\$ 1,373,299	\$ 1,570,675	\$ 1,343,934	\$ 1,465,072
478,153	30,755	1,779,073	966,179	659,550	553,807
9,455,599	5,957,272	1,435,474	923,563	4,208,679	5,220,275
4,849,807	6,938,011	1,814,821	6,575,155	13,288,610	18,369,962
<u>\$ 16,274,389</u>	<u>\$ 14,361,013</u>	<u>\$ 6,402,667</u>	<u>\$ 10,035,572</u>	<u>\$ 19,500,773</u>	<u>\$ 25,609,116</u>
\$ 1,601,859	\$ 969,525	\$ 109,867	\$ 132,059	\$ 141,688	\$ 119,702
40,924,387	41,101,828	35,224,108	36,379,446	26,286,195	27,870,166
				7,902,438	4,091,654
<u>\$ 42,526,246</u>	<u>\$ 42,071,353</u>	<u>\$ 35,333,975</u>	<u>\$ 36,511,505</u>	<u>\$ 34,330,321</u>	<u>\$ 32,081,522</u>
<u>\$ 58,800,635</u>	<u>\$ 56,432,366</u>	<u>\$ 41,736,642</u>	<u>\$ 46,547,077</u>	<u>\$ 53,831,094</u>	<u>\$ 57,690,638</u>

TABLE 5
DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
SUMMARY OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ending			
	June 30, 2009	June 30, 2010 (Restated)	June 30, 2011	June 30, 2012
Federal Direct Sources:				
Reserve Officers Training Corps (ROTC)	\$ 260,685	\$ 217,776	\$ 225,623	\$ 212,982
Miscellaneous Federal Direct	455,475	123,106		
Total Federal Direct	716,160	340,882	225,623	212,982
Federal Through State and Local Sources:				
Food Service	6,278,739	7,289,956	6,971,515	7,358,101
Donated Foods and Cash in Lieu of			726,851	647,480
Other Federal Through State and Local Grants	11,197,717	24,122,698	28,318,563	15,354,876
Total Federal Through State and Local Sources	17,476,456	31,412,654	36,016,929	23,360,457
State Sources:				
Florida Education Finance Program (FEFP)	53,730,728	53,387,105	63,220,906	60,448,872
Other Categoryals	4,065,892		1,093,016	480,823
Class Size Reduction	22,839,350	24,105,224	24,438,240	24,160,280
Transportation	5,122,307	5,005,490		
District Discretionary Lottery Funds	545,122	62,403	83,024	71,021
Motor Vehicle License Tax (Capital Outlay and Debt Service)	884,388	849,718	868,853	857,309
Gross Receipts Tax (Public Education Capital Outlay)	4,537,560	319,256	942,885	
Class Size Reduction Construction				
Food Services	143,886	133,173	147,873	148,847
Other State Sources and State Grants	1,231,802	1,186,744	1,292,207	916,672
Total State Sources	93,101,035	85,049,113	92,087,004	87,083,824
Local Sources:				
Ad Valorem Taxes	85,834,125	76,656,689	65,176,752	61,049,759
Food Services Sales	2,957,657	2,727,695	2,530,839	2,473,071
Sales Taxes	7,558,751	7,470,501	7,828,758	7,832,909
Impact Fees	1,301,878	413,600	327,925	156,980
Investment Income	(931,032)	1,732,003	652,985	459,580
Local Grants and Other Local Sources	2,973,128	2,594,348	2,423,840	3,738,298
Total Local Sources	99,694,507	91,594,836	78,941,099	75,710,597
Total Revenues	210,988,158	208,397,485	207,270,655	186,367,860
Expenditures:				
Current:				
Instruction	101,380,908	101,243,638	107,247,996	98,066,676
Student Personnel Services	9,484,456	10,345,671	10,986,694	9,511,114
Instructional Media Services	2,352,336	2,218,152	2,117,279	1,953,328
Instruction & Curriculum Development Services	3,388,001	3,480,918	3,580,302	3,652,268
Instructional Staff Training Services	3,158,549	3,315,294	3,670,248	3,113,823
Instruction Related Technology	1,041,472	1,000,352	1,068,551	1,191,584
Board	477,287	470,756	467,180	370,010
General Administration	747,894	1,221,328	1,167,900	943,700
School Administration	10,202,828	10,547,741	11,525,178	10,939,393
Facility Services - Non Capitalized	8,129,034	5,585,133	7,160,263	4,906,994
Fiscal Services	803,075	837,880	1,035,147	916,353
Food Services	9,754,764	9,812,031	9,977,413	10,165,772
Central Services	1,898,484	1,720,285	1,871,409	1,807,463
Student Transportation Services	9,020,767	8,972,334	9,265,825	7,614,044
Operation of Plant	14,398,158	14,726,793	14,829,965	14,278,025
Maintenance of Plant	4,450,916	4,627,275	4,992,144	4,482,917
Administrative Technology Services	1,769,627	1,699,381	1,837,435	1,713,875
Community Services	67,009	71,956	51,065	52,702
Fixed Capital Outlay				
Facilities Acquisition & Construction	40,894,834	44,704,012	29,595,893	4,601,562
Other Capital Outlay	11,624,051	2,214,117	4,030,948	2,697,848
Debt Service				
Principal	15,849,019	12,755,702	10,651,500	11,182,245
Interest	9,160,593	8,912,777	8,264,159	7,951,530
Dues and Fees				
Miscellaneous	99,036	47,979	54,839	42,831
Total Expenditures	260,153,098	250,531,505	245,449,333	202,156,057
Excess (Deficiency) of Revenues Over (Under) Expenditures	(49,164,940)	(42,134,020)	(38,178,678)	(15,788,197)
Other Financing Sources (Uses):				
Refunding Note Payable Issued				
Refunding Bonds Issued		370,000		365,000
Premium on Refunding Bonds		32,698		55,865
Sale of Bonds			1,554,601	
Sale of Capital Assets				
Insurance Loss Recoveries	162,664	50,764	127,921	75,157
Certificates of Participation				
Payments to Refunding Bonds Escrow Agent		(399,338)	(3,574,267)	(419,780)
Payment to Refund Note Payable				
Premium on Long Term Debt Issued				
Discount on Long Term Debt Issued				
Inception of Capital Leases	7,998,320		346,649	483,097
Proceeds from Sale of Capital Assets				
Face Value of Refunding Bonds				
Transfers In	17,844,559	22,498,420	31,476,798	23,871,497
Transfers Out	(17,844,559)	(22,498,420)	(31,476,798)	(23,871,497)
Total Other Financing Sources (Uses)	8,160,984	54,124	(1,545,096)	559,339
Net Change in Fund Balance	(41,003,956)	(42,079,896)	(39,723,774)	(15,228,858)
Debt Service as a percentage of noncapital expenditures	12.0%	10.6%	8.9%	9.8%
Beginning Fund Balance	203,767,628	162,763,672	120,683,776	80,960,002
Ending Fund Balance	\$ 162,763,672	\$ 120,683,776	\$ 80,960,002	\$ 65,731,144

Source: District records

TABLE 5 (Continued)

Fiscal Year Ending					
June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
\$ 181,480	\$ 211,147	\$ 214,600	\$ 212,975	\$ 210,176	\$ 199,442
					4,705
181,480	211,147	214,600	212,975	210,176	204,147
7,538,918	7,948,367	7,980,511	8,925,859	8,805,504	10,707,799
650,756	646,529	787,997	780,408	794,049	787,894
14,223,225	12,883,165	14,004,179	12,497,218	13,393,272	14,539,840
22,412,899	21,478,061	22,772,687	22,203,485	22,992,825	26,035,533
65,005,531	75,288,663	77,610,844	82,146,741	87,411,334	88,568,231
785,735	338,778	588,486	1,251,270	388,271	814,639
23,768,179	23,768,179	23,277,212	23,405,339	23,665,654	23,526,247
	209,627	76,689	74,859	363,643	38,604
885,165	881,096	890,774	871,031	891,311	891,291
		171,925	678,746	645,305	435,038
144,953	145,238	141,114	136,634	132,012	127,689
1,094,671	2,156,177	1,259,137	1,265,011	1,837,593	3,019,837
91,684,234	102,787,758	104,016,181	109,829,631	115,335,123	117,421,576
60,295,522	57,659,104	56,930,269	58,664,420	57,208,577	58,848,048
2,455,483	2,453,338	2,143,141	1,853,722	1,796,468	1,394,814
8,206,074	9,007,765	5,284,711	4,955,233	10,391,995	11,353,186
17,400				1,631,051	1,748,325
443,527	479,244	(121,985)	75,400	304,548	431,310
3,780,410	4,763,741	2,324,313	4,583,457	2,728,271	3,705,566
75,198,416	74,363,192	66,560,449	70,132,232	74,060,910	77,481,249
189,477,029	198,840,158	193,563,917	202,378,323	212,599,034	221,142,505
98,589,783	104,389,399	108,232,447	106,537,953	105,150,370	108,971,048
9,318,507	9,152,498	9,427,045	8,647,264	8,694,875	9,205,158
1,929,947	2,095,267	2,227,387	1,848,730	1,530,809	1,622,464
4,122,970	4,063,373	4,694,020	4,384,269	4,460,697	4,841,452
2,722,233	2,198,139	2,887,886	3,019,279	3,260,140	3,095,004
1,456,191	1,661,574	1,518,686	746,891	614,729	597,531
456,661	456,414	489,759	505,584	470,445	681,947
1,028,954	1,297,673	1,408,320	1,308,823	1,446,155	1,336,897
11,108,102	11,132,690	11,449,262	11,266,677	10,940,618	11,545,666
536,955	2,014,145	2,483,626	2,530,237	261,216	6,862,457
778,374	1,091,962	1,127,499	785,054	827,696	835,148
10,455,762	10,777,737	10,606,646	10,447,569	11,231,422	12,427,740
1,753,480	1,874,395	1,563,721	1,393,002	1,782,914	2,016,197
7,268,604	8,013,177	8,020,090	7,040,108	6,809,430	7,305,505
14,132,010	14,591,305	15,141,503	14,607,003	14,496,847	15,892,768
4,668,408	4,728,859	4,793,969	5,247,754	5,199,010	5,251,839
1,936,198	1,923,355	2,179,690	2,602,849	2,647,241	2,805,435
33,081	185,766	21,017	6,159	1,406	956
4,061,686	491,326	534,263	5,584,160	15,650,703	10,977,330
631,706	871,600	1,004,850	875,413	321,446	648,085
11,930,409	12,338,922	12,283,682	5,164,115	4,711,753	6,073,736
7,527,482	6,692,404	5,882,626	3,541,896	4,680,315	4,419,363
		13,494	642,355	153,375	8,791
22,270	113,267		632		
196,469,773	202,155,247	207,991,488	198,733,776	205,343,612	217,422,517
(6,992,744)	(3,315,089)	(14,427,571)	3,644,547	7,255,422	3,719,988
	29,685,000	1,299,000	90,645,000		
	82,496	123,525	11,553,598		
62,235	57,181	87,923	59,145	28,595	12,700
	(28,877,849)	(1,778,601)	(101,091,855)		126,856
20,641,428	21,214,610	20,582,195	24,921,175	9,891,306	14,749,455
(20,641,428)	(21,214,610)	(20,582,195)	(24,921,175)	(9,891,306)	(14,749,455)
62,235	946,828	(268,153)	1,165,888	28,595	139,556
(6,930,509)	(2,368,261)	(14,695,724)	4,810,435	7,284,017	3,859,544
10.1%	9.5%	8.8%	4.5%	5.0%	5.1%
65,731,144	58,800,627	56,432,366	41,736,642	46,547,077	53,831,094
\$ 58,800,635	\$ 56,432,366	\$ 41,736,642	\$ 46,547,077	\$ 53,831,094	\$ 57,690,638

TABLE 6

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
GENERAL GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Unaudited)

Fiscal Year	Property Tax			Sales Tax		Total Governmental Activities
	General Fund	Debt Service Funds	Capital Projects Funds	Capital Projects Funds		
2017-2018	\$ 45,514,011	\$	\$ 13,334,037	\$ 11,353,186	\$	70,201,234
2016-2017	44,718,926		12,489,651	10,391,995		67,600,572
2015-2016	46,435,418		12,229,002	4,955,233		63,619,653
2014-2015	45,018,129		11,912,140	5,284,711		62,214,980
2013-2014	45,785,613		11,873,491	9,007,765		66,666,869
2012-2013	48,159,073		12,136,449	8,206,074		68,501,596
2011-2012	48,807,293		12,242,466	7,832,909		68,882,668
2010-2011	51,986,840		13,189,912	7,828,758		73,005,510
2009-2010	61,263,111	34,753	15,358,825	7,470,501		84,127,190
2008-2009	63,936,956	2,571,651	19,325,518	7,558,751		93,392,876

Note: Fiscal year ending June 30, 2005, the District began receiving a new 10-year local option half cent sales tax that was approved by voters on March 9, 2004. The half cent sales tax expired on December 31, 2014, however a new 10 year half cent sales tax, commencing on January 1, 2016, was subsequently approved in a special election held September 8, 2015.

Source: District records

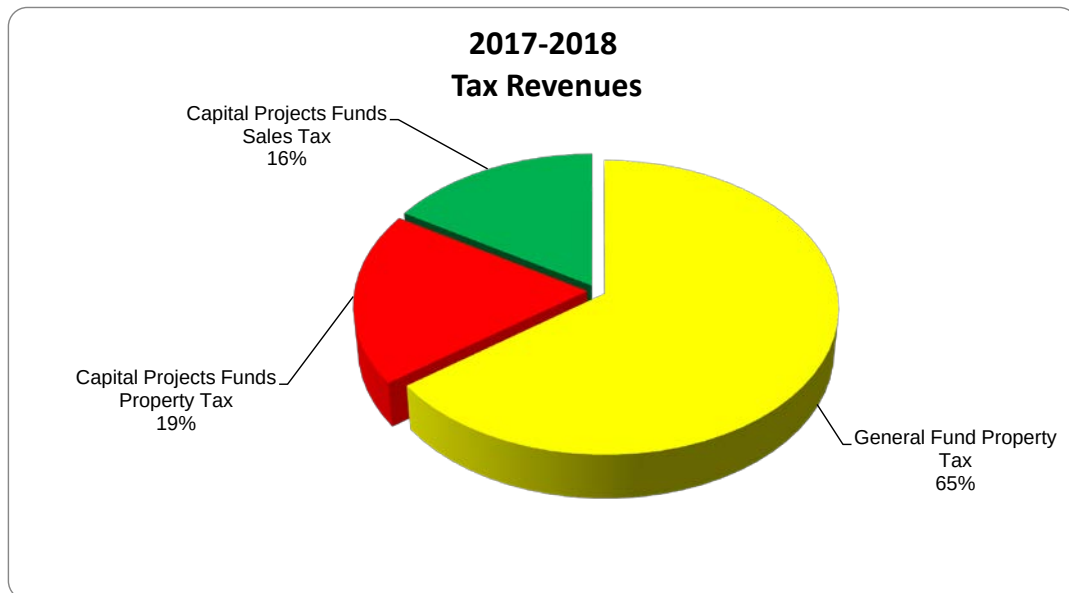


TABLE 7

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
FAIR MARKET VALUE, ASSESSED VALUE, AND TAXABLE VALUE OF PROPERTY
LAST TEN FISCAL YEARS
(amounts expressed in thousands)
(Unaudited)

Fiscal Year	Fair Market Value (1)		Assessed Value (2)		Exemptions (3)		Taxable Value (4)			Ratio of Taxable Value to Assessed Value	Base Millage Rate (6)	
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Centrally Assessed (5) Total			
2017-2018	\$ 12,247,949	\$ 1,834,656	\$ 10,685,753	\$ 1,766,495	\$ 2,511,925	\$ 600,848	\$ 8,173,828	\$ 1,165,647	\$ 7,483	\$ 9,346,958	75.06%	14.6426
2016-2017	11,208,262	1,703,765	10,084,383	1,703,015	2,468,286	596,852	7,616,097	1,106,163	8,326	8,730,586	74.07%	15.0112
2015-2016	10,800,268	1,585,644	9,845,265	1,589,744	2,429,043	600,481	7,416,222	984,263	7,869	8,408,354	73.53%	15.3533
2014-2015	10,349,863	1,606,000	9,507,309	1,604,589	2,399,670	608,798	7,170,639	995,791	7,842	8,174,272	73.56%	15.3433
2013-2014	9,989,311	1,602,911	9,368,594	1,594,242	2,417,252	627,891	6,951,343	966,351	7,626	7,925,320	72.29%	15.4480
2012-2013	9,949,202	1,691,643	9,351,346	1,645,987	2,437,024	339,564	6,914,323	1,306,423	7,325	8,228,071	74.82%	14.6674
2011-2012	10,600,374	1,629,933	9,949,584	1,585,617	2,417,670	325,372	7,531,914	1,260,245	7,445	8,799,604	76.28%	14.4324
2010-2011	11,572,263	1,669,623	10,731,692	1,652,662	3,593,658	336,472	7,138,035	1,316,191	6,499	8,460,725	68.32%	14.1371
2009-2010	13,488,242	1,427,069	12,000,601	1,407,365	3,750,459	338,717	8,250,142	1,068,648	6,924	9,325,714	69.55%	14.2087
2008-2009	15,836,287	1,185,886	13,371,281	1,167,054	3,920,192	325,882	9,451,089	841,172	6,398	10,298,659	70.84%	14.5087

(1) Fair Market Value of property is amount it could sell for in a competitive open market, assuming that the buyer and seller both acted knowledgeably and without duress.

(2) Assessed value of property is different than fair market value for those properties that have assessment limitations on them, such as the Save Our Homes (SOH) limitation, "greenbelt" for properties which have an agricultural use classification, and pollution control devices.

(3) There are a number of property tax exemptions which include, but are not limited to; homestead, low income seniors, widow/widowers, blind, disabled, veterans, government, and institutional.

(4) Taxable value of property is the resulting value after all applicable exemptions have been deducted from the assessed value of the property. The taxable value is what the millage rates are applied to develop the ad valorem property tax. The 2011 Values based on Final Certification dated October 4, 2011. All other years based on re-certification values after the Value Adjustment Board.

(5) Centrally assessed property are the railroad tracks and train cars which cross county lines and are assessed by the Florida Department of Revenue, who provides the assessed values to the respective Property Appraiser.

(6) Base Millage Rate comprised of total County, total School and Southwest Florida Management District countywide levy. Specific basins, special ad valorem districts, and municipalities are not included. See calculation of base millage rate on Table 8.

Source: Hernando County Property Appraiser

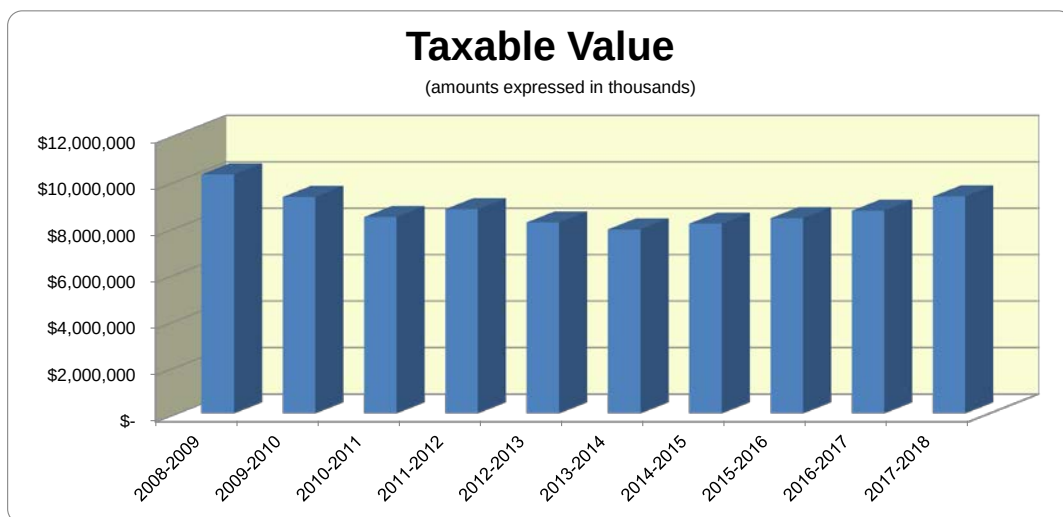


TABLE 8

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(per \$1,000 Assessed Valuation)
(Unaudited)

	Fiscal year Ending			
	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
District Direct Rates:				
District School Board:				
Local Required Effort	5.0860	5.2310	5.1690	5.2600
Discretionary Local	0.4980	0.7480	0.7480	0.7480
Supplemental Discretionary	0.2130	0.0000	0.0000	0.0000
Voted Debt Service	0.2320	0.0000	0.0000	0.0000
Local Capital Improvement	1.7500	1.5000	1.5000	1.5000
Total District School Board Direct Rates	<u>7.7790</u>	<u>7.4790</u>	<u>7.4170</u>	<u>7.5080</u>
Overlapping Rates:				
Other Hernando County:				
General Fund	5.4394	5.4394	5.4394	5.6279
Public Health	0.1102	0.1102	0.1102	0.1102
Road & Bridge	0.7091	0.7091	0.7091	0.7091
Recreation/Sensitive Lands	0.0844	0.0844	0.0844	0.0844
Special Ad Valorem Districts	2.9423	2.9423	3.1737	3.1737
Total Other Hernando County Rates	<u>9.2854</u>	<u>9.2854</u>	<u>9.5168</u>	<u>9.7053</u>
Southwest Florida Water Management Districts (SWFWMD):				
SWFWMD County Wide	0.3866	0.3866	0.3770	0.3928
Hillsborough Basin				
Withlacoochee Basin	0.2308	0.2308	0.2308	0.0000
Coastal Basin	0.1885	0.1885	0.1885	0.0000
Total Southwest Florida Water Management Districts	<u>0.8059</u>	<u>0.8059</u>	<u>0.7963</u>	<u>0.3928</u>
Municipalities:				
City of Brooksville	6.0690	6.0690	6.3700	6.3700
City of Weeki Wachee	2.1173	2.5769	2.6587	2.7838
Total Municipalities	<u>8.1863</u>	<u>8.6459</u>	<u>9.0287</u>	<u>9.1538</u>
Total Overlapping Rates (1)	<u>18.2776</u>	<u>18.7372</u>	<u>19.3418</u>	<u>19.2519</u>
 Base Millage Rate (2)	 14.5087	 14.2087	 14.1371	 14.4324

(1) Total Overlapping Rates comprised of Total Other Hernando County Rates, Total Southwest Florida Water Management Districts, and Total Municipalities.

(2) Base Millage Rate comprised of Total County, Total School, and Southwest Florida Management District Countywide levy. It excludes specific basins, special ad valorem districts, and municipalities. See Table 7 for use of Base Millage Rate.

Source: Hernando County Property Appraiser

TABLE 8 (Continued)

Fiscal Year Ending					
June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
5.2060	5.0320	4.9190	4.9480	4.6210	4.3710
0.7480	0.7480	0.7480	0.7480	0.7480	0.7480
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
1.5000	1.5000	1.5000	1.5000	1.5000	1.5000
<u>7.4540</u>	<u>7.2800</u>	<u>7.1670</u>	<u>7.1960</u>	<u>6.8690</u>	<u>6.6190</u>
5.9169	6.8669	6.9912	6.9912	6.9912	6.8912
0.1102	0.1102	0.1102	0.1102	0.1102	0.1102
0.7091	0.7091	0.7091	0.7091	0.7091	0.7091
0.0844	0.1000	0.0000	0.0000	0.0000	0.0000
3.1737	0.6673	0.6673	0.7839	0.7839	0.7839
<u>9.9943</u>	<u>8.4535</u>	<u>8.4778</u>	<u>8.5944</u>	<u>8.5944</u>	<u>8.4944</u>
0.3928	0.3818	0.3658	0.3468	0.3317	0.3131
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>
<u>0.3928</u>	<u>0.3818</u>	<u>0.3658</u>	<u>0.3468</u>	<u>0.3317</u>	<u>0.3131</u>
6.6000	6.7317	6.6962	6.6439	6.6426	6.9763
<u>2.7137</u>	<u>2.7654</u>	<u>2.6267</u>	<u>2.7622</u>	<u>2.8478</u>	<u>2.8470</u>
<u>9.3137</u>	<u>9.4971</u>	<u>9.3229</u>	<u>9.4061</u>	<u>9.4904</u>	<u>9.8233</u>
<u>19.7008</u>	<u>18.3324</u>	<u>18.1665</u>	<u>18.3473</u>	<u>18.4165</u>	<u>18.6308</u>
14.6674	15.4480	15.3433	15.3533	15.0112	14.6426

TABLE 9

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

Taxpayer	2017-2018				2008-2009			
	Type of Business	Taxable Value	Rank	Percent of Taxable Value (1)	Type of Business	Taxable Value	Rank	Percent of Taxable Value (1)
Cemex, Inc.	Cement Manufacturing	\$ 273,838,662	1	3.15%	Cement Manufacturing	\$ 58,563,187	6	0.55%
Withlacoochee River Electric Co-op	Public Utility	206,449,008	2	2.37%	Public Utility	149,802,954	1	1.46%
Florida Power Development LLC	Electric Utility	165,617,552	3	1.90%				
Wal-Mart Stores, Inc.	Retail Sales	109,733,621	4	1.26%	Retail Sales	132,782,256	2	1.30%
Duke Energy (Florida Power Corporation)	Public Utility	93,124,198	5	1.07%	Public Utility	36,727,514	8	0.36%
HCA Health Services of Florida, Inc.	Hospital/ Health Care	54,069,901	6	0.62%	Hospital/ Health Care	64,253,061	4	0.63%
Florida Gas Transmission Co.	Public Utility	46,615,218	7	0.54%				
MIC SCV LLC	Apartments	41,959,333	8	0.48%				
Bright House Networks	Communications	38,627,613	9	0.44%	Cable Utility	32,870,732	10	0.32%
AT&T Florida	Communications	27,475,096	10	0.32%	Telecommunications	62,975,000	5	0.61%
					Real Estate	43,511,225	7	0.42%
					Rock Mining	64,843,954	3	0.63%
					Hospital/Health Care	33,807,213	9	0.33%

(1) Percentage of Taxable Value to County Total Taxable Value.

Source: Hernando County Property Appraiser

TABLE 10

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Total Tax Levy	Collected to End of Tax Year			Collected in Fiscal Year	
		Current Tax Collections (1)	Percent of Levy	Delinquent Collections (1)	Total Collections (1)	Percent of Levy
2017-2018	\$ 59,304,391	\$ 58,741,901	99.05%	\$ 106,147	\$ 58,848,048	99.23%
2016-2017	59,970,401	57,007,130	95.06%	201,447	57,208,577	95.39%
2015-2016	60,506,513	58,492,947	96.67%	171,473	58,664,420	96.96%
2014-2015	58,585,003	56,797,930	96.95%	132,339	56,930,269	97.18%
2013-2014	57,696,331	57,372,277	99.44%	286,827	57,659,104	99.94%
2012-2013	61,332,036	59,856,352	97.59%	439,170	60,295,522	98.31%
2011-2012	66,067,422	60,364,306	91.37%	685,453	61,049,759	92.41%
2010-2011	71,473,086	64,278,055	89.93%	439,784	64,717,839	90.55%
2009-2010	78,787,235	75,774,531	96.18%	882,158	76,656,689	97.30%
2008-2009	89,340,049	85,566,159	95.78%	267,966	85,834,125	96.08%

(1) Net of allowable discounts.

Note: Property taxes become due and are payable between November 1st of the year assessed and March 31st of the following year. A four percent (4%) discount is allowed if the taxes are paid in November, with the discount declining by one percent (1%) each month thereafter. Accordingly, taxes collected will never equal 100% of the tax levy. Taxes become delinquent on April 1st of each tax year and tax certificates for the full amount of any unpaid taxes and assessments must be sold no later than June 1st of each year. Accordingly, the majority of taxes are collected in the fiscal year levied.

Source: Hernando County Tax Collector and District records

TABLE 11

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Governmental Activities (1)										
Fiscal Year	General Obligation Bonds	State Board of Education Bonds	Certificates of Participation	District Revenue Bonds	Sales Tax Revenue Bonds	Notes	Capital Leases	Total Primary Government	Per Capita (2)	Percentage of Per Capita Income (2)
2017-2018	\$	\$ 1,763,000	\$ 104,578,087	\$ 2,040,000	\$	\$ 2,313,347	\$	\$ 110,694,434	596	1.65%
2016-2017		2,357,000	108,672,516	2,140,000		3,598,654		116,768,170	641	1.90%
2015-2016		2,920,000	111,464,668	2,235,000		4,860,255		121,479,923	672	2.08%
2014-2015		3,877,466	123,451,185	2,325,000		6,097,551		135,751,202	764	2.43%
2013-2014		5,065,436	127,485,183	2,410,000	6,415,592	7,262,686	50,273	148,689,170	847	2.65%
2012-2013		5,047,935	131,150,945	2,495,000	12,596,181	8,371,212	283,633	159,944,906	923	3.00%
2011-2012		5,260,000	133,755,000	2,575,000	18,590,000	9,438,299	1,041,954	170,660,253	986	3.21%
2010-2011		6,158,406	136,282,396	2,650,000	24,342,358	10,465,497	2,833,904	182,732,561	1,055	3.59%
2009-2010		5,117,145	141,343,121	2,725,000	29,902,947	11,454,297	4,539,955	195,082,465	1,177	3.93%
2008-2009	805,000	5,576,805	144,468,846	2,795,000	35,273,537	12,406,134	6,585,904	207,911,226	1,260	4.32%

Note: The primary government does not have any outstanding debt for business-type activities.

Source:

(1) District Records

(2) Total Primary Government Debt divided by Population and Per Capita Income from Table 18.

TABLE 12

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

June 30, 2018

(Unaudited)

Jurisdiction	Other Debt Outstanding	Direct Debt		Direct and Overlapping Debt (1)	
		Percentage Applicable to School Board of Hernando County	Amount Applicable to School Board of Hernando County	Percentage Applicable To Hernando County	Amount Applicable To Hernando County
Hernando County Board of County Commissioners					
Non-Revolving Line of Credit Draws	\$ 8,484,974		\$	100.00%	\$ 8,484,974
Non-Ad Valorem Refunding Bonds, Series 2012	18,280,000			100.00%	18,280,000
Non-Ad Valorem Refunding Bonds, Series 2010	2,335,000			100.00%	2,335,000
Subtotal Overlapping Debt	29,099,974				29,099,974
District School Board of Hernando County					
State Board of Education Bonds, Series 2009A Refunding	35,000	100.00%	35,000	100.00%	35,000
State Board of Education Bonds, Series 2010A	1,030,000	100.00%	1,030,000	100.00%	1,030,000
State Board of Education Bonds, Series 2011A Refunding	220,000	100.00%	220,000	100.00%	220,000
State Board of Education Bonds, Series 2014A Refunding	376,000	100.00%	376,000	100.00%	376,000
State Board of Education Bonds, Series 2014B Refunding	102,000	100.00%	102,000	100.00%	102,000
Bonds Payable-Unamortized Premium	204,869	100.00%	204,869	100.00%	204,869
Certificates of Participation, Series 2013A	15,178,087	100.00%	15,178,087	100.00%	15,178,087
Certificates of Participation, Series 2016A	99,798,238	100.00%	99,798,238	100.00%	99,798,238
Capital Improvement Bonds, Series 2001 Refunding	2,040,000	100.00%	2,040,000	100.00%	2,040,000
Note Payable	2,313,347	100.00%	2,313,347	100.00%	2,313,347
Subtotal Direct Debt	121,297,541		121,297,541		121,297,541
Totals	\$ 150,397,515		\$ 121,297,541		\$ 150,397,515

(1) Overlapping governments are those whose geographic area coincides at least in part with the area of the District.

Source: District Records and Hernando County, Florida Comprehensive Annual Financial Report

TABLE 13

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 CALCULATION OF LEGAL DEBT MARGIN
 LAST TEN FISCAL YEARS
 (amounts expressed in thousands)
 (unaudited)

	Fiscal Year Ending			
	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
Taxable Value (1)	\$ 10,298,659	\$ 9,325,714	\$ 8,460,725	\$ 8,799,604
Debt Limit - 10% of Taxable Value (2)	\$ 1,029,866	\$ 932,571	\$ 846,073	\$ 879,960
Amount of Debt Applicable to the Debt Limit:				
General Obligation Bonds Payable	\$ 805	\$	\$	\$
Less, Amount Available for Debt Service	805			
Total Debt Applicable to the Debt Limit	\$	\$	\$	\$
Legal Debt Margin	\$ 1,029,866	\$ 932,571	\$ 846,073	\$ 879,960
Total Debt Applicable to the Debt Limit as a Percentage of the Debt Limit	0.00%	0.00%	0.00%	0.00%

(1) Provided by Hernando County Property Appraiser. The 2017 Taxable Value based on Final Certification dated October 5, 2017. All other years based on re-certification values after Value Adjustment Board.

(2) This schedule was previously presented as a requirement of State Board of Education Rule 6A-1.037(2), Florida Administrative Code, which established a legal debt limit of 10 percent of the assessed valuation of the District. This rule was repealed in March 2006, however, management believes this information may still be of value to users.

Source: District Records

TABLE 13 (Continued)

Fiscal Year Ending					
June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
<u>\$ 8,228,070</u>	<u>\$ 7,925,320</u>	<u>\$ 8,174,271</u>	<u>\$ 8,408,354</u>	<u>\$ 8,730,587</u>	<u>\$ 9,346,958</u>
<u>\$ 822,807</u>	<u>\$ 792,532</u>	<u>\$ 817,427</u>	<u>\$ 840,834</u>	<u>\$ 873,058</u>	<u>\$ 934,696</u>
\$	\$	\$	\$	\$	\$
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<u>\$ 822,807</u>	<u>\$ 792,532</u>	<u>\$ 817,427</u>	<u>\$ 840,834</u>	<u>\$ 873,058</u>	<u>\$ 934,696</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

TABLE 14

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 RATIO OF NET GENERAL BONDED DEBT OUTSTANDING
 LAST TEN FISCAL YEARS
 (dollar amounts expressed in thousands)
 (Unaudited)

Fiscal Year	Population (1)	Taxable Value	Gross General Bonded Debt (2)	Less Debt Service Funds (3)	Net General Bonded Debt	Ratio of Net General Bonded Debt to Taxable Value	Per Capita
2017-2018	185,604	\$ 9,346,958	\$	\$	\$	0.00%	
2016-2017	182,114	8,730,586				0.00%	
2015-2016	180,777	8,408,354				0.00%	
2014-2015	177,584	8,174,272				0.00%	
2013-2014	175,502	7,925,320				0.00%	
2012-2013	173,227	8,228,071				0.00%	
2011-2012	173,142	8,799,604				0.00%	
2010-2011	173,162	8,460,725				0.00%	
2009-2010	165,802	9,325,714				0.00%	
2008-2009	165,048	10,298,659	805	805		0.00%	

(1) Hernando County Monthly Demographics Update Summary - as of April 1, 2018

(2) Includes General Obligation Bonds only

(3) Reserved for Debt Service - General Obligation Bonds only

Source: District records

TABLE 15

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
 FOR GENERAL OBLIGATION BONDED DEBT
 TO TOTAL GENERAL GOVERNMENT EXPENDITURES
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year	Principal	Interest and Dues & Fees	Total Debt Service	Total General Governmental Noncapital Expenditures	Ratio of Debt Service to General Governmental Noncapital Expenditures
2017-2018	\$	\$	\$	\$ 201,621,234	0.00%
2016-2017				189,371,463	0.00%
2015-2016				191,701,406	0.00%
2014-2015				206,416,604	0.00%
2013-2014				200,803,789	0.00%
2012-2013				191,775,959	0.00%
2011-2012				194,856,647	0.00%
2010-2011				211,749,992	0.00%
2009-2010	805,000	44,680	849,680	203,613,376	0.42%
2008-2009	3,750,000	188,482	3,938,482	207,634,213	1.90%

Source: District records

TABLE 16

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 ANTICIPATED CAPITAL OUTLAY MILLAGE LEVY
 REQUIRED TO COVER CERTIFICATES OF PARTICIPATION PAYMENTS
 LAST TEN FISCAL YEARS
 (amounts expressed in thousands)
 (Unaudited)

Fiscal Year	Taxable Value	Annual Lease Payment	Millage Levy to Provide 1.00x Coverage (1)
2017-2018	\$ 9,346,958	\$ 8,241	0.918 Mills
2016-2017	8,730,587	7,144	0.852 Mills
2015-2016	8,408,354	5,891	0.730 Mills
2014-2015	8,174,271	9,254	1.179 Mills
2013-2014	7,925,320	9,376	1.232 Mills
2012-2013	8,228,070	9,641	1.221 Mills
2011-2012	8,799,604	7,771	0.920 Mills
2010-2011	8,460,725	7,775	0.957 Mills
2009-2010	9,325,714	9,663	1.091 Mills
2008-2009	10,298,659	9,667	0.988 Mills

(1) Millage rate calculated using 95 percent of the taxable value through Fiscal Year 2009-2010. Increased to 96 percent of taxable value beginning in Fiscal Year 2010-2011.

Note: Capital lease arrangements financed by certificates of participation are not considered general obligation debt as no specific property tax levy has been pledged.

Source: District records

TABLE 17

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 ANTICIPATED SALES TAX REVENUE COLLECTIONS
 REQUIRED TO COVER SALES TAX REVENUE BOND PAYMENTS
 LAST NINE FISCAL YEARS
 (Unaudited)

Fiscal Year	10-Year Sales Tax Revenue (1)	Principal	Interest and Dues & Fees	Annual Debt Service on Sales Tax Revenue Bonds	Sales Tax Revenue Coverage (2)
2017-2018	\$ 11,353,186	\$	\$	\$	
2016-2017	10,391,995				
2015-2016	4,955,233				
2014-2015	5,284,711	6,415,000	118,175	6,533,175	0.81
2013-2014	9,007,765	6,180,000	353,449	6,533,449	1.38
2012-2013	8,206,074	5,995,000	578,938	6,573,938	1.25
2011-2012	7,832,909	5,750,000	792,834	6,542,834	1.20
2010-2011	7,828,758	5,560,000	997,240	6,557,240	1.19
2009-2010	7,470,501	5,370,000	1,187,265	6,557,265	1.14
2008-2009	7,558,751	5,165,000	1,384,540	6,549,540	1.15

(1) Collections on the District's second local option half-cent sales tax (10 Years) approved by the voters on March 9, 2004, began January 1, 2005 and ended December 31, 2014. The District issued \$45,000,000 in sales tax revenue bonds on November 1, 2006. The local half-cent sales tax (10 Years) was approved by the voters on September 8, 2015 and the District began collecting again on January 1, 2016.

(2) Sales tax revenue collections divided by the debt service on the sales tax revenue bonds.

Source: District records

TABLE 18

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
COUNTY-WIDE DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Estimated Population (1)	Personal Income (2)	Per Capita Income (1)	Public School Enrollment (3)	Percentage of Students on Free and Reduced Lunch (5)	Labor Force (1)	Unemployment Rate % (1)	Median Age (1)	Citizens With a Bachelor's Degree (4)
2017-2018	185,604	\$ 6,711,626	\$ 36,161	23,340	65.0%	63,757	4.2%	49.2	17.1%
2016-2017	182,114	6,131,050	33,666	23,950	66.9%	67,842	5.9%	47.7	16.4%
2015-2016	180,777	5,843,436	32,324	23,621	69.3%	67,937	6.2%	47.7	15.5%
2014-2015	177,584	5,580,044	31,422	22,444	65.1%	66,785	7.0%	47.7	15.5%
2013-2014	175,502	5,603,252	31,927	22,186	64.3%	64,040	8.4%	47.7	15.7%
2012-2013	173,227	5,323,092	30,729	22,228	66.1%	63,513	8.9%	47.7	16.2%
2011-2012	173,142	5,320,481	30,729	22,442	62.6%	63,088	10.8%	47.7	16.2%
2010-2011	173,162	5,090,443	29,397	22,998	60.5%	62,854	13.8%	47.7	16.1%
2009-2010	165,802	4,965,770	29,950	23,296	59.5%	64,364	15.0%	50.7	12.7%
2008-2009	165,048	4,810,819	29,148	23,454	54.1%	63,228	13.1%	50.0	12.7%

Source:

- (1) Hernando County Monthly Demographics Update Summary - through May 2018
- (2) Personal Income was calculated by multiplying the Estimated Population and Per Capita Income. Personal Income stated in thousands.
- (3) District enrollment records as of August 31, 2018
- (4) U.S. Census Bureau - State & County Quickfacts
Bachelor's degree or higher, % of persons 25+ 2012-2016
- (5) Food & Nutrition Data as of 8/1/18 Reduced = 1.98% Free = 62.99%

TABLE 19

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 PRINCIPAL EMPLOYERS
 NON-RETAIL, NON-GOVERNMENT
 LAST TWO FISCAL YEARS
 (Unaudited)

Employer / Type of Business	2017-2018			2016-2017	
	Number of Employees	Rank	% (1)	Number of Employees	Rank
Citrus Memorial Health Care Systems	1,320	1	2.1%	1,320	1
Oak Hill Hospital Healthcare	1,089	2	1.7%	1,089	2
Hernando Healthcare	1,032	3	1.6%	1,032	3
Wal-Mart Distribution Center	1,020	4	1.6%	1,020	4
Heart Institute at Oak Hill Hospital Health Care	947	5	1.5%	947	5
HealthSouth	355	6	0.6%	355	6
Accuform, Inc. Manufacturer	280	7	0.5%	280	7
Cemex, Inc. Cement Manufacturer	250	8	0.4%	250	8
Hernando Pasco Hospice Healthcare	221	9	0.3%	221	9
Sparton Electronics Manufacturer	219	10	0.3%	219	10
Total	<u>6,733</u>		<u>10.6%</u>	<u>6,733</u>	

(1) Percentage shown represents the number of employees as a percent of Hernando County's total labor force of 63,757

(2) Last updated list of Major Private Sector Employees from Hernando Chamber of Commerce 2014-2015

Source: Greater Hernando County Chamber of Commerce

TABLE 20

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
SCHOOL BUILDING INFORMATION AND STUDENT ENROLLMENT DATA
LAST TEN FISCAL YEARS
(Unaudited)

	Year Constructed (1)	Age of School in Years	Square Footage	Permanent Student Stations (3)	Current Utilization Based on Permanent Student Stations	Relocatable Stations	Relocatable Student Stations (4)	Student Enrollment 2008-2009
Elementary Schools:								
Brooksville Elementary	1968	50	118,217	751	85.4%	8	150	797
Chocachatti Elementary (Magnet)	1998	20	111,288	737	98.5%	8	300	915
Deltona Elementary	1989	29	114,971	743	109.8%	7	156	876
Eastside Elementary	1973	45	93,669	736	82.7%	5	62	588
John D. Floyd Elementary	1986	32	108,604	696	139.2%	18	501	
Moton Elementary	1989	29	95,943	755	75.9%	4	98	863
Pine Grove Elementary	1988	30	123,530	698	123.9%	12	332	1,154
Spring Hill Elementary	1980	38	95,285	588	139.8%	11	265	689
Suncoast Elementary	1994	24	130,003	744	121.1%	4	128	914
Westside Elementary	1972	46	83,917	590	86.8%	13	240	814
Total Elementary School Student Enrollment								<u>7,610</u>
Middle Schools:								
Fox Chapel Middle School	1978	40	123,502	1,120	65.4%	7	132	782
D. S. Parrott Middle School	1988	30	147,522	1,143	57.0%			851
Powell Middle School	1984	34	157,398	1,195	82.1%			1,033
West Hernando Middle School	1993	25	198,184	1,269	56.6%	6	220	<u>1,035</u>
Total Middle School Student Enrollment								<u>3,701</u>
Combination Schools:								
Challenger K-8 School of Science and Mathematics (Magnet)	2004	14	241,418	1,734	85.2%	1	44	1,469
Explorer K-8	2008	10	277,548	2,073	79.9%			1,943
Winding Waters K-8	2012	6	182,216	1,581	82.3%			
Total Combination School Student Enrollment								<u>3,412</u>
High Schools:								
Central High School	1989	29	244,451	1,581	83.0%	4	100	1,904
Hernando High School	1962	56	247,679	1,665	72.6%	5	120	1,360
Nature Coast Technical High School (Magnet)	2001	17	255,290	1,413	93.9%			1,463
Springstead High School	1975	43	224,751	1,685	102.2%	22	525	1,968
Weeki Wachee High School (Grades 9-12)	2011	7	211,964	1,665	80.7%			
Total High School Student Enrollment								<u>6,695</u>
Specialty Schools:								
Endeavor Academy (formerly STAR Center)	1974	44	19,260	121	95.9%	4	70	89
Hernando eSchool	N/A		N/A	N/A	N/A	N/A	N/A	
Incarcerated Youth Program	N/A		N/A	N/A	N/A	N/A	N/A	
Stop Camp/Withlacoochee DJJ	N/A		N/A	N/A	N/A	N/A	N/A	
Total Specialty Schools Student Enrollment								<u>89</u>
Charter Schools:								
BEST Academy	N/A		N/A	N/A	N/A	N/A	N/A	
Gulf Coast Middle School	N/A		N/A	N/A	N/A	N/A	N/A	
Gulf Coast Academy of Science and Mathematics	N/A		N/A	N/A	N/A	N/A	N/A	<u>113</u>
Total Charter School Student Enrollment								<u>113</u>
Total Pre-Kindergarten to Grade 12 Student Enrollment								<u>21,620</u>
Adult Education:								
Adult Education Centers	N/A		N/A	N/A	N/A	N/A	N/A	539
Heart Literacy	1986	32	3,598	N/A	N/A	N/A	N/A	<u>292</u>
Total Adult Student Enrollment								<u>831</u>
District Total Pre-Kindergarten to Adult Student Enrollment								<u>22,451</u>

(1) Year constructed date from the Florida Inventory of School Housing (FISH). This date does not reflect additions, renovations, replacements or remodelings.

Average age of the schools 28.5 years.

(2) Square footage is current permanent and does not include portables.

(3) Permanent student stations reflect student stations in permanent buildings which excludes student stations in relocatables.

(4) Student stations in relocatable classrooms.

(5) Permanent student stations reflect utilization factor per State Requirements for Educational Facilities (SREF).

Source: District records

TABLE 20 (Continued)

Student Enrollment								
2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
802	881	765	778	788	782	661	641	648
940	936	920	865	826	762	744	726	739
862	808	806	831	833	922	793	816	828
593	540	532	508	468	528	580	609	652
							969	954
826	793	632	650	615	603	640	573	569
1,147	1,085	616	578	610	650	763	865	914
694	735	680	697	914	735	749	822	924
890	923	941	926	693	988	860	901	891
787	778	581	571	594	564	518	512	557
7,541	7,479	6,473	6,404	6,341	6,534	6,308	7,434	7,676
737	702	677	681	642	594	698	733	772
841	836	840	811	792	683	632	652	661
954	979	1,021	919	827	797	922	981	1,013
1,000	963	953	847	738	617	660	718	689
3,532	3,480	3,491	3,258	2,999	2,691	2,912	3,084	3,135
1,553	1,648	1,626	1,586	1,593	1,574	1,542	1,477	1,429
2,014	1,799	1,770	1,827	1,770	1,748	1,668	1,656	1,686
		805	1,044	1,208	1,391	1,298	1,301	1,378
3,567	3,447	4,201	4,457	4,571	4,713	4,508	4,434	4,493
1,753	1,579	1,337	1,169	1,151	1,160	1,253	1,312	1,267
1,383	1,410	1,371	1,296	1,270	1,189	1,179	1,209	1,161
1,480	1,408	1,331	1,304	1,284	1,266	1,327	1,327	1,457
2,164	1,833	1,774	1,615	1,606	1,656	1,784	1,722	1,724
	569	915	1,265	1,381	1,459	1,402	1,343	1,278
6,780	6,799	6,728	6,649	6,692	6,730	6,945	6,913	6,887
94	92	39	57	52	71	104	116	125
	45	39	60	31	5	7	55	49
	20	11	10	12	9	9	8	2
94	157	89	127	95	85	120	179	176
				76	126	121	130	119
				108	107	109	110	0
117	119	120	117	116	130	128	124	236
117	119	120	117	300	363	358	364	355
21,631	21,481	21,102	21,012	20,998	21,116	21,151	22,408	22,722
274	99	6	1	22	49	35	28	53
327	258	175	166	159	261	86	96	101
601	357	181	167	181	310	121	124	154
22,232	21,838	21,283	21,179	21,179	21,426	21,272	22,532	22,876

TABLE 21

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
NUMBER OF PERSONNEL
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Classroom Teachers (1)	Other Instructional (2)	Administrative (3)	Support Services (4)	Total Full Time	Ratio of Instructional Personnel to Administrators
2017-2018	1,452	86	100	1,259	2,897	15.38
2016-2017	1,433	87	92	1,226	2,838	16.52
2015-2016	1,473	87	97	1,192	2,849	16.08
2014-2015	1,514	98	95	1,230	2,937	16.97
2013-2014	1,507	69	96	1,135	2,807	16.42
2012-2013	1,525	169	92	1,113	2,899	18.41
2011-2012	1,575	175	93	1,134	2,977	18.82
2010-2011	1,590	201	92	1,241	3,124	19.47
2009-2010	1,508	193	81	1,240	3,022	21.00
2008-2009	1,563	184	85	1,281	3,113	20.55

(1) Elementary classroom teachers, secondary classroom teachers, exceptional education teachers, other teachers

(2) Guidance counselors, occupational specialists, social workers, psychologists, media specialists

(3) Principals, assistant principals, superintendent, executive directors, directors, supervisors, managers, coordinators

(4) Paraprofessionals, bus drivers, clerical, secretarial, service workers, skilled craft, etc.

Source: District records

TABLE 22

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
 AVERAGE TEACHER SALARIES
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year	Bachelor's		Master's		Specialist's		Doctorate		All Degrees
2017-2018	\$	46,729	\$	49,229	\$	50,229	\$	51,229	\$ 47,644
2016-2017		45,777		48,277		49,277		50,277	43,176
2015-2016		45,034		47,534		48,534		49,534	43,176
2014-2015		43,026		48,930		48,131		47,402	45,017
2013-2014		40,614		49,042		40,453		52,577	43,107
2012-2013		40,872		47,773		47,841		48,932	43,970
2011-2012		41,425		47,678		47,892		48,095	43,616
2010-2011		40,880		46,096		46,431		48,202	42,681
2009-2010		40,568		45,963		43,496		50,705	42,398
2008-2009		39,996		45,622		43,124		49,815	41,795

Source: District records

TABLE 23

DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Government-wide Governmental Activities Expenses	Public School Enrollment (1)	Percentage Change	Cost per Student	Percentage Change	Classroom Teachers	Percentage Change	Pupil Teacher Ratio
2017-2018	\$ 216,702,802	23,340	-2.5%	\$ 9,285	9.5%	1,452	1.3%	16.07
2016-2017	203,166,169	23,950	1.4%	8,483	0.7%	1,433	-2.7%	16.71
2015-2016	199,052,650	23,621	5.2%	8,427	-6.8%	1,473	-2.7%	16.04
2014-2015	203,030,347	22,444	1.2%	9,046	-2.9%	1,514	0.5%	14.82
2013-2014	206,783,822	22,186	-0.2%	9,320	4.7%	1,507	-1.2%	14.72
2012-2013	197,926,671	22,228	-1.0%	8,904	0.5%	1,525	-3.2%	14.58
2011-2012	198,906,971	22,442	-2.4%	8,863	-7.3%	1,575	-0.9%	14.25
2010-2011	219,964,029	22,998	-1.3%	9,564	6.9%	1,590	5.4%	14.46
2009-2010	208,416,520	23,296	-0.7%	8,946	1.1%	1,508	-3.5%	15.45
2008-2009	207,610,483	23,454	1.2%	8,852	0.1%	1,563	-3.9%	15.01

(1) Enrollment includes grades prekindergarten through adult students.

Source: District records

COMPLIANCE SECTION





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Compliance Section

This part of the District School Board of Hernando County, Florida's comprehensive annual financial report presents specific compliance information.

Content	Page
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	128
Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	130
Schedule of Findings and Questioned Costs	133
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DISTRICT SCHOOL BOARD OF HERNANDO COUNTY, FLORIDA
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	\$ 2,130,723
National School Lunch Program	10.555	18001, 18003	8,430,837
Summer Food Service Program for Children	10.559	18006, 18007	441,425
Total Child Nutrition Cluster			11,002,985
Student Financial Assistance Cluster:			
United States Department of Education:			
Federal Pell Grant Program	84.063	N/A	19,330
Special Education Cluster:			
United States Department of Education:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262,263	5,165,134
Special Education - Preschool Grants	84.173	267	148,027
Total Special Education Cluster			5,313,161
Not Clustered			
United States Department of Agriculture:			
Florida Department of Health:			
Child and Adult Care Food Program	10.558	A-4575	492,708
Total United States Department of Agriculture			492,708
United States Department of Defense:			
Air Force Junior Reserve Officers Training Corps	12 UNK	N/A	103,535
Navy Junior Reserve Officers Training Corps	12 UNK	N/A	95,907
Total United States Department of Defense			199,442
United States Department of Education:			
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191,193	240,557
Title I Grants to Local Educational Agencies	84.010	212,226	5,477,394
Career and Technical Education - Basic Grants to States	84.048	161	250,864
Education for Homeless Children and Youth	84.196	127	44,867
English Language Acquisition State Grants	84.365	102	149,939
Supporting Effective Instruction State Grants	84.367	224	733,744
Student Support and Academic Enrichment Program	84.424	241	119,095
Total United States Department of Education			7,016,460
Total Expenditures of Federal Awards			\$ 24,044,086

The notes below 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 Hernando County District School Board 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 or changes in net position.
- (2) **Summary of Significant Accounting Policies.** Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) **Indirect Cost Rate.** The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



Phone: (850) 412-2722
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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 Hernando 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 22, 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, CPA
Tallahassee, Florida
February 22, 2019
Audit Report No. 2019-137



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the fiscal year ended June 30, 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 the major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with the first name "Sherrill" and last name "Norman" clearly legible, and "F." as a middle initial.

Sherrill F. Norman, CPA
Tallahassee, Florida
February 22, 2019
Audit Report No. 2019-137

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 the major Federal program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for the major Federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of the major Federal program:	
CFDA Numbers:	Name of Federal Program or Cluster:
10.553, 10.555, and 10.559	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reported.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters are reported.

PRIOR AUDIT FOLLOW-UP

The District partially corrected the financial statement finding included in the 2016-17 financial audit report.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The School District of Hernando County, Florida
Office of the Superintendent

919 N. Broad Street
Brooksville, FL 34601
Phone: (352)797-7000
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Superintendent: *John Stratton*
Board Chairperson: *Susan Duval*
Vice Chairperson: *Linda K. Prescott*
Board Members:
Gus Guadagnino
Kay Hatch
Jimmy Lodato

Audit Report No. (Finding No.)	Program/Area	Brief Description	Status	Comments
Purvis Gray & Company (2017-1)	Inventory of Capital Assets	District procedures over capital assets need improvement.	Partially Corrected.	The District will strengthen its procedures to provide complete physical inventories each year and follow up for any items not located during annual physical inventories.
