

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2020-174
March 2020

BREVARD COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2019



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2018-19 fiscal year, Dr. Mark W. Mullins served as Superintendent of the Brevard County Schools from 8-11-18, Dr. Desmond K. Blackburn served as Superintendent before that date, and the following individuals served as School Board Members:

	<u>District No.</u>
Misty Belford	1
Cheryl McDougall from 11-20-18	2
John Craig, Chair through 11-19-18	2
Tina Descovich, Chair from 11-20-18, Vice Chair through 11-19-18	3
Matt Susin, Vice Chair from 11-20-18	4
Katye Campbell from 11-20-18	5
Andy Ziegler through 11-19-18	5

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

The team leader was Clare Waters, CPA, and the audit was supervised by Tim L. Tucker, CPA.

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

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

SUMMARY OF REPORT ON FEDERAL AWARDS

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

AUDIT OBJECTIVES AND SCOPE

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

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

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards, as of and for the fiscal year ended June 30, 2019. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 26, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the School Board of Brevard County has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2019. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements, found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

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

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources for the governmental activities at June 30, 2019, by \$297.1 million. Of this amount, \$377.6 million represents a net investment in capital assets and \$(80.5) million represents restricted and unrestricted net position of \$155.5 million and \$(236) million, respectively.
- The District's total net position for governmental activities increased by \$21.3 million, or 7.7 percent.
- Program revenues for governmental activities accounted for \$50.3 million, or 6.4 percent of total revenues and transfers. General revenues and transfers accounted for \$730.4 million, or 93.6 percent of the combined amount.
- The governmental funds reported combined fund balances of \$212.1 million, an increase of \$27.6 million, or 15 percent, in comparison to the prior fiscal year. The fund balances are comprised of \$5.7 million of nonspendable, \$158.3 million of restricted, \$2 million of committed, \$5.4 million of assigned, and \$40.7 million in unassigned funds.
- At the end of the current fiscal year, the fund balance of the General Fund was \$57.4 million, or 10.4 percent of the General Fund revenues. This fund balance was comprised of \$4.1 million of nonspendable, \$5.6 million of restricted, \$2 million committed, \$5 million assigned, and \$40.7 million of unassigned funds.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental and business-type 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, deferred outflows, liabilities, and deferred inflows, using an economic resources measurement focus. Net position is a measurement of the financial health of the District. The statement of activities presents information about the change in the District's financial position or the results of operations, during the fiscal year. An increase or decrease in net position is potential indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District's services, including its educational programs such as basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program (FEFP) provide most of the resources that support these activities.
- Business-type activities – The District charges fees to cover the cost of the services it provides for its Extended Day Program.
- Component units – The District has identified 13 separate legal entities which meet the criteria to be included as a component unit, including 12 charter schools and the Brevard Schools Foundation, Inc. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government. The Brevard County School Board Leasing Corporation (Leasing Corporation), although a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

Fund Financial Statements

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

Governmental Funds: Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using the modified accrual accounting method, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

The District has the following governmental funds: general, debt service, special revenue (including the school food services) and capital projects. Within fund types, the District currently maintains 11 major and nonmajor funds. Of those funds, the General Fund, Debt Service – Other Fund, Capital Projects – Local Capital Improvement Fund, Capital Projects – Local Sales Surtax Fund, and Capital Projects – Impact Fees Fund are considered to be major funds. Data from the nonmajor governmental funds are combined into a single, aggregate presentation.

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

Proprietary Funds: Proprietary funds may be established to account for activities in which a fee is charged for services. Two types of proprietary funds are maintained:

- Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its Extended Day Program through enterprise fund reporting.
- Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses the internal service funds to account for its self-insurance programs. Since these services predominantly benefit governmental rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The internal service funds are combined into a single, aggregated column in the proprietary fund financial statements.

Fiduciary Funds: Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. The District uses agency funds to account for resources held for student activities.

Notes to Financial Statements

The notes to the financial statements provide additional information, which is intended to supplement and further explain the government-wide and fund financial statements.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net position as of June 30, 2019, compared to net position as of June 30, 2018:

Net Position, End of Year (*in thousands*)

	Governmental Activities		Business-Type Activities		Total	
	6-30-19	6-30-18	6-30-19	6-30-18	6-30-19	6-30-18
Current and Other Assets	\$ 337,782	\$ 304,807	\$ 2	\$ 225	\$ 337,784	\$ 305,032
Capital Assets	796,340	801,603	68	62	796,408	801,665
Total Assets	1,134,122	1,106,410	70	287	1,134,192	1,106,697
Deferred Outflows of Resources	164,063	170,532	1,510	1,559	165,573	172,091
Current and Other Liabilities	89,153	80,325	124	121	89,277	80,446
Long-Term Liabilities	868,041	891,108	3,789	3,806	871,830	894,914
Total Liabilities	957,194	971,433	3,913	3,927	961,107	975,360
Deferred Inflows of Resources	43,870	29,643	450	299	44,320	29,942
Net Position:						
Net Investment in Capital Assets	377,558	365,334	68	62	377,626	365,396
Restricted	155,588	125,644	-	-	155,588	125,644
Unrestricted (Deficit)	(236,025)	(215,112)	(2,851)	(2,432)	(238,876)	(217,544)
Total Net Position	\$ 297,121	\$ 275,866	\$ (2,783)	\$ (2,370)	\$ 294,338	\$ 273,496

Within the District's governmental activities, the assets exceeded liabilities by \$297.1 million at the end of the fiscal year. The largest portion of the District's net position, \$377.6 million, reflects its investment in capital assets less any related debt used to acquire those assets. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remainder of net position is comprised of a restricted balance of \$155.5 million, which is externally restricted for specific uses and an unrestricted net position of \$(236) million.

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

Operating Results for the Fiscal Year Ended *(in thousands)*

	Governmental Activities		Business-Type Activities		Total	
	6-30-19	6-30-18	6-30-19	6-30-18	6-30-19	6-30-18
Program Revenues:						
Charges for Services	\$ 9,231	\$ 7,892	\$ 8,099	\$ 7,558	\$ 17,330	\$ 15,450
Operating Grants and Contributions	36,598	36,048	-	-	36,598	36,048
Capital Grants and Contributions	4,444	5,594	-	-	4,444	5,594
General Revenues:						
Property Taxes, Levied for Operational Purposes	196,790	190,559	-	-	196,790	190,559
Property Taxes, Levied for Capital Projects	61,482	56,378	-	-	61,482	56,378
Local Sales Tax	47,430	45,768	-	-	47,430	45,768
Grants and Contributions Not Restricted to Specific Programs	404,294	397,472	-	-	404,294	397,472
Miscellaneous	11,003	9,756	6	6	11,009	9,762
Unrestricted Investment Earnings	7,206	3,259	-	-	7,206	3,259
Total Revenues	778,478	752,726	8,105	7,564	786,583	760,290
Functions/Program Expenses:						
Instruction	414,212	405,459	-	-	414,212	405,459
Pupil Personnel Services	30,155	26,365	-	-	30,155	26,365
Instructional Media Services	8,198	7,711	-	-	8,198	7,711
Instruction and Curriculum Development Services	29,300	28,792	-	-	29,300	28,792
Instructional Staff Training Services	6,087	5,637	-	-	6,087	5,637
Instruction-Related Technology	11,034	11,404	-	-	11,034	11,404
School Board	1,093	1,110	-	-	1,093	1,110
General Administration	3,438	3,410	-	-	3,438	3,410
School Administration	41,684	40,788	-	-	41,684	40,788
Facilities Acquisition & Construction	20,624	31,521	-	-	20,624	31,521
Fiscal Services	3,374	3,042	-	-	3,374	3,042
Food Services	34,122	31,774	-	-	34,122	31,774
Central Services	7,391	7,118	-	-	7,391	7,118
Pupil Transportation Services	20,952	20,720	-	-	20,952	20,720
Operation of Plant	48,799	42,613	-	-	48,799	42,613
Maintenance of Plant	15,844	15,096	-	-	15,844	15,096
Administrative Technology Services	4,554	4,347	-	-	4,554	4,347
Community Services	1,933	1,526	-	-	1,933	1,526
Interest on Long-Term Debt	16,663	17,133	-	-	16,663	17,133
Unallocated Depreciation Expense	39,980	37,889	-	-	39,980	37,889
Loss on Disposal of Assets	-	4,590	-	-	-	4,590
Extended Day Program	-	-	6,304	6,089	6,304	6,089
Total Functions/Program Expenses	759,437	748,045	6,304	6,089	765,741	754,134
Excess of Revenues Over Expenses Before Transfers	19,041	4,681	1,801	1,475	20,842	6,156
Transfers	2,214	2,299	(2,214)	(2,299)	-	-
Change in Net Position	21,255	6,980	(413)	(824)	20,842	6,156
Net Position - Beginning	275,866	251,619	(2,370)	(1,740)	273,496	249,879
Adjustment to Beginning Net Position (1)	-	17,267	-	194	-	17,461
Net Position - Beginning, as Restated	275,866	268,886	(2,370)	(1,546)	273,496	267,340
Net Position - Ending	\$297,121	\$275,866	\$ (2,783)	\$ (2,370)	\$294,338	\$273,496

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

Governmental Activities

The District's governmental activities net position increased by \$21.3 million from fiscal year 2018. Key components of this increase are as follows:

- Property taxes for all governmental activities increased by \$11.3 million, or 4.6 percent over the previous year. This overall change is due to an increase in tax collections resulting from increases in property values and home ownership.
- In November 2014, the citizens of Brevard County authorized a half-cent sales tax surtax to fund capital needs of the District. The surtax was effective January 2015 and will continue through December 2020. Reported revenues were \$47.4 million in the 2018-19 fiscal year, an increase of \$1.7 million from the prior fiscal year.
- Impact fee revenue was \$13.7 million, an increase of \$2.1 million from the prior fiscal year.
- The District's State FEFP allocations increased by \$1 million, or 0.41 percent over the prior fiscal year.

Business-Type Activities

The business-type activities net position decreased by \$0.4 million from the 2017-18 fiscal year. Operating income of \$1.8 million for the District's daycare operations, was offset by a transfer of \$2.2 million to the General Fund for a budgeted transfer approved in the School Board adopted budget.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$212.1 million, which is a \$27.6 million increase from last year's combined governmental fund balances of \$184.5 million. The following schedule indicates the fund balances and the total change in fund balances by major fund and other governmental funds (nonmajor) as reported in the basic financial statements for the fiscal years ended June 30, 2019 and 2018. Net increases in fund balance were due largely in part to expenditures lower than revenues in Capital Projects funds during the current year.

Fund Balance (in thousands)	2019	2018	Increase (Decrease)	Percentage Change
General Fund	\$ 57,439	\$ 58,322	\$ (883)	-1.51%
Debt Service Fund - Other	4,294	4,136	158	3.82%
Capital Projects Funds:				
Local Capital Improvement	21,145	18,184	2,961	16.28%
Local Sales Surtax	73,554	50,881	22,673	44.56%
Impact Fees	37,487	33,076	4,411	13.34%
Other Governmental Funds (Nonmajor)	18,146	19,847	(1,701)	-8.57%
Total	\$ 212,065	\$ 184,446	\$ 27,619	14.97%

Governmental funds fund balances are further classified as nonspendable, restricted, committed, assigned, or unassigned to indicate limitations that affect the availability of fund resources for future use. Detailed information regarding fund balance is included in the notes to the financial statements.

General Fund

Fund balance for the General Fund had a net decrease of \$0.9 million, compared to a net increase of \$0.7 million in the prior year. The tables and data that follow illustrate the financial activities and changes in fund balance for the General Fund.

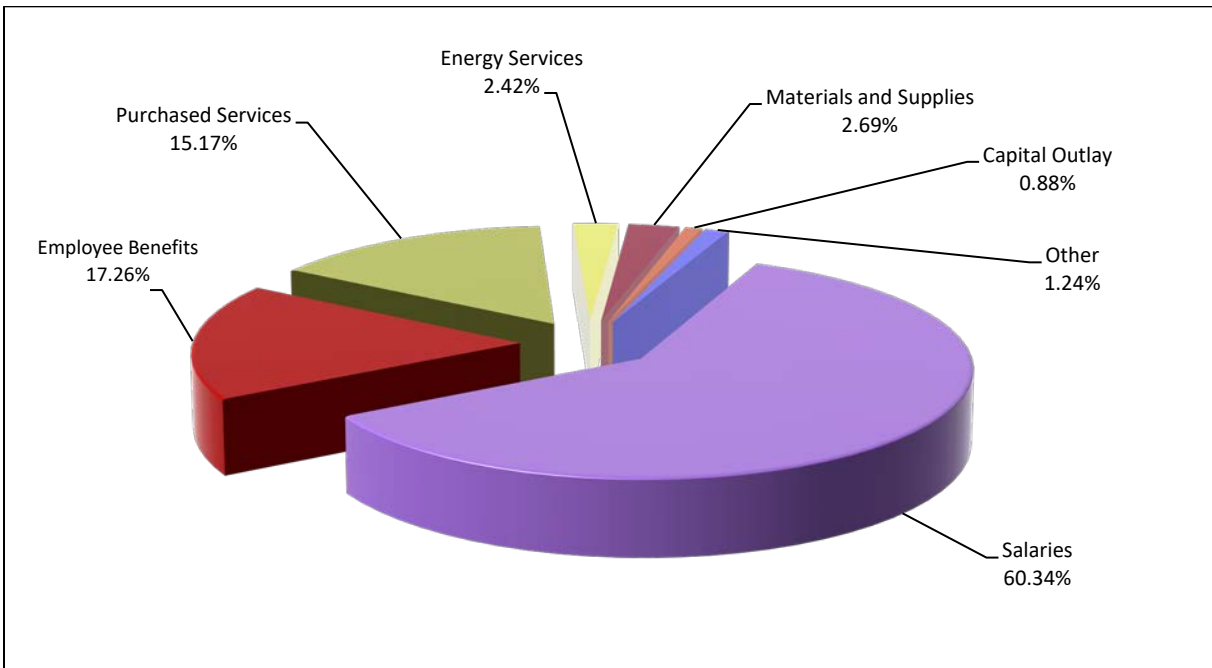
Revenues (in thousands)	2019	2018	Increase (Decrease)	Percentage Change
Taxes	\$ 196,790	\$ 190,559	\$ 6,231	3.27%
Interest Earnings	2,859	1,743	1,116	64.03%
State Revenues	342,470	341,175	1,295	0.38%
Federal Revenues	3,065	3,038	27	0.89%
Other Revenues	9,297	10,515	(1,218)	-11.58%
Total	\$ 554,481	\$ 547,030	\$ 7,451	1.36%

General Fund property tax revenues increased by \$6.2 million, or 3.3 percent. Other combined revenues increased overall by \$1.2 million. FEFP revenue was the largest contributor with a \$1 million increase which included revenue adjustments for State allocations such as: Workforce Development, Base Student, Virtual Education, Supplemental Academic Instruction, and ESE Guaranteed Allocation.

As the table below illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The District is a service entity and as such is labor intensive.

Expenditures by Object (in thousands)	2019	2018	Increase (Decrease)	Percentage Change
Salaries	\$ 347,458	\$ 343,680	\$ 3,778	1.10%
Employee Benefits	99,372	98,005	1,367	1.39%
Purchased Services	87,360	75,431	11,929	15.81%
Energy Services	13,959	13,557	402	2.97%
Material and Supplies	15,472	17,330	(1,858)	-10.72%
Capital Outlay	5,050	8,605	(3,555)	-41.31%
Other	7,143	3,177	3,966	124.83%
Total	\$ 575,814	\$ 559,785	\$ 16,029	2.86%

General Fund Expenditures by Object Fiscal Year 2018-19



The increase in labor and fringe benefits of \$5.1 million is primarily due to increases in health insurance costs and increases in salaries. Purchased services increased \$11.9 million, primarily due to an increase in the number of charter schools and the funding amounts distributed to them as well as an increase in services for plant maintenance. Materials and supplies decreased by \$1.9 million due to a decrease in instruction costs including textbooks. Increases in energy services, other expenditures, and a decrease in capital outlay account for the remaining increase of \$0.9 million.

Debt Service Fund – Other

The fund balance of the Debt Service – Other Fund was essentially unchanged, increasing only \$0.2 million from the prior year, as transfers in from other funds kept pace with small increases in scheduled principal and interest payments on long-term debt.

Capital Projects – Local Capital Improvement Fund

The fund balance of the Capital Projects – Local Capital Improvement Fund increased by \$3 million, or 16.3 percent, to \$21.1 million. Of the total fund balance, \$7.9 million has been encumbered for various projects. Revenues increased by \$5.6 million over the prior year as property values continue to increase in Brevard County. Operating transfers were \$46.2 million for the current year, an increase of \$3.4 million from the prior year. The majority of the transfers were made to the debt service funds to cover a portion of principal and interest payments on long-term debt.

Capital Projects – Local Sales Surtax Fund

The Capital Projects – Local Sales Surtax Fund was established in fiscal year 2014-15 to account for revenues generated by the sales surtax approved by voters in November 2014. The Capital Projects – Local Sales Surtax Fund had a total fund balance of \$73.6 million. Of the total fund balance,

\$13.6 million has been encumbered for various projects. Surtax collections during fiscal year 2018-19 were \$47.4 million, an increase of \$1.7 million from the prior year.

Capital Projects – Impact Fees Fund

The Capital Projects – Impact Fees Fund had a total fund balance of \$37.5 million. Of the total fund balance, \$2 million has been encumbered for various projects. Changes in this fund are due primarily to an increase in revenues. Impact fees for fiscal year 2018-19 were \$13.7 million, an increase of \$2.1 million over the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with Florida statutes and is based on the modified accrual basis of accounting, which is the same basis used to account for actual transactions. The most significant budgeted fund is the General Fund.

The District amends its budget throughout the fiscal year to reflect changes in available revenues and anticipated expenditures. General Fund expenditures were originally budgeted at \$562.5 million and actual expenditures were higher than the original budget by \$13.3 million, and \$29.3 million less than the amended budget. The amended budget increased expenditures \$42.6 million over the original budget. This increase in expenditures was offset through a \$4 million increase in other financing sources, \$4.3 million increase in total revenues, and a \$34.3 million reduction in the budgeted fund balance. During the fiscal year ended June 30, 2019, all governmental fund types were amended to reflect adjustments to appropriations due to changes in student counts, the addition of new education programs, adherence to policy directives, management initiatives, etc. These amendments were made as part of the routine budget process of the District, none of which were deemed to be significant by management.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District has \$796.4 million invested in capital assets net of depreciation, with virtually all of it attributed to governmental activities. This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles, and audio-visual materials and computer software, including those assets held in the Enterprise Fund.

The District placed \$32 million in new capital assets into service during fiscal year 2018-19. The majority of the acquisitions were capital improvements, furniture, computer equipment, and motor vehicles throughout the District. The District also incurred \$29.1 million on construction and renovation projects that it expects to complete in the next fiscal year. Depreciation of existing assets totaled \$41.8 million, with \$1.8 million directly charged to the transportation function. The District also retired \$8.3 million of unusable or obsolete furniture, equipment, motor vehicles, and computer software. Detailed information regarding capital asset activity is included in the notes to financial statements.

Long-Term Debt

At June 30, 2019, the District had a total of \$428.9 million in outstanding long-term debt, comprised of \$1.7 million of outstanding State Board of Education bonds issued on behalf of the District, and \$427.2 million in outstanding certificates of participation.

Detailed information regarding long-term debt activity can be found in the notes to financial statements.

OTHER MATTERS OF SIGNIFICANCE

The District adopted millage rates for the 2019-20 fiscal year in September 2019. The adopted rate for required local effort (RLE) was 3.838 mills, a decrease of 0.213 mills from the 2017-18 fiscal year. The adopted local levy of 0.748 mills and the capital outlay millage of 1.5 mills are unchanged from the 2018-19 fiscal year. The District also adopted its budget for the 2019-20 fiscal year in September 2019. Budgeted General Fund revenues are \$559.1 million, other financing sources of \$18.6 million and budgeted expenditures are \$563.7 million.

The State of Florida and the District experienced gradual improvement in the economy over the past year. The District has a long-standing practice of conservative spending and diligent monitoring of actual vs. budgeted expenditures. The District's strategic plan, approved in July 2016, reinforces this practice with objectives related to review of cost-saving measures and operational efficiency Districtwide on a continual basis.

REQUESTS FOR INFORMATION

This comprehensive annual financial report is designed to provide a general financial overview of the School Board of Brevard County, Florida. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School Board of Brevard County, Florida, Attn: Chief Financial Officer, or Director of Accounting Services at 2700 Judge Fran Jamieson Way, Viera, Florida 32940.

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BASIC FINANCIAL STATEMENTS

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

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 196,386,330	\$ 1,900	\$ 196,388,230	\$ 20,852,999
Investments	85,030,077	-	85,030,077	4,450,835
Receivables	1,201,241	95	1,201,336	324,716
Prepaid Items	3,708,762	-	3,708,762	2,633,169
Due from Other Agencies	18,168,172	-	18,168,172	1,142,321
Inventories	2,004,699	-	2,004,699	181,296
Deposits	-	-	-	258,993
Cash With Fiscal Agent	31,282,598	-	31,282,598	3,363,886
Capital Assets:				
Nondepreciable	88,427,354	-	88,427,354	18,656,497
Depreciable, Net	707,912,872	67,862	707,980,734	63,390,479
TOTAL ASSETS	1,134,122,105	69,857	1,134,191,962	115,255,191
DEFERRED OUTFLOWS OF RESOURCES				
Net Carrying Amount of Debt Refunding	14,893,000	-	14,893,000	2,611,125
Pensions	147,538,371	1,492,931	149,031,302	-
Other Postemployment Benefits	1,631,295	16,883	1,648,178	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	164,062,666	1,509,814	165,572,480	2,611,125
LIABILITIES				
Accounts, Contracts, and Retainage Payable	21,051,617	2,581	21,054,198	3,357,910
Accrued Salaries and Benefits	37,703,623	121,077	37,824,700	2,119,729
Due to Other Agencies	1,242,442	-	1,242,442	-
Matured Certificates Payable	18,275,000	-	18,275,000	-
Matured Interest Payable	9,217,999	-	9,217,999	-
Accrued Interest Payable	-	-	-	798,201
Unearned Revenue	1,662,535	-	1,662,535	40,041
Noncurrent Liabilities:				
Due Within 1 Year	43,069,711	59,843	43,129,554	1,511,118
Due After 1 Year	824,970,670	3,729,637	828,700,307	101,203,152
TOTAL LIABILITIES	957,193,597	3,913,138	961,106,735	109,030,151
DEFERRED INFLOWS OF RESOURCES				
Pensions	43,219,732	442,859	43,662,591	-
Other Postemployment Benefits	650,714	6,719	657,433	-
TOTAL DEFERRED INFLOWS OF RESOURCES	43,870,446	449,578	44,320,024	-
NET POSITION				
Net Investment in Capital Assets	377,558,374	67,862	377,626,236	(9,230,503)
Restricted for:				
State Required Carryover Programs	5,653,290	-	5,653,290	-
Food Service	10,538,282	-	10,538,282	215,118
Debt Service	4,326,932	-	4,326,932	6,216,024
Capital Projects	135,069,601	-	135,069,601	-
Other Purposes	-	-	-	6,488,346
Unrestricted (Deficit)	(236,025,751)	(2,850,907)	(238,876,658)	5,147,180
TOTAL NET POSITION	\$ 297,120,728	\$ (2,783,045)	\$ 294,337,683	\$ 8,836,165

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 414,212,365	\$ 173,025	\$ -	\$ -
Pupil Personnel Services	30,155,490	-	-	-
Instructional Media Services	8,197,849	-	-	-
Instruction and Curriculum Development Services	29,300,059	-	-	-
Instructional Staff Training Services	6,086,588	-	-	-
Instruction-Related Technology	11,034,077	-	-	-
School Board	1,093,006	-	-	-
General Administration	3,437,526	-	-	-
School Administration	41,684,070	-	-	-
Facilities Acquisition and Construction	20,623,546	-	-	2,313,945
Fiscal Services	3,374,382	-	-	-
Food Services	34,122,171	9,057,345	25,472,655	-
Central Services	7,390,954	-	-	-
Pupil Transportation Services	20,952,148	-	11,125,665	-
Operation of Plant	48,798,907	-	-	-
Maintenance of Plant	15,844,353	-	-	1,694,578
Administrative Technology Services	4,553,510	-	-	-
Community Services	1,932,592	-	-	-
Interest on Long-Term Debt	16,663,393	-	-	435,774
Unallocated Depreciation Expense*	39,980,546	-	-	-
Total Governmental Activities	759,437,532	9,230,370	36,598,320	4,444,297
Business-Type Activities:				
Extended Day Program	6,303,657	8,099,597	-	-
Total Primary Government	\$ 765,741,189	\$ 17,329,967	\$ 36,598,320	\$ 4,444,297
Component Units				
Total Nonmajor Component Units	\$ 63,863,952	\$ 1,179,957	\$ 4,857,860	\$ 2,377,356

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

Miscellaneous

Unrestricted Investment Earnings

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Adjustments to Net Position

Net Position - Beginning as Restated

Net Position - Ending

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

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (414,039,340)	\$ -	\$ (414,039,340)	\$ -
(30,155,490)	-	(30,155,490)	-
(8,197,849)	-	(8,197,849)	-
(29,300,059)	-	(29,300,059)	-
(6,086,588)	-	(6,086,588)	-
(11,034,077)	-	(11,034,077)	-
(1,093,006)	-	(1,093,006)	-
(3,437,526)	-	(3,437,526)	-
(41,684,070)	-	(41,684,070)	-
(18,309,601)	-	(18,309,601)	-
(3,374,382)	-	(3,374,382)	-
407,829	-	407,829	-
(7,390,954)	-	(7,390,954)	-
(9,826,483)	-	(9,826,483)	-
(48,798,907)	-	(48,798,907)	-
(14,149,775)	-	(14,149,775)	-
(4,553,510)	-	(4,553,510)	-
(1,932,592)	-	(1,932,592)	-
(16,227,619)	-	(16,227,619)	-
(39,980,546)	-	(39,980,546)	-
(709,164,545)	-	(709,164,545)	-
-	1,795,940	1,795,940	-
(709,164,545)	1,795,940	(707,368,605)	-
-	-	-	(55,448,779)
196,789,468	-	196,789,468	-
61,481,678	-	61,481,678	-
47,429,872	-	47,429,872	-
404,294,014	-	404,294,014	51,720,756
11,003,278	5,784	11,009,062	1,879,253
7,206,166	-	7,206,166	100,019
2,214,464	(2,214,464)	-	-
730,418,940	(2,208,680)	728,210,260	53,700,028
21,254,395	(412,740)	20,841,655	(1,748,751)
275,866,333	(2,370,305)	273,496,028	12,056,458
-	-	-	(1,471,542)
275,866,333	(2,370,305)	273,496,028	10,584,916
\$ 297,120,728	\$ (2,783,045)	\$ 294,337,683	\$ 8,836,165

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

	<u>General Fund</u>	<u>Debt Service - Other Fund</u>	<u>Capital Projects - Local Capital Improvement Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 85,005,857	\$ 4,253,482	\$ 14,251,523
Cash with Fiscal Agent	-	27,492,999	-
Investments	4,989,650	-	9,269,951
Accounts and Interest Receivable	514,177	40,534	165,459
Due from Other Agencies	1,313,830	-	17,711
Due from Budgetary Funds	5,596,878	-	59,095
Inventory	435,155	-	-
Prepaid Items	3,708,762	-	-
TOTAL ASSETS	<u>\$ 101,564,309</u>	<u>\$ 31,787,015</u>	<u>\$ 23,763,739</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts, Contracts, and Retainage Payable	\$ 5,965,808	\$ -	\$ 2,618,865
Accrued Salaries and Benefits	36,066,688	-	-
Due to Other Agencies	826,857	-	-
Due to Budgetary Funds	-	-	-
Unearned Revenue	1,265,975	-	-
Matured Certificates Payable	-	18,275,000	-
Matured Interest Payable	-	9,217,999	-
Total Liabilities	<u>44,125,328</u>	<u>27,492,999</u>	<u>2,618,865</u>
Fund Balances:			
Nonspendable	4,143,917	-	-
Restricted	5,653,290	4,294,016	21,144,874
Committed	1,952,952	-	-
Assigned	4,955,452	-	-
Unassigned	40,733,370	-	-
Total Fund Balances	<u>57,438,981</u>	<u>4,294,016</u>	<u>21,144,874</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 101,564,309</u>	<u>\$ 31,787,015</u>	<u>\$ 23,763,739</u>

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

Capital Projects - Local Sales Surtax Fund	Capital Projects - Impact Fees Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 42,579,244	\$ 22,792,918	\$ 18,335,893	\$ 187,218,917
-	3,756,683	32,916	31,282,598
30,272,521	12,148,145	-	56,680,267
146,711	-	135,047	1,001,928
8,530,577	-	8,306,054	18,168,172
-	-	-	5,655,973
-	-	1,569,544	2,004,699
-	-	-	3,708,762
<u>\$ 81,529,053</u>	<u>\$ 38,697,746</u>	<u>\$ 28,379,454</u>	<u>\$ 305,721,316</u>
\$ 7,975,077	\$ 1,210,482	\$ 2,949,262	\$ 20,719,494
-	-	1,636,935	37,703,623
-	-	415,585	1,242,442
-	-	4,834,933	4,834,933
-	-	396,560	1,662,535
-	-	-	18,275,000
-	-	-	9,217,999
<u>7,975,077</u>	<u>1,210,482</u>	<u>10,233,275</u>	<u>93,656,026</u>
-	-	1,569,544	5,713,461
73,553,976	37,487,264	16,138,623	158,272,043
-	-	-	1,952,952
-	-	438,012	5,393,464
-	-	-	40,733,370
<u>73,553,976</u>	<u>37,487,264</u>	<u>18,146,179</u>	<u>212,065,290</u>
<u>\$ 81,529,053</u>	<u>\$ 38,697,746</u>	<u>\$ 28,379,454</u>	<u>\$ 305,721,316</u>

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

Total Fund Balances - Governmental Funds \$ 212,065,290

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.

Total capital assets not being depreciated	\$ 88,427,354	
Total capital assets being depreciated	1,692,870,033	
Total net capital assets presented in internal service funds	(1,284,264)	
Total accumulated depreciation	<u>(984,957,161)</u>	795,055,962

The difference between the reacquisition price and the net carrying amount of refunded debt is reported as a deferred outflow of resources in the government-wide statements and amortized over the life of the debt, but is not reported in governmental funds. 14,893,000

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 19,676,333

Deferred outflows and inflows of resources related to the net pension liability are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.

Deferred Outflows Related to Pensions	\$ 147,538,371	
Deferred Inflows Related to Pensions	<u>(43,219,732)</u>	104,318,639

Deferred outflows and inflows of resources related to the net other postemployment benefits (OPEB) are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.

Deferred Outflows Related to OPEB	\$ 1,631,295	
Deferred Inflows Related to OPEB	<u>(650,714)</u>	980,581

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

Bonds Payable	\$ (1,718,231)	
Certificates of Participation Payable	(427,141,442)	
Compensated Absences Payable	(42,019,458)	
Other Postemployment Benefits Payable	(17,669,395)	
Net Pension Liability	<u>(361,320,551)</u>	<u>(849,869,077)</u>

Net Position - Governmental Activities **\$ 297,120,728**

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

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

	General Fund	Debt Service - Other Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Local Sources:			
Ad Valorem Taxes	\$ 196,789,468	\$ -	\$ 61,481,678
Local Sales Taxes	-	-	-
Food Service Sales	-	-	-
Investment Income	2,858,818	164,729	1,068,402
Impact Fees	-	-	-
Other	9,297,195	-	10,259
Total Local Revenues	208,945,481	164,729	62,560,339
State Sources:			
Florida Education Finance Program	245,026,986	-	-
Workforce Development	3,860,170	-	-
Categorical Programs	83,910,092	-	-
Public Education Capital Outlay	-	-	-
Food Services	-	-	-
Other	9,673,062	-	-
Total State Sources	342,470,310	-	-
Federal Sources:			
Federal Direct	786,547	-	-
Other Federal Grants	2,278,768	-	-
Food Services	-	-	-
Total Federal Sources	3,065,315	-	-
Total Revenues	554,481,106	164,729	62,560,339
Expenditures			
Current - Education:			
Instruction	375,141,687	-	-
Pupil Personnel Services	23,438,558	-	-
Instructional Media Services	7,797,143	-	-
Instruction and Curriculum Development Services	15,196,882	-	-
Instructional Staff Training Services	2,653,016	-	-
Instruction-Related Technology	8,561,839	-	-
School Board	1,063,766	-	-
General Administration	1,354,871	-	-
School Administration	39,612,611	-	-
Facilities Acquisition and Construction	2,326,474	-	8,261,610
Fiscal Services	3,185,416	-	-
Food Services	491,668	-	-
Central Services	7,065,300	-	-
Pupil Transportation Services	18,297,498	-	-
Operation of Plant	47,367,060	-	-
Maintenance of Plant	15,468,839	-	-
Administrative Technology Services	4,379,070	-	-
Community Services	789,326	-	-
Capital Outlay:			
Facilities Acquisition and Construction	-	-	3,943,489
Other Capital Outlay	1,623,298	-	1,199,677
Debt Service:			
Principal	-	18,275,000	-
Interest and Fiscal Charges	-	18,481,546	-
Total Expenditures	575,814,322	36,756,546	13,404,776
Excess (Deficiency) of Revenues Over Expenditures	(21,333,216)	(36,591,817)	49,155,563
Other Financing Sources (Uses)			
Transfers In	21,126,147	36,750,187	-
Transfers Out	(2,500,000)	-	(46,195,090)
Loss Recoveries	1,823,726	-	-
Total Other Financing Sources (Uses)	20,449,873	36,750,187	(46,195,090)
Net Change in Fund Balances	(883,343)	158,370	2,960,473
Fund Balances, Beginning	58,322,324	4,135,646	18,184,401
Fund Balances, Ending	\$ 57,438,981	\$ 4,294,016	\$ 21,144,874

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

Capital Projects - Local Sales Surtax Fund	Capital Projects - Impact Fees Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 258,271,146
47,429,873	-	-	47,429,873
-	-	9,510,027	9,510,027
1,475,136	519,042	-	6,086,127
-	13,734,323	-	13,734,323
4,099	-	188,539	9,500,092
48,909,108	14,253,365	9,698,566	344,531,588
-	-	-	245,026,986
-	-	-	3,860,170
-	-	-	83,910,092
-	-	4,750,036	4,750,036
-	-	340,223	340,223
-	-	3,473,189	13,146,251
-	-	8,563,448	351,033,758
-	-	5,639,005	6,425,552
-	-	45,529,971	47,808,739
-	-	25,132,432	25,132,432
-	-	76,301,408	79,366,723
48,909,108	14,253,365	94,563,422	774,932,069
-	-	23,048,024	398,189,711
-	-	5,594,755	29,033,313
-	-	26,758	7,823,901
-	-	12,758,009	27,954,891
-	-	3,259,077	5,912,093
-	-	2,073,478	10,635,317
-	-	4,205	1,067,971
-	-	2,057,480	3,412,351
-	-	175,917	39,788,528
7,463,688	152,597	2,819,547	21,023,916
-	-	39,334	3,224,750
-	-	32,982,357	33,474,025
-	-	1,496	7,066,796
-	-	216,279	18,513,777
-	-	260,055	47,627,115
-	-	1,375	15,470,214
-	-	-	4,379,070
-	-	1,068,545	1,857,871
17,860,104	4,479,833	2,402,691	28,686,117
911,997	9,870	2,757,288	6,502,130
-	-	366,000	18,641,000
-	-	84,677	18,566,223
26,235,789	4,642,300	91,997,347	748,851,080
22,673,319	9,611,065	2,566,075	26,080,989
-	-	2,269,437	60,145,771
-	(5,200,112)	(6,536,105)	(60,431,307)
-	-	-	1,823,726
-	(5,200,112)	(4,266,668)	1,538,190
22,673,319	4,410,953	(1,700,593)	27,619,179
50,880,657	33,076,311	19,846,772	184,446,111
\$ 73,553,976	\$ 37,487,264	\$ 18,146,179	\$ 212,065,290

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

Net Change in Fund Balances - Governmental Funds **\$ 27,619,179**

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

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

Capital Outlay - Facilities, Acquisition, and Construction	\$ 28,686,117	
Capital Outlay - Other	6,502,130	
Other Adjustments	1,319,099	
Less, Depreciation Expense	<u>(41,748,699)</u>	(5,241,353)

Certain issuance costs and premiums for new debt issues are reported when issued as expenditures and other financing sources in the governmental funds, but are deferred and amortized over the term of the debt in the statement of activities.

Deferred Outflow:		
Current Year	\$ 14,893,000	
Prior Year	<u>16,259,700</u>	(1,366,700)
Unamortized Premiums:		
Current Year	\$ (36,917,673)	
Prior Year	<u>(40,187,203)</u>	3,269,530

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of the repayment of debt principal in the current fiscal year.

Payment of Principal - Certificates of Participation	\$ 18,275,000	
Payment of Principal - Bonds	<u>366,000</u>	18,641,000

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 fiscal year. (500,870)

In the statement of activities, the cost of other postemployment benefits is a measurement of the amortized unfunded actuarial calculation of deferred inflows and deferred outflows until amounts are actually paid for other postemployment benefits. This is the amount of deferred inflows, deferred outflows, and liability activity related to other postemployment benefits.

Deferred Outflows Related to OPEB - Current Year	\$ 1,631,295	
Deferred Outflows Related to OPEB - Prior Year	<u>1,821,990</u>	(190,695)
OPEB Liability - Current Year	\$ (17,669,395)	
OPEB Liability - Prior Year	<u>(18,112,951)</u>	443,556
Deferred Inflows Related to OPEB - Current Year	\$ (650,714)	
Deferred Inflows Related to OPEB - Prior Year	<u>(658,918)</u>	8,204

Contributions to the Florida Retirement System are recorded as expenditures in the funds when paid. In the statement of activities, pension contributions are included in the Plan's actuarial calculation of the deferred inflows and deferred outflows until benefits are paid to plan participants. This is the amount of deferred inflows, deferred outflows, and liability activity related to pensions.

Deferred Outflows Related to Pensions - Current Year	\$ 147,538,371	
Deferred Outflows related to Pensions - Prior Year	<u>152,450,180</u>	(4,911,809)
Pension Liability - Current Year	\$ (361,320,551)	
Pension Liability - Prior Year	<u>(363,180,587)</u>	1,860,036
Deferred Inflows Related to Pensions - Current Year	\$ (43,219,732)	
Deferred Inflows Related to Pensions - Prior Year	<u>(28,319,342)</u>	(14,900,390)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The change in net position of internal service funds is reported with governmental activities. (3,475,293)

Change in Net Position - Governmental Activities **\$ 21,254,395**

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

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Brevard County District School Board
Statement of Revenues, Expenditures and Changes in Fund Balance
- Budget and Actual - General Fund
For the Fiscal Year Ended June 30, 2019

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Local Sources:				
Ad Valorem Taxes	\$ 194,601,716	\$ 196,789,468	\$ 196,789,468	\$ -
Investment Income	278,893	2,858,818	2,858,818	-
Other	6,425,404	9,297,195	9,297,195	-
Total Local Revenues	201,306,013	208,945,481	208,945,481	-
State Sources:				
Florida Education Finance Program	255,253,319	245,026,986	245,026,986	-
Categorical Programs	85,101,306	83,910,092	83,910,092	-
Workforce Development	3,860,170	3,860,170	3,860,170	-
Other	2,039,371	9,673,062	9,673,062	-
Total State Sources	346,254,166	342,470,310	342,470,310	-
Federal Sources:				
Federal Direct	694,794	786,547	786,547	-
Other Federal Grants	1,889,592	2,278,768	2,278,768	-
Total Federal Sources	2,584,386	3,065,315	3,065,315	-
Total Revenues	550,144,565	554,481,106	554,481,106	-
Expenditures				
Current - Education:				
Instructional Services:				
Salaries	232,744,025	237,556,001	233,861,474	3,694,527
Employee Benefits	64,422,561	65,535,072	64,234,737	1,300,335
Purchased Services	59,019,033	62,826,115	60,550,337	2,275,778
Energy Services	1,000	295	148	147
Materials and Supplies	10,959,919	16,315,013	9,503,505	6,811,508
Capital Outlay	2,006,323	3,362,546	1,221,504	2,141,042
Other Expenditures	3,086,216	6,609,732	5,769,982	839,750
Total Instructional Services	372,239,077	392,204,774	375,141,687	17,063,087
Pupil Personnel Services:				
Salaries	13,064,807	14,074,146	13,812,951	261,195
Employee Benefits	3,571,979	3,793,327	3,716,384	76,943
Purchased Services	6,688,774	6,381,034	5,725,391	655,643
Materials and Supplies	112,813	194,140	172,352	21,788
Capital Outlay	5,550	12,407	4,629	7,778
Other Expenditures	1,350	7,699	6,851.00	848
Total Pupil Personnel Services	23,445,273	24,462,753	23,438,558	1,024,195
Instructional Media Services:				
Salaries	5,205,092	5,601,701	5,633,430	(31,729)
Employee Benefits	1,611,213	1,695,611	1,664,241	31,370
Purchased Services	65,100	114,957	104,054	10,903
Materials and Supplies	31,906	106,967	67,091	39,876
Capital Outlay	352,226	413,130	325,942	87,188
Other Expenditures		3,951	2,385	1,566
Total Instructional Media Services	7,265,537	7,936,317	7,797,143	139,174

(continued)

Brevard County District School Board
Statement of Revenues, Expenditures and Changes in Fund Balance
– Budget and Actual – General Fund (continued)
For the Fiscal Year Ended June 30, 2019

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Instruction and Curriculum Development Services:				
Salaries	\$ 10,342,213	\$ 11,761,924	\$ 11,434,527	\$ 327,397
Employee Benefits	2,846,566	3,114,114	3,000,165	113,949
Purchased Services	314,091	586,708	532,063	54,645
Materials and Supplies	32,910	104,561	77,220	27,341
Capital Outlay	46,254	78,057	39,943	38,114
Other Expenditures	48,500	125,599	112,964	12,635
Total Instruction and Curriculum Development Services	13,630,534	15,770,963	15,196,882	574,081
Instructional Staff Training Services:				
Salaries	1,267,076	1,600,309	1,362,668	237,641
Employee Benefits	296,287	276,067	276,889	(822)
Purchased Services	158,709	956,682	676,459	280,223
Materials and Supplies	25,117	455,952	139,479	316,473
Capital Outlay	1,143	7,336	7,462	(126)
Other Expenditures	5,950	264,848	190,059	74,789
Total Instructional Staff Training Services	1,754,282	3,561,194	2,653,016	908,178
Instruction-Related Technology:				
Salaries	5,750,072	6,069,001	6,029,264	39,737
Employee Benefits	1,536,711	1,606,053	1,633,511	(27,458)
Purchased Services	1,204,690	1,656,912	890,474	766,438
Materials and Supplies	-	7,255	7,104	151
Capital Outlay	-	1,604	1,486	118
Total Instruction-Related Technology	8,491,473	9,340,825	8,561,839	778,986
School Board:				
Salaries	545,368	548,335	463,403	84,932
Employee Benefits	521,324	521,705	294,283	227,422
Purchased Services	194,520	281,757	275,871	5,886
Materials and Supplies	2,750	2,750	642	2,108
Capital Outlay	1,050	1,050	200	850
Other Expenditures	28,930	34,610	29,367	5,243
Total School Board	1,293,942	1,390,207	1,063,766	326,441
General Administration:				
Salaries	538,168	580,563	569,089	11,474
Employee Benefits	173,333	182,672	186,991	(4,319)
Purchased Services	506,501	504,712	460,155	44,557
Materials and Supplies	20,200	52,171	21,718	30,453
Capital Outlay	7,500	16,595	15,849	746
Other Expenditures	29,528	100,996	101,069	(73)
Total General Administration	1,275,230	1,437,709	1,354,871	82,838
School Administration:				
Salaries	28,331,470	29,327,099	29,490,105	(163,006)
Employee Benefits	8,847,357	9,188,588	9,222,532	(33,944)
Purchased Services	634,061	694,295	651,136	43,159
Materials and Supplies	84,920	227,879	102,502	125,377
Capital Outlay	9,223	153,627	132,696	20,931
Other Expenditures	5,314	19,597	13,640	5,957
Total School Administration	37,912,345	39,611,085	39,612,611	(1,526)

(continued)

Brevard County District School Board
Statement of Revenues, Expenditures and Changes in Fund Balance
– Budget and Actual – General Fund (continued)
For the Fiscal Year Ended June 30, 2019

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Facilities Acquisition and Construction:				
Salaries	\$ 666,127	\$ 834,753	\$ 582,506	\$ 252,247
Employee Benefits	180,111	204,883	140,006	64,877
Purchased Services	65,400	1,106,407	93,966	1,012,441
Materials and Supplies	11,250	31,546	27,520	4,026
Capital Outlay	10,200	235,925	1,267,761	(1,031,836)
Other Expenditures	5,250	215,288	214,715	573
Total Facilities Acquisition and Construction	938,338	2,628,802	2,326,474	302,328
Fiscal Services:				
Salaries	2,199,806	2,421,219	2,234,467	186,752
Employee Benefits	609,605	681,800	635,696	46,104
Purchased Services	309,413	296,860	237,509	59,351
Materials and Supplies	6,859	9,440	1,817	7,623
Capital Outlay	9,600	6,010	5,792	218
Other Expenditures	56,500	64,502	70,135	(5,633)
Total Fiscal Services	3,191,783	3,479,831	3,185,416	294,415
Food Services:				
Salaries	131,490	453,326	457,885	(4,559)
Employee Benefits	40,793	33,067	33,783	(716)
Materials and Supplies	-	9,780	-	9,780
Total Food Services	172,283	496,173	491,668	4,505
Central Services:				
Salaries	4,221,203	4,554,237	4,341,201	213,036
Employee Benefits	1,203,708	1,286,510	1,251,966	34,544
Purchased Services	248,745	1,171,224	823,074	348,150
Energy Services	-	108	108	-
Materials and Supplies	435,322	413,708	353,565	60,143
Capital Outlay	24,775	42,940	35,706	7,234
Other Expenditures	567,228	796,174	259,680	536,494
Total Central Services	6,700,981	8,264,901	7,065,300	1,199,601
Pupil Transportation Services:				
Salaries	9,799,297	10,273,764	10,568,891	(295,127)
Employee Benefits	3,902,275	4,117,920	3,941,724	176,196
Purchased Services	924,902	1,049,222	915,687	133,535
Energy Services	2,617,157	2,737,352	1,786,094	951,258
Materials and Supplies	1,230,878	1,153,333	1,045,334	107,999
Capital Outlay	69,676	42,415	31,395	11,020
Other Expenditures	6,480	12,062	8,373	3,689
Total Pupil Transportation Services	18,550,665	19,386,068	18,297,498	1,088,570
Operation of Plant:				
Salaries	17,103,794	18,427,486	18,008,532	418,954
Employee Benefits	6,291,263	6,597,471	6,468,301	129,170
Purchased Services	10,149,734	10,223,957	9,966,360	257,597
Energy Services	11,394,039	12,225,767	11,757,759	468,008
Materials and Supplies	1,059,158	1,283,052	1,022,708	260,344
Capital Outlay	37,247	147,028	135,207	11,821
Other Expenditures	10,000	9,048	8,193	855
Total Operation of Plant	46,045,235	48,913,809	47,367,060	1,546,749
				(continued)

Brevard County District School Board
Statement of Revenues, Expenditures and Changes in Fund Balance
– Budget and Actual – General Fund (continued)
For the Fiscal Year Ended June 30, 2019

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Maintenance of Plant:				
Salaries	\$ 5,957,185	\$ 6,242,645	\$ 5,885,616	\$ 357,029
Employee Benefits	1,986,383	2,087,549	1,955,547	132,002
Purchased Services	1,427,985	5,019,748	4,123,935	895,813
Energy Services	594,900	427,855	415,354	12,501
Materials and Supplies	4,336,147	3,135,188	2,884,168	251,020
Capital Outlay	89,638	204,478	181,304	23,174
Other Expenditures	26,700	23,747	22,915	832
Total Maintenance of Plant	14,418,938	17,141,210	15,468,839	1,672,371
Administrative Technology Services:				
Salaries	2,364,912	2,481,235	2,430,064	51,171
Employee Benefits	658,011	687,805	670,175	17,630
Purchased Services	915,390	1,359,805	1,230,382	129,423
Materials and Supplies	18,144	21,144	16,158	4,986
Capital Outlay	135,122	68,926	17,401	51,525
Other Expenditures	7,500	15,151	14,890	261
Total Administrative Technology Services	4,099,079	4,634,066	4,379,070	254,996
Community Services:				
Salaries	99,945	323,076	291,498	31,578
Employee Benefits	25,392	53,386	45,027	8,359
Purchased Services	64,583	101,564	103,637	(2,073)
Materials and Supplies	-	33,977	29,031	4,946
Capital Outlay	-	2,217	2,217	-
Other Expenditures	-	327,556	317,916	9,640
Total Community Services	189,920	841,776	789,326	52,450
Capital Outlay:				
Facilities Acquisition and Construction	18,500	1,528,129	-	1,528,129
Other Capital Outlay	878,073	2,115,615	1,623,298	492,317
Total Capital Outlay	896,573	3,643,744	1,623,298	2,020,446
Total Expenditures	562,511,488	605,146,207	575,814,322	29,331,885
Excess (Deficiency) of Revenues Over Expenditures	(12,366,923)	(50,665,101)	(21,333,216)	29,331,885
Other Financing Sources (Uses)				
Transfers In	16,469,131	21,126,147	21,126,147	-
Transfers Out	-	(2,500,000)	(2,500,000)	-
Loss Recoveries	-	1,823,726	1,823,726	-
Total Other Financing Sources (Uses)	16,469,131	20,449,873	20,449,873	-
Net Change in Fund Balances	4,102,208	(30,215,228)	(883,343)	29,331,885
Fund Balances, Beginning	58,322,324	58,322,324	58,322,324	-
Fund Balances, Ending	\$ 62,424,532	\$ 28,107,096	\$ 57,438,981	\$ 29,331,885

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

Brevard County District School Board
Statement of Net Position – Proprietary Funds
June 30, 2019

	Business-type Activities - Enterprise Fund Extended Day Program	Governmental Activities - Internal Service Funds Self-Insurance Programs
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,900	\$ 9,167,413
Investments	-	28,349,810
Accounts Receivable	95	5,260
Other Receivables	-	194,053
Total Current Assets	1,995	37,716,536
Noncurrent Assets:		
Depreciable Capital Assets, Net	67,862	1,284,264
TOTAL ASSETS	69,857	39,000,800
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	16,883	-
Pensions	1,492,931	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,509,814	-
LIABILITIES		
Current Liabilities:		
Accrued Salaries and Benefits	121,077	-
Accounts Payable	2,581	332,123
Due to Budgetary Funds	-	821,040
Compensated Absences Payable	14,561	-
Estimated Insurance Claims Payable	-	8,045,584
Net Pension Liability	28,800	-
Other Postemployment Benefits Payable	16,482	-
Total Current Liabilities	183,501	9,198,747
Noncurrent Liabilities:		
Compensated Absences Payable	219,526	-
Estimated Insurance Claims Payable	-	10,125,720
Net Pension Liability	3,344,088	-
Other Postemployment Benefits Payable	166,023	-
Total Noncurrent Liabilities	3,729,637	10,125,720
TOTAL LIABILITIES	3,913,138	19,324,467
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	6,719	-
Pensions	442,859	-
TOTAL DEFERRED INFLOWS OF RESOURCES	449,578	-
NET POSITION		
Investment in Capital Assets	67,862	1,284,264
Unrestricted (Deficit)	(2,850,907)	18,392,069
TOTAL NET POSITION	\$ (2,783,045)	\$ 19,676,333

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

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

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Extended Day Program	Self-Insurance Programs
OPERATING REVENUES		
Charges for Services	\$ 8,099,597	\$ -
Premium Revenues	-	71,200,248
Other Operating Revenue	5,784	69
Total Operating Revenues	8,105,381	71,200,317
OPERATING EXPENSES		
Salaries	4,116,449	685,405
Employee Benefits	1,210,535	202,119
Purchased Services	399,103	1,493,202
Energy Services	-	6,271
Materials and Supplies	449,244	24,102
Capital Outlay	64,140	8,998
Claims Expense	-	75,847,199
Depreciation	12,555	28,353
Other	51,631	-
Total Operating Expenses	6,303,657	78,295,649
Operating Income (Loss)	1,801,724	(7,095,332)
NONOPERATING REVENUES		
Investment Earnings	-	1,120,039
Income (Loss) Before Transfers	1,801,724	(5,975,293)
Transfers In	-	2,500,000
Transfers Out	(2,214,464)	-
Change in Net Position	(412,740)	(3,475,293)
Total Net Position - Beginning	(2,370,305)	23,151,626
Total Net Position - Ending	\$ (2,783,045)	\$ 19,676,333

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

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

	Business-type Activities - Enterprise Fund Extended Day Program	Governmental Activities - Internal Service Funds Self-Insurance Programs
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Services	\$ 8,100,367	\$ -
Cash Received from Premiums	-	71,201,966
Cash Payments to Suppliers for Goods and Services	(898,240)	-
Cash Payments to Employees for Services	(5,133,503)	(887,524)
Cash Payments for Insurance Claims	-	(75,201,170)
Other Receipts	-	61,675
Other Payments	(58,356)	(1,935,516)
Net Cash Provided (Used) by Operating Activities	2,010,268	(6,760,569)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from Other Funds	-	3,321,040
Transfer to Other Funds	(2,214,464)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(2,214,464)	3,321,040
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	(18,710)	(6,567)
Net Cash Used by Noncapital Financing Activities	(18,710)	(6,567)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	-	(1,643,990)
Interest Income	-	1,120,039
Net Cash Used by Investing Activities	-	(523,951)
Net Decrease in Cash and Cash Equivalents	(222,906)	(3,970,047)
Cash and Cash Equivalents, Beginning	224,806	13,137,460
Cash and Cash Equivalents, Ending	\$ 1,900	\$ 9,167,413
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 1,801,724	\$ (7,095,332)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	12,555	28,353
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:		
Other Receivables	-	(63,506)
Accounts Receivable	(95)	1,718
Due from Other Agencies	865	-
Accrued Salaries and Benefits	1,334	-
Accounts Payable	1,738	(277,831)
Compensated Absences Payable	16,708	-
Estimated Insurance Claims Payable	-	646,029
Net Pension Liability	(19,640)	-
Other Postemployment Benefits Payable	(4,480)	-
Deferred Outflows of Resources Related to OPEB	1,926	-
Deferred Inflows of Resources Related to OPEB	(83)	-
Deferred Outflows of Resources Related to Pensions	47,207	-
Deferred Inflows of Resources Related to Pensions	150,509	-
Total Adjustments	208,544	334,763
Net Cash Provided (Used) by Operating Activities	\$ 2,010,268	\$ (6,760,569)

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

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

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>7,553,262</u>
LIABILITIES	
Internal Accounts Payable	\$ <u>7,553,262</u>

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Brevard County School District (District) is a part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the District. The general operating authority of the Board and the Superintendent is contained in Chapters 1000 through 1013, Florida Statutes. Geographic boundaries of the District correspond with those of Brevard County.

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any legally separate entities for which the 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 or incomplete.

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

Blended Component Unit. The Brevard County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in a subsequent note. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

Discretely Presented Component Units. The component units columns in the government-wide financial statements include the financial data of the Brevard Schools Foundation, Inc. (Foundation) and the District's charter schools for the fiscal year ended June 30, 2019.

The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes. Its purpose is to receive, hold, invest, and administer property and to make expenditures to and for the benefit of students in public kindergarten through twelfth grade at Brevard Public Schools. The Foundation is considered a component unit due to its significant relationship with the School Board. The Foundation's Board of Directors are approved by the District School Board.

The District's charter schools are separate not-for-profit corporations organized and operating as charter schools under Section 1002.33, Florida Statutes. Charter schools operate under a charter

approved by the Brevard School Board as sponsor. The Florida Department of Education has determined that charter schools should be reported as component units of the District, as they are dependent on the School Board for their tax levy, which is a major source of their revenue. There is also a potential for charter schools to provide specific financial benefits or impose specific financial burdens on the District.

The financial data reported on the accompanying statements was derived from the audited financial statements of the Foundation and charter schools, for the fiscal year ended June 30, 2019. The audit reports are filed in the District's administrative offices, located at 2700 Judge Fran Jamieson Way, Melbourne, FL 32940.

During the fiscal year ended June 30, 2019, there were 12 charter schools under the sponsorship of the School Board of Brevard County and reported as component units of the District. The schools are listed below:

- Brevard Innovative Charter Schools, Inc. d/b/a/ Sculptor Charter School
- Educational Horizons, Inc. d/b/a/ Educational Horizons Charter School
- Emma Jewel Charter School, Inc. d/b/a/ Emma Jewel Academy
- Legacy Academy Charter, Inc.
- Milestones Community School, Inc. d/b/a/ Imagine Schools at West Melbourne
- Odyssey Charter School, Inc. d/b/a/ Odyssey Charter School
- Odyssey Charter School, Inc. d/b/a/ Odyssey Preparatory Academy
- Palm Bay Academy, Inc.
- Pineapple Cove Classical Academy, Inc.
- Pineapple Cove Classical Academy at West Melbourne, Inc.
- Royal Palm Charter School, Inc. d/b/a/ Royal Palm Charter School
- Viera Charter School, Inc.

B. Measurement Focus, Basis of Presentation, and Financial Statement Presentation

Government-wide Financial Statements – Government-wide financial statements include the statement of net position and the statement of activities, and present information about the District as a whole. These statements include the financial activity of the primary government, which distinguish between governmental activities and business-type activities of the District. The governmental activities column presents data from governmental funds and internal service funds, while business activities present data from the district's enterprise fund. Separate presentation is also provided for fiduciary funds, even though they are excluded from the government-wide statements.

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 and for the business-type 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 Transportation Department is allocated to the pupil

transportation services function, while remaining depreciation expense is not 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 and the business-type activity is self-financing or draws from the general revenues of the District.

The District eliminates, from the statement of net position and the statement of activities, most interfund receivables and payables and transfers between funds to minimize the effect of duplication. The effect of interfund activities has been eliminated from the government-wide statements, except for interfund services provided and used.

Fund Financial Statements – Fund financial statements report detailed information about the District in the governmental, proprietary, and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and reported in a single column. Internal service funds are combined, and the totals are presented in a single column on the face of the proprietary funds financial statements.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

All proprietary funds are based on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the statement of net position. Proprietary funds' operating statements present increases (revenues) and decreases (expenses) in net position and use the accrual basis of accounting.

Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, reconciliations are presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

- **General Fund** – to account for all financial resources not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes. The General Fund is the primary operating fund.
- **Debt Service – Other Fund** – to account for the accumulation of resources for, and the payment of, principal, interest, and related costs for the District's certificates of participation.
- **Capital Projects – Local Capital Improvement Fund** – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, debt service payments for certificates of participation,

equipment purchases, costs of leasing portable educational facilities, maintenance of existing District Schools, and renovation and remodeling projects.

- Capital Projects – Local Sales Surtax Fund – to account for the financial resources generated by the local sales surtax levied by the District for critical educational capital outlay needs, such as security, technology, and existing facilities renovation and remodeling projects.
- Capital Projects – Impact Fees Fund – to account for capital projects financed with the District's impact fees.

The District reports the following nonmajor governmental funds:

- Special Revenue – Food Services Fund – to account for the financial resources of the school food services program.
- Debt Service – SBE/COBI Bonds Fund – to account for payment of debt service for State school bonds issued by the State Board of Education on behalf of the District.
- Capital Projects – Public Education Capital Outlay (PECO) Fund – to account for capital projects financed through the District's allocation of the State Public Education Capital Outlay program.
- Capital Projects – Capital Outlay and Debt Service Fund – to account for capital projects financed through the District's allocation of the State Capital Outlay and Debt Service program.
- Special Revenue – Contracted Programs Fund – to account for programs funded by Federal and State sources that are segregated due to legal or regulatory restrictions.
- Capital Projects – Other Capital Projects Fund – to account for financial resources generated by miscellaneous capital outlay funding sources, such as fuel tax receipts, and other miscellaneous local sources. Funds are used by capital outlay needs such as new construction, remodel, renovation, and debt service.

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

- Internal Service Funds – to account for the District's individual self-insurance programs, including medical, workers' compensation, and general liability.
- Enterprise Fund – Extended Day Program – to account for business-type activities for extended day care services which are provided by all of the District's elementary schools. This fund is intended to be self-supporting through customer charges.
- Agency Funds – to account for resources of the school internal funds collected at District schools in connection with school, student athletic, class, and club activities. Agency funds are custodial in nature (assets equal liabilities) and do not include the measurement of the results of operations.

C. Basis of Accounting

Basis of accounting refers to a method by which 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. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources.

Government-wide financial statements are prepared using the economic resources method and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which

they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the current resources measurement focus and 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 revenues to be available if they are collected within 45 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, other postemployment benefits, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisition under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Proprietary funds are prepared under the economic resource measurement focus and accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating. Operating revenues and expenses generally result from providing goods and services as a part of normal ongoing operations. The principal operating revenues for the District's internal service funds for self-insurance are health and workers' compensation benefits. The principal operational expenses are insurance claims, personnel, and other administrative costs attributed to the fund.

Enterprise fund operating revenues are charges for extended daycare services. Operating expenses include costs associated with providing daycare services, including salaries, employee benefits, and supplies. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary funds are used to account for assets held in a trust or agency capacity, on behalf of outside organizations and for the benefit of other funds within the District and do not support the District's own programs. Fiduciary funds are prepared under the economic resource measurement focus and accrual basis of accounting.

Charter schools are reported as discretely presented component units and follow the same accounting model as the District's governmental activities.

The Foundation is accounted for as a not-for-profit corporation, organized exclusively for educational and charitable purposes as described in Section 501(c)(3) of the Internal Revenue Code and follows the standards issued by the Financial Accounting Standards Board. The Foundation follows the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

D. Accounting Pronouncements

The GASB issued Statement No. 83, *Certain Retirement Obligations* (GASB 83), effective for fiscal years beginning after June 15, 2018. The primary objective of GASB Statement No. 83 is to establish criteria for determining the timing and pattern of recognition of liabilities and corresponding deferred outflow of resources for certain asset retirement obligations that require the performance of asset retirement activities. This statement currently has no impact on the District's financial statements.

The GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84), effective for fiscal years beginning after December 15, 2018. The primary objective of GASB No. 84 is to establish criteria for identifying fiduciary activities of all State and local governments. The focus is on whether a government is controlling the assets of the fiduciary activity and if the beneficiaries with whom the fiduciary relationship exists. The District is currently evaluating the impact of this Statement to the District's financial statements.

The GASB issued Statement No. 87, *Leases* (GASB 87), effective for fiscal years beginning after December 15, 2019. The primary objective of this Statement is to require recognition of certain lease assets and liabilities for lease that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB 87 will establish a single model of lease accounting based on the principle that leases are financings of the right to use an underlying asset. The District is currently evaluating the impact of this Statement on the District's financial statements.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* (GASB 88), effective for fiscal years beginning after June 15, 2018. The primary objective of the Statement is to improve the information that is disclosed in notes to the governmental financial statements related to debt, including direct borrowings and direct placements. The District has implemented this Statement for the current fiscal year.

The GASB issued Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period* (GASB 89), effective for fiscal years beginning after December 15, 2019. The primary objective of the Statement is to improve financial reporting information related to capital assets and the cost of borrowing during a reporting period for both governmental and business-type activities. GASB Statement No. 89 will have no impact of the District's financial statements.

The GASB issued Statement No. 90, *Majority Equity Interest, An Amendment of GASB Statements No. 14 and No.61*, (GASB 90) effective for fiscal years beginning after December 15, 2018. The primary objective of the Statement is to provide users of financial statements with information related to the presentation of majority equity interests in legally separate organizations. This statement currently has no impact on the District's financial statements.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the

date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

F. Deposits and Investments

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits held in the name of the School Board of Brevard County 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 Statutes. The statement of cash flows considers cash and cash equivalents as amounts included in demand deposits, all highly liquid investments with an original maturity of 3 months or less, cash held by fiscal agents, and amounts held on deposit in money market accounts.

Investments include U.S. Government securities, collateralized repurchase agreements, money market mutual funds, corporate notes, and commercial paper which are carried at fair value based on quoted market prices or an amortized cost that is equally equivalent to fair value. All money market mutual funds are AAA rated by the various rating agencies. Rule 2a-7 of the Investment Company Act of 1940 comprises the rules governing money market funds, and includes the Florida Public Assets for Liquidity Management (FL PALM) investments authorized in Section 163.01, Florida Statutes. The District relies on policies developed by the FL PALM's Board of Trustees for managing interest and credit risk. Investments held at year end are disclosed in a subsequent note.

G. Receivables and Payables

The District reports lending and borrowing arrangements that are outstanding as of June 30 of each fiscal year as "Due to/Due from other funds." Residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements. A summary of interfund payables and receivables is shown in a subsequent note.

H. Prepaid Items

Prepaid items are unexpired costs that cover more than one reporting period and represent expenses/expenditures to be consumed in future periods. These items are reported as current assets on the District's Statement of Net Position in the Government-wide financial statements and will be expended systematically in future periods in which they are used or consumed.

I. Inventories

Inventories consist of expendable supplies and commodities held for consumption in the course of District operations. The purchased food inventories are stated at cost, determined on the last invoice price, which approximates the first-in, first-out basis. Central warehouse and transportation inventories are stated at weighted-average cost. The United States Department of Agriculture non-processed surplus commodities in the District's warehouse are stated at fair value at the time of donation to the District's food service program while processed commodities are valued at fair market value plus processing costs. The costs of inventories are recorded as expenditures when used rather than when purchased.

J. Capital Assets and Depreciation

Expenditures for capital assets, whether acquired or constructed, are reported in the fund that financed the cost of the asset. Capital assets are reported in the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or historical cost) and updated for additions and retirements during the year. The District follows a procedure of capitalizing fixed and moveable assets with a cost threshold greater than \$1,000 and a useful life in excess of 1 year. The District does not possess any infrastructure. Donated assets are recorded at acquisition value at the date of donation.

All reported capital assets, with the exception of land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives.

<u>Description</u>	<u>Estimated Useful Lives</u>
Land	Not Depreciated
Construction in Progress	Not Depreciated
Buildings and Fixed Equipment	15 - 50 Years
Improvements Other Than Buildings	15 Years
Motor Vehicles	5 - 10 Years
Furniture, Fixtures, and Equipment	3 - 10 Years
AV Materials and Computer Software	3 - 5 Years

K. 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 the consumption of net position that applies to future periods and will be recognized as an outflow of resources in a future period. The District has three items that qualify for reporting this category. They are deferred amounts on refunding reported in the government-wide statement of net position, deferred amounts on pension liabilities for Florida Retirement System (FRS) and Health Insurance Subsidy (HIS), and deferred amounts for other postemployment benefits (OPEB). A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred amount on pension results from the recognition for the District's proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to the pension plan. A deferred amount on OPEB results from differences between expected and actual experience and changes in assumptions that are deferred over a closed period equal to the average of expected remaining service lives of all employees in the OPEB Plan.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has only two types of deferred inflows; one which arises from the FRS and HIS pensions, and the other type which arises for OPEB. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

L. Pension and OPEB Liabilities

In the government-wide statements, net pension liability represents the District's proportionate share of the combined net pension liability of the State-administered, multiple employer, cost-sharing, defined benefit plans. These plans are two separate defined benefit plans, the FRS Pension Plan and the retiree HIS Program. Changes in the net pension liability will be immediately recognized as pension expense on the statement of activities or reported as deferred outflows of resources and inflows of resources, depending on the nature of the change. For the purpose of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, the fiduciary net position as well as the additions to/deductions from fiduciary net position have been determined on the same basis as reported by the FRS Pension Plan and the HIS Program. For this purpose, benefit payments, (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The District's retirement plans and related deferred outflows of resources and inflows of resources are described in a subsequent note.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires the net OPEB liability to be measured as the portion of the actuarial present value of projected benefit payments that are attributed to the past periods of employee service. Changes in the net OPEB liability will be immediately recognized as OPEB expense in the statement of activities or reported as deferred outflows of resources or inflows of resources, depending on the nature of the change. Projected benefits are based on the substantive plan provisions and include the benefits that are in force at the measurement date. For measuring the net OPEB liability, outflows of resources, inflows of resources and pension expense, assumptions used in the OPEB actuarial valuation were the same as those employed in the July 1, 2016, actuarial valuation of the Florida Retirement System (FRS), Defined Benefit Pension Plan. There are currently no invested plan assets held in trust to finance the OPEB obligations. Information about other postemployment benefits is further described in a subsequent note.

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the District will compensate the employee for the benefits through paid time off. Sick leave benefits are accrued as a liability using the vesting method.

The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees to whom it is probable that they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements, and State law.

The entire compensated absences liability is reported on the government-wide financial statements. For the governmental fund financial statements, only the amount payable to employees who terminated their employment as of the end of the fiscal year is reported. The liability at year end includes salary related payments such as Social Security, Medicare, and Florida Retirement System contributions.

Changes in compensated absences liability for the current year are further described in a subsequent note.

N. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. Bond premiums and discounts are deferred and amortized over the life of the related debt. In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due and payable. Governmental fund types recognize debt premiums and discounts, and debt issuance costs, during the current period. The face amount of debt issued and premiums on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Net Position Flow Assumption

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

P. Governmental Funds – Fund Balance Flow Assumptions

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes a hierarchy for fund balance classifications and the constraints imposed on the use of those resources. The District does not have a written policy regarding the commitment or assignment of fund balances. Amounts included in either committed or assigned fund balance are encumbrances and/or other resources that have been authorized by the School Board to be liquidated in a future period. When restricted, assigned, and unassigned funds are available for use, it is the District's procedure to use restricted funds first, then assigned, followed by unassigned. Information regarding fund balance reporting is provided in a subsequent note.

Q. State Revenue Sources

Revenues from State sources for current operations are primarily derived from the Florida Education Finance Program 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 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 the original reporting for a specified time period following the date first reported. 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 educational programs. State Board of Education rules require that revenues earmarked for certain programs can only be expended for the program for which the money is designated, 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 those educational programs. The Department generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the unencumbered balance of categorical and earmarked educational program resources. A schedule of revenue from State sources for the current year is presented in a subsequent note.

R. Half-Cent Sales Surtax

On November 4, 2014, the citizens of Brevard County authorized a half-cent sales surtax to fund the capital needs of the District, under the authority of Section 212.055(6) Florida Statutes. The sales surtax was effective beginning January 2015, and will continue through December 2020. Revenues will be used to fund critical needs related to security, technology, facility renovations, and remodeling projects.

S. School District Property Taxes

The School Board is authorized by State law to levy property taxes for District school operations, capital improvement, and debt service. Property taxes consist of ad valorem taxes on real and personal property within the District. Property values are determined by the Brevard County Property Appraiser, and property taxes are collected by the Brevard County Tax Collector.

The School Board adopted the 2018 tax levy on September 6, 2018. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are deemed available, which is generally within 45 days of the fiscal year end. Millages and taxes levied for the current year are presented in in a subsequent note.

T. Educational Impact Fees

The District receives educational impact fees subject to an ordinance adopted by the Brevard County Commission on August 10, 2004. The fees are collected by the County for new residential construction, and are used for project-related expenditures that increase student capacity such as site acquisition, construction, design, site development, necessary off-site improvements, and equipment for educational facilities. Expenditures may also include payments for outstanding principal and interest due to the financing of these construction related expenditures.

U. 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. For awards funded through the Florida Department of Education, adjustments to subsequent fiscal period expenditures and related revenues may be required based upon an audit of the District's compliance with applicable Federal awards requirements. Normally, such adjustments are treated as reductions of expenditures and related revenues in the fiscal year when the adjustments are made.

II. 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. Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures 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 functional activity (e.g., instruction, pupil 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. Budgetary information is integrated into the accounting system and, to facilitate budget controls, 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.

During the fiscal year ended June 30, 2019, all governmental fund types were amended to reflect adjustments to appropriations due to changes in student counts, the addition of new education programs, etc. These amendments were made as part of the routine budget process of the District, none of which were deemed to be significant by management.

The reported budgetary data represents the final appropriated budget after amendments and adoption by the School Board.

The District reports a deficit in its Extended Day Program Fund, a business-type activity. The deficit will be funded in future fiscal years by charges for services as funds become available.

III. CASH AND INVESTMENTS

A. Deposits

Florida Statutes authorize the deposit of School Board funds in demand deposits with financial institutions that are approved as qualified public depositories, pursuant to Chapter 280, the *Florida Security for Public Deposits Act*. Under this act, all qualified public depositories are required to pledge eligible collateral and deposit such collateral with the State Treasurer to ensure against losses of public deposits. The District's bank balance of \$47,217,509 was deposited with qualified public

depositories as of June 30, 2019, \$27,492,999 is held with U.S. Bank for payments due to certificate of participation holders, \$3,756,683 is held by the Office of Brevard County Florida on behalf of the School Board, \$32,916 is held by the State Board of Education (SBE) on behalf of the School Board, and \$20,589 is in petty cash and change funds.

B. Custodial Credit Risk

Section 218.415 (18), Florida Statutes requires every security purchased on behalf of Brevard School Board to be earmarked and:

- If registered with the issuer or its agents, the securities must be immediately placed for safekeeping with a third-party holder to protect the District's interest in the securities;
- If in book-entry form, the security must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in 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 which is doing business in Florida, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or
- If physically issued to the holder, but not registered with the issuer or its agents, the security must be immediately placed in safekeeping in a secured vault.

The District has \$27,492,999 held with US Bank in First American Money Market Funds which is held for payment of principal and interest due to certificate holders on July 1, 2019. The District has \$4,253,482 held in a collateralized investment repurchase agreement and will be used for future debt service. All of these funds are held with a fiscal agent under a trust agreement for certificates of participation.

C. Foreign Currency Risk

The District investments are denominated in U.S. dollars and, therefore, there is no exposure to foreign currency risk.

D. Interest Rate Risk

The District has established an investment policy, pursuant to Section 218.415, Florida Statutes. District policies limit the maturity of investments to 5 years or less as a means of limiting its exposure to fair value losses arising from risking interest rates. The average overall maturity should be less than 2 years and the portfolio should be managed to provide sufficient operating liquidity needs.

The District has \$5,645,253 invested in Corporate Notes and \$1,202,905 invested in Federal Notes that are held by a custodial institution in the name of the District. Of these securities, \$1,413,911 is invested in callable Corporate Notes and \$410,562 invested in Federal Notes that contain embedded options to call the entire security or a portion thereof at the option of the issuer or, depending on market conditions, the issuer may decide to leave the security intact at stated interest rates until final maturity. The call date for Federal Notes is September 20, 2019. The call dates for Corporate Notes are February 6, 2020, July 17, 2020, February 1, 2021, August 20, 2021, January 31, 2022, and February 15, 2022.

As of June 30, 2019, the District had the following investments and maturities:

Investments	Totals	Maturities Less Than or Equal to:			Greater Than 2 Years
		6 Months	1 year	2 Years	
Obligations of United States Government	\$ 134,142,511	\$ 88,144,388	\$ 23,470,236	\$ 9,797,961	\$ 12,729,926
Agencies and Instrumentalities	7,877,678	5,530,517	119,390	-	2,227,771
Corporate Notes	5,645,253	1,168,273	1,558,038	2,287,307	631,635
Money Market Funds - Federated	4,808,096	4,808,096	-	-	-
Commercial Paper	36,348,529	32,408,435	3,940,094	-	-
Collateralized Investment Repurchase Agreement	4,253,482	-	-	4,253,482	-
Intergovernmental Investment Pool	41,104,660	41,104,660	-	-	-
Total Investments	\$ 234,180,209	\$ 173,164,369	\$ 29,087,758	\$ 16,338,750	\$ 15,589,332
Total Cash, Cash Equivalents, and Investments, Reporting Entity	Totals				
Total Investments	\$ 234,180,209				
Qualified Public Depositories	47,217,509				
Petty Cash and Change Funds	20,589				
Deposits with Fiscal/Service Agent (a)	31,282,598				
Total	\$ 312,700,905				
Cash and Cash Equivalents - Statement of Net Position	\$ 196,388,230				
Cash with Fiscal/Service Agent	31,282,598				
Investments - Statement of Net Position	85,030,077				
Total	\$ 312,700,905				

(a) Funds held with the Office of Brevard County total \$3,756,683 and funds held with U.S. Bank for interest and principal payments to certificate holders total \$27,492,999, and funds held with the State Board of Education total \$32,916.

E. Credit Risk

Section 218.415, Florida Statutes, limits the types of investments that can be invested by the District, unless specifically authorized by District policy. Investments authorized by District policy are:

- Direct Obligations of U.S. Treasury;
- U.S. Federal Government Agency Securities;
- U.S. Government Sponsored Agencies/Federal Instrumentalities;
- Interest Bearing Time Deposits/Savings Accounts, including certificates of deposit;
- Repurchase Agreements fully collateralized at 102 percent of market value, by U.S. Treasuries, U.S. Government Agencies, and U.S. Government Sponsored Agencies/Federal Instrumentalities;
- Commercial Paper rated A-1, P-1, by Standard and Poor's (S&P), Moody's, respectively;
- Bankers' Acceptances rated A-1, P-1, by S&P, Moody's, respectively;
- 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 A3 by Moody's and a minimum long-term debt rating of A- by S&P;
- State and/or Local Government taxable and/or tax-exempt securities, rated at least Aa3 by Moody's and AA- by S&P for long-term debt; short-term obligations should be rated at least VMIG2 or MIG-2 by Moody's and A-2 by S&P;
- Registered Investment companies (Mutual Funds) if registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 CFR 270.2a-7; and,

- Intergovernmental Investment Pool authorized pursuant to Florida Inter-local Cooperation Act as provided in Florida Statute 163.01, provided it contains no derivatives.

The District has \$4,253,482 invested in a collateralized investment repurchase agreement that has underlying investments in direct obligations of the United States Government, government agencies, and Federal instrumentalities with maturities under 5 years and have a fair value for the principal and accrued interest of 102 percent of the value and the term of the repurchase agreement. The repurchase agreement is unrated.

F. Concentration of Credit Risk

The District's investment policy specifies the maximum percentage of the portfolio composition per individual issuer and type of investment. Those maximum percentages are listed below:

Type of Investment	Issuer Limits	Sector Maximum
Direct Obligations of U.S. Treasury	100%	100%
U.S. Government Agency Securities	25%	50%
Federal Instrumentalities, Government Sponsored Agencies	40%	80%
Interest Bearing Time Deposits/Savings Accounts, including Certificates of Deposit	15%	25%
Repurchase Agreements (fully collateralized at 102% of market value)	25%	50%
Commercial Paper	10%	35%
Bankers' Acceptances	10%	35%
State and/or Local Government Taxable or Tax Exempt Securities	20%	20%
Registered Investment Companies	25%	75%
Intergovernmental Investment Pool	25%	25%
Corporate Notes	5%	20%

On June 30, 2019, the District had total investments by issuer with credit rating as outlined below:

Investment	Fair Value	Percent of Investment Balance	Credit Ratings	
			S & P	Moody's
Collateralized Repurchase Agreement	\$ 4,253,482	1.82%	(a)	(a)
Commercial Paper				
BNP Paribas	5,825,912	2.49%	A-1	P-1
Cooperative Centrale	2,487,426	1.06%	A-1	P-1
Credit Agricole	5,871,008	1.87%	A-1	P-1
JP Morgan Securities	6,465,783	2.42%	A-1	P-1
MUFG	5,819,788	3.46%	A-1	P-1
NAT	5,938,517	2.54%	A-1	P-1
Toyota Motors Credit	3,940,095	1.68%	A-1+	P-1
Corporate Notes				
American Express Credit	151,602	0.06%	A-	A2
American Honda Finance Corp	269,646	0.12%	A+	A2
Apple, Inc.	269,625	0.12%	AA+	Aa1
Bank of America	276,081	0.12%	A-	A3
Bank of New York Mellon Corp	226,165	0.10%	A	A1
Caterpillar Financial Serv	199,296	0.09%	A	A3
Cisco Systems	198,826	0.08%	AA-	A1
Exxon Mobil Corp	280,151	0.12%	AA+	Aaa
General Dynamics	170,843	0.07%	A+	A2
Hershey Co	145,741	0.05%	A	A1
Honeywell International	79,859	0.03%	A	A2
HSBC USA Inc.	475,019	0.20%	A	A2
IBM Credit Corp	234,683	0.10%	A+	A1
John Deere Capital Corp	225,617	0.10%	A	A2
JP Morgan Chase & Co	275,960	0.12%	A-	A3
National Rural Utility Coop	273,197	0.12%	A	A2
Pace Car Final Corp	254,180	0.11%	A+	A1
Procter & Gamble	134,766	0.06%	AA-	Aa3
Toyota Motors Credit Corp	349,828	0.15%	AA-	Aa3
US Bank Corp	281,207	0.12%	(a)	(a)
Wal-Mart Inc	456,537	0.19%	AA	Aa2
Walt Disney Co	140,519	0.06%	A	A2
Wells Fargo & Company	275,905	0.12%	A-	A2
Federal Agencies & Instrumentalities				
Fannie Mae (FNMA)	1,027,636	0.44%	AA+	Aaa
Federal Home Loan Bank (FHLB)	410,562	0.18%	AA+	Aaa
Freddie Mac (FHLMC)	6,439,480	2.75%	AA+	Aaa
Intergovernmental Investment Pool				
FL PALM	41,104,660	17.55%	AAAm	
Money Market Funds				
Federated Government Obligations	4,808,096	2.05%	AAAm	Aaa-mf
Obligation of United States Government				
U.S. Treasury Notes	134,142,511	57.28%	(a)	(a)
	<u>234,180,209</u>	<u>100.00%</u>		
Cash Deposits:				
Qualified Public Depository	47,217,509			
Petty Cash & Change Funds	20,589			
Fiscal Service/Agent (b)	31,282,598			
	<u>\$ 312,700,905</u>			

(a) Not rated.

(b) Cash with fiscal agents include \$3,756,683 held with Brevard County, Florida, that is comingled with other funds in consolidated bank accounts; \$5,366,975 held with US Bank in First American Government Obligations, and \$22,126,024 held with US Bank in First American Treasury Obligations with a weighted average maturity of 20 days and 19 days, respectively. Funds held in First American are at a stable NAV of \$1.00 per share, have a credit rating of AAAm and Aaamf by S&P and Moody's, and allow a maximum 7-day redemption of proceeds. These funds invest 100 percent of the total assets in securities that are a direct obligation of the U.S. Government and/or in securities that are backed by the full faith and credit the U.S. Government or collateralized repurchase agreements comprised of such obligations at all times and are not subject to redemption fees or liquidity gates. The participants own a share of the fund and not a share of the underlying assets in the fund; funds totaling \$32,916 held with the State Board of Education and managed by the State Board of Administration.

As of June 30, 2019, the District had the following issuer concentrations that represents 5 percent or more of the District's investments:

<u>Investment</u>	<u>Fair Value</u>	<u>Percent of Total Investments</u>
United States Treasury	\$ 134,142,511	57.28%
Intergovernmental Investment		
FL PALM (a)	41,104,660	17.55%
	<u>\$ 175,247,171</u>	

(a) Investments in FL PALM are for short-term liquidity needs.

G. Fair Value Measurement

In compliance with GASB Statement No. 72, *Fair Value Measurement and Application*, all assets meeting the definition of an investment should be reported using certain valuation techniques and categorized in a hierarchy with the following criteria:

Valuation Techniques:

- *Market Approach* – uses prices and other relevant information generated by market transactions involving identical or comparable assets.
- *Cost Approach* – measures fair value based on the current cost to replace the present service capacity of an asset.
- *Income Approach* – converts future amounts, such as cash flows or income and expenses to a single current, discounted amount.

Hierarchy Levels:

- *Level 1 Inputs* – quoted prices in active markets for identical assets.
- *Level 2 Inputs* – inputs other than quoted prices included within Level 1 that are observable for the asset or liability. These inputs are derived from or corroborated by observable market data through correlation or by other means.
- *Level 3 inputs* – unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable.

The District uses the market approach for fair value measurements. The techniques used in the District's fair value measurements include matrix pricing, institutional collateralized mortgage obligations (CMO) pricing, and institutional bond quotes obtained through third party independent pricing services such as IDSI and Kenny Municipals. The collateralized repurchase agreement valuation techniques include quotes through third party pricing services for the underlying securities and unobservable inputs that include a credit valuation adjustment (CVA) component to evaluate the credit risk of the District.

As of June 30, 2019, the District has investments in the following levels:

Investments by Fair Value	Value	Hierarchy Level	Effective Duration
Collateralized Repurchase Agreement	\$ 4,253,482	3	N/A
Commercial Paper	36,348,529	2	0.27
Corporate Notes	5,645,253	2	1.13
Federal Agencies & Instrumentalities	7,877,678	2	1.03
U.S. Treasury Notes	134,142,511	2	1.02
Total Investments by Fair Value Level	188,267,453		
Investments Measured at the Net Asset Value (NAV)			
Intergovernmental Investment Pool	41,104,660		
Money Market Funds	4,808,096		
Total Investments Measured at NAV	45,912,756		
Total Investments Measured at Fair Value	\$ 234,180,209		

Investments held at NAV:

In accordance with GASB 72, the investments measured at net asset value (NAV) per share are not assigned a level in the fair value hierarchy. As of June 30, the District had two investment types measured at NAV. These are money market funds held in Federated Government Obligations and an intergovernmental investment pool held with FL PALM.

Money Market funds held with the Federated Government Obligations Fund maintain a constant NAV \$1.00 at all times, allow a maximum 7-day redemption of proceeds, have no unfunded commitments, have a weighted average maturity of 23 days, and invest 100 percent in U.S. Treasury and Government Agency securities. This fund will not institute liquidity fees or redemptions gates on the government money market funds. The fund's investment objective is to pursue current income consistent with stability of principal and liquidity.

Investments held with FL PALM are valued using a NAV of \$1.00 per share based on amortized cost. This fund has a weighted average maturity of 52 days, allows unlimited daily redemptions and investments with a 1-day minimum holding period, and has no unfunded commitments. The fund's investment objective is to earn a high rate of return while preserving principal, providing liquidity, and seeking a stable NAV of \$1.00.

Per GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* addressing accounting and financial reporting for certain external investment pools and pool participants, the FL PALM investments pool meets the criteria to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria. The specific criteria address:

- How the external investment pool transacts with participants
- Requirements for portfolio maturity, quality, diversification, and liquidity
- Calculation and requirements of a shadow price (amortized cost vs. market value)

As of June 30, 2019, the District has \$41,104,660 invested with FL PALM. This fund has a daily liquidity with unlimited investments and redemptions. The weighted average maturity of the fund is 52 days. The fund has investments in negotiable certificate of deposits, commercial paper, repurchase agreements, certificate of deposit – FHLB Letter of Credit, Federal Agencies, Corporate Notes, and U.S. Treasury Bills. The investment advisor, on behalf of the fund, determines the net asset value of the shares at the close of each business day and monitors the difference between the amortized cost and market value on a monthly basis (shadow price).

The Trustees of the fund can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical. All underlying securities in the fund have a credit rating of A or better by S&P. The credit rating of the FL PALM is AAA by S&P and signifies a high level of safety of investment principal and capacity to maintain a \$1.00 per share NAV. The District owns a share of the pool and not a share of the underlying assets in the pool.

Liabilities Held by Other Parties as Assets

The District currently has a proportionate share of the net pension liability in the Florida Retirement System (as discussed in a subsequent note.). The Pension Fund is administered by the State Board of Administration (SBA) and includes separate financial statements. The SBA has statutory responsibility for custody and investment of pension plans assets. Section 215.47, Florida Statutes, gives the SBA the authority to invest in a range of instruments, including security lending agreements. All of the investments are reported at fair value in accordance with GASB 31. Realized and unrealized gains and losses are reflected in the statements of changes in net position as "Net Appreciation in Fair Value."

The fair values of the Plans' assets are obtained or estimated in accordance with Global Pricing Guidelines established with the SBA's custodian bank, BNY Melon. BNY Melon uses a variety of independent pricing sources and designates certain vendors as the primary source based on asset type, class, or issue. BNY Melon monitors pricing information supplied by these primary sources and may use a supplemental pricing source or change the primary pricing source if any of the following occurs:

- The price of a security is not received from the primary pricing source.
- The primary pricing source no longer provides prices for a particular assets type, class, or issue.
- The SBA or its portfolio investment manager challenges a price and BNY Melon reviews the price with the vendor, who agrees that the price provided by that vendor may not be appropriate.
- The price from the primary source exceeds BNY Melon's price tolerance checkpoints and results in a vendor comparison review where another source is deemed to be more appropriate by BNY Mellon.

The District currently has an OPEB liability for former employees who retire and their eligible dependents. However, this is an actuarial calculation that does not represent an investment held in any security, fund, or by any other party. This plan is funded on a pay-as-you-go basis.

Donated Assets

Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date. It is a market-based entry price. Fair value, on the other hand, is an exit price – the price that would be received to sell an asset or paid to transfer a liability. Acquisition value is a measurement at the initial transaction date using the replacement cost or the settlement amount measurement attribute. Per GASB 72, acquisition value should be used for the following assets:

- Donated capital assets
- Donated works of art, historical treasures, and similar assets
- Capital assets that a government receives in a service concession arrangement

The District currently has land, furniture and equipment, computer equipment, works of art, and vehicles as donated assets. These assets are reported at acquisition value.

IV. DUE FROM OTHER AGENCIES

The schedule below represents amounts owed to the District from other State/Federal sources and other local sources. All amounts are expected to be collected in full.

<u>Funds/Source</u>	<u>Amount</u>
General Fund:	
FEMA - Hurricane Receivable	\$ 605,676
Unremitted Property Taxes - Current Year	62,730
Other - State	609,261
Other - Local	36,163
Special Revenues Funds:	
Contracted Programs	7,271,073
Food Services	160,700
Capital Projects Funds:	
Local Discretionary Surtax Fund	8,530,577
Unremitted Property Taxes - Current Year	17,711
PECO	826,852
Capital Outlay & Debt Service	47,429
Total Due From Other Agencies - Governmental Funds	<u>\$ 18,168,172</u>

V. CHANGES IN CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2019, are presented in the table below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 35,979,010	\$ 528,270	\$ -	\$ 36,507,280
Construction in Progress	47,957,974	29,118,985	(25,156,885)	51,920,074
Total Capital Assets Not Being Depreciated	<u>83,936,984</u>	<u>29,647,255</u>	<u>(25,156,885)</u>	<u>88,427,354</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	75,447,165	2,972,098	-	78,419,263
Buildings and Fixed Equipment	1,455,565,794	22,165,706	-	1,477,731,500
Furniture, Fixtures, and Equipment	81,701,470	5,875,378	(7,123,426)	80,453,422
Motor Vehicles	51,639,465	809,784	(182,741)	52,266,508
AV Materials and Computer Software	4,804,675	172,224	(977,559)	3,999,340
Total Capital Assets Being Depreciated	<u>1,669,158,569</u>	<u>31,995,190</u>	<u>(8,283,726)</u>	<u>1,692,870,033</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(59,402,293)	(3,185,617)	-	(62,587,910)
Buildings and Fixed Equipment	(781,100,910)	(31,072,063)	-	(812,172,973)
Furniture, Fixtures, and Equipment	(68,402,858)	(5,003,099)	7,123,426	(66,282,531)
Motor Vehicles	(37,933,883)	(2,395,915)	182,741	(40,147,057)
AV Materials and Computer Software	(4,652,244)	(92,005)	977,559	(3,766,690)
Total Accumulated Depreciation	<u>(951,492,188)</u>	<u>(41,748,699)</u>	<u>8,283,726</u>	<u>(984,957,161)</u>
Total Capital Assets, Net	<u>717,666,381</u>	<u>(9,753,509)</u>	<u>-</u>	<u>707,912,872</u>
Governmental Activities Capital Assets, Net	<u>\$ 801,603,365</u>	<u>\$ 19,893,746</u>	<u>\$ (25,156,885)</u>	<u>\$ 796,340,226</u>
Depreciation expense was charged to functions as follows:		<u>Amount</u>		
Governmental Activities:				
Pupil Transportation Services		\$ 1,768,153		
Unallocated (Direct Depreciation Excluded)		<u>39,980,546</u>		
Total Depreciation Expense - Governmental activities		<u>\$ 41,748,699</u>		

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
BUSINESS-TYPE ACTIVITIES				
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	\$ 138,603	\$ 16,067	\$ -	\$ 154,670
Buildings and Fixed Equipment	48,268	-	-	48,268
Furniture, Fixtures, and Equipment	525,118	2,643	(59,802)	467,959
Motor Vehicles	13,881	-	-	13,881
AV Materials and Computer Software	13,076	-	(719)	12,357
Total Capital Assets Being Depreciated	<u>738,946</u>	<u>18,710</u>	<u>(60,521)</u>	<u>697,135</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(93,536)	(10,312)	-	(103,848)
Buildings and Fixed Equipment	(35,838)	(296)	-	(36,134)
Furniture, Fixtures, and Equipment	(520,908)	(1,947)	59,802	(463,053)
Motor Vehicles	(13,881)	-	-	(13,881)
AV Materials and Computer Software	(13,076)	-	719	(12,357)
Total Accumulated Depreciation	<u>(677,239)</u>	<u>(12,555)</u>	<u>60,521</u>	<u>(629,273)</u>
Total Capital Assets, Net	<u>\$ 61,707</u>	<u>\$ 6,155</u>	<u>\$ 0</u>	<u>\$ 67,862</u>

VI. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2019, were as follows:

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities:			
Accounts Payable	\$ 7,962,109	\$ 2,581	\$ 7,964,690
Contracts Payable	11,575,471	-	11,575,471
Retainage Payable	1,514,037	-	1,514,037
Accrued Salaries	23,813,561	121,042	23,934,603
Accrued Benefits	13,890,062	35	13,890,097
Total Accrued Liabilities	<u>\$ 58,755,240</u>	<u>\$ 123,658</u>	<u>\$ 58,878,898</u>

VII. CERTIFICATES OF PARTICIPATION

Outstanding certificates of participation at June 30, 2019, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
2004-QZAB (a)	\$ 4,408,000	-	2020	\$ 4,408,000
2008A	56,000,000	5.05	2036	56,000,000
2013A	91,320,000	3.250 - 5.00	2030	91,320,000
2013B	8,670,000	2.473	2020	50,900,000
2014	60,330,000	3.25 - 5.00	2030	62,310,000
2015B	12,095,000	5.00	2025	12,095,000
2015C	82,100,000	3.00 - 5.00	2032	88,600,000
2017A	52,425,000	3.00 - 5.00	2032	52,425,000
2017B	23,160,000	2.450	2026	29,960,000
Total Certificates of Participation	<u>\$ 390,508,000</u>			<u>\$ 448,018,000</u>

- (a) Interest on this debt is "paid" by the United States Government through the issuance of Federal income tax credit to the holder of the QZABs. The rate of return to the holders was established by the U.S. Government at the time of the sale.

The District entered into financing arrangements, which were characterized as lease-purchase agreements, with the Brevard County School Board Leasing Corporation (Corporation) whereby the District secured financing of various educational facilities and equipment. The financing was accomplished through the issuance of certificates of participation by the Corporation to third-party investors, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangements, the District gave ground leases on District property to the Corporation with a rental fee of \$1 per year, except for the 2004-Qualified Zone Academy Bonds (QZAB), which are secured by fire alarm systems, intercom systems, structured cabling, and telephone equipment at 15 schools. The initial terms of the leases end on the earlier of the maturity date or the date on which the certificates are paid in full; however, if lease obligations remain outstanding, the ground leases may be renewed for additional terms as specified in the arrangements. The properties covered by the ground

leases are, together with 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 properties included under the ground lease agreements for the benefit of the securers of the certificates as specified by the arrangements.

The District properties included in the ground leases under the lease purchase arrangements include:

Series 1996B Certificates of Participation

Bayside High School
 Longleaf Elementary School
 Melbourne High School Additions
 Pinewood Elementary School Additions
 Titusville High School Additions
 Westside Elementary School

Series 2002 Certificates of Participation

Cambridge Elementary School Addition
 Cocoa Beach Jr./Sr. High School Addition
 Columbia Elementary School Addition
 Discovery Elementary School Addition
 Edgewood Jr. High School
 Endeavour Elementary School Addition
 Gardendale Elementary School Addition
 Gemini Elementary School Addition
 Indialantic Elementary School Addition
 Jupiter Elementary School Addition
 Lewis Carroll Elementary School Addition
 Manatee Elementary School
 McAuliffe Elementary School Addition
 Mila Elementary School Addition
 Mims Elementary School Addition
 Palm Bay Elementary School Addition
 Palm Bay High School Addition
 Port Malabar Elementary School Addition
 Quest Elementary School
 Riverview Elementary School Addition
 Tropical Elementary School Addition
 Turner Elementary School Addition
 University Park Elementary School Addition
 West Shore Jr./Sr. High School Addition

Series 2004A Certificates of Participation

Rockledge High School Addition
 Viera High School

Series 2006A Certificates of Participation

Astronaut High School
 Cocoa Beach Jr./Sr. High School
 Coquina Elementary School Addition
 Imperial States Elementary School Addition
 Johnson Middle School Addition
 McNair Middle School Addition
 Mims Elementary School Addition
 Palm Bay High School
 Stevenson Elementary School Addition
 Sunrise Elementary School
 Titusville High School
 Viera High School Addition

Series 2007B Certificates of Participation

Astronaut High School
 Cocoa Beach Jr./Sr. High School
 Coquina Elementary School Addition
 Imperial States Elementary School Addition
 Johnson Middle School Addition
 McNair Middle School Addition
 Mims Elementary School Addition
 Palm Bay High School
 Stevenson Elementary School Addition
 Titusville High School

Series 2007C Certificates of Participation

Bayside High School
 Cocoa Stadium
 Melbourne High School
 Merritt Island High School
 Rockledge High School
 Satellite High School
 West Shore Jr./Sr. High School

Series 2008A Certificates of Participation

Heritage High School

The table below provides the schedule of certificates under lease agreements and their related refunding series of certificates with the outstanding amounts:

Original COP Series	Refunded to Series	Refunded to Series	Outstanding Amount
1996B	2004B	2013B	\$ 8,670,000
2002	2007A	2017B	23,160,000
2002	2013A		4,475,000
2004A	2013A		39,090,000
2004-QZAB			4,408,000
2006A	2013A		47,755,000
2006A	2014		60,330,000
2007B	2015B		12,095,000
2007B	2017A		52,425,000
2007C	2015C		82,100,000
2008A			56,000,000
Total			<u>\$ 390,508,000</u>

With the exception of the Series 2004-QZAB issue, lease payments are payable semiannually, on July 1 and January 1. The Series 2004-QZAB Certificates of Participation were issued under a special program whereby the certificates, bearing an original issue date of March 26, 2004, will mature on March 26, 2020, for the original \$4,408,000 issuance amount. There is no interest cost for borrowing funds under this program. Mandatory lease payment deposits of \$557,309 were required for 5 consecutive years beginning on June 15, 2015, through June 15, 2009. It is anticipated that these deposits, along with investment earnings, will be sufficient to redeem the certificates at maturity.

The following table provides a schedule of the District's future minimum lease payments under the lease agreements as of June 30, for all outstanding certificates of participation, including the Series 2004 QZAB:

Fiscal Year Ending June 30	Total	Principal	Interest
2020	\$ 40,967,304	\$ 23,083,000	\$ 17,884,304
2021	35,295,682	18,020,000	17,275,682
2022	37,651,610	21,185,000	16,466,610
2023	37,625,263	22,140,000	15,485,263
2024	37,622,950	23,165,000	14,457,950
2025-2029	187,421,004	132,245,000	55,176,004
2030-2034	144,259,478	121,305,000	22,954,478
2035-2036	31,607,453	29,365,000	2,242,453
Total Minimum Lease Payments	\$ 552,450,744	\$ 390,508,000	\$ 161,942,744
Add: Unamortized Premium	36,633,442	36,633,442	-
Total Certificates of Participation	<u>\$ 589,084,186</u>	<u>\$ 427,141,442</u>	<u>\$ 161,942,744</u>

Effective for the current fiscal year, the District has implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The GASB standard requires the District to disclose information about significant events related to direct placement

borrowings, which includes events of default, consequences related to such events and significant subjective acceleration clauses.

The District has two private or direct placement financings related to its governmental activities:

- The District entered into a direct financing for its 2008A Series certificates in March 2008. As of June 30, 2019, outstanding 2008A certificates total \$56 million. While the certificates were issued as a direct placement with the Purchaser, there were no special considerations provided, in the event of default. The certificates were issued under a Master Trust Agreement which provides for the certificates to be issued as special limited obligations of the School Board that evidence an undivided ownership interest in the basic lease payments, thereby providing no special considerations to the Purchaser of the 2008 series certificates.

<u>Outstanding at Year End</u>	Governmental Activities		
	2008A		
	Total	Principal	Interest
2020	\$ 2,828,000	\$ -	\$ 2,828,000
2021	2,828,000	-	2,828,000
2022	2,828,000	-	2,828,000
2023	2,828,000	-	2,828,000
2024	2,828,000	-	2,828,000
2025-2029	14,140,000	-	14,140,000
2030-2034	40,118,753	26,635,000	13,483,753
2035-2036	31,607,452	29,365,000	2,242,452
Subtotal	100,006,205	56,000,000	44,006,205
Add: Unamortized Premium	4,859,515	4,859,515	-
Total	<u>\$ 104,865,720</u>	<u>\$ 60,859,515</u>	<u>\$ 44,006,205</u>

- The District also entered into a direct financing for its 2017B series certificates in April 2017. As of June 30, 2019, outstanding 2017B certificates total \$23,160,000.

<u>Outstanding at Year End</u>	Governmental Activities		
	2017B		
	Total	Principal	Interest
2020	\$ 4,092,420	\$ 3,525,000	\$ 567,420
2021	4,086,058	3,605,000	481,058
2022	3,447,735	3,055,000	392,735
2023	3,442,887	3,125,000	317,887
2024	3,441,325	3,200,000	241,325
2025-2029	6,895,368	6,650,000	245,368
Total	<u>\$ 25,405,793</u>	<u>\$ 23,160,000</u>	<u>\$ 2,245,793</u>

Special considerations are provided to the Purchaser in the following events:

- While the 2017B certificates remain outstanding, and upon the occurrence and continuance of a credit event, the fixed rate shall be adjusted to the default rate until the credit event shall be remedied. The default is the greater of the Series 2017B Purchaser's prime rate plus 4.00 percent per annum, the Federal Funds rate plus 5.00 percent per annum, and 10.00 percent per annum.

- In the event that the District enters into any credit agreement, purchase agreement, liquidity agreement, or any other agreement or instrument relating to the Certificates, which permits another obligee to accelerate or demand such Certificates to be due prior to their scheduled maturity date, upon the occurrence of an event of default, then the 2017B Purchaser is entitled to such remedy.

VIII. STATE SCHOOL BONDS

State School Bonds are issued by the State Board of Education on behalf of the District. The bonds mature serially, secured by a pledge of the District's portion of the State-assessed motor vehicle license tax, and have a first lien on the pledged motor vehicle license tax revenues. One hundred percent of such taxes are available for debt service on capital outlay bonds. The State's full faith and credit is pledged as security for these bonds. The State Board of Education and the State Board of Administration are responsible for administering the debt service requirements and all compliance regarding issuance and reporting.

The bonds are issued for the purpose of financing capital outlay projects for the District. Such projects generally include classrooms, laboratories, maintenance facilities and parking lots.

The District receives annual financial data from the Florida Department of Education for recording the District's portion of the motor vehicle license revenues and related debt service and other expenditures. Total funding sources received in the current fiscal year are \$435,774, all of which relates to debt service.

Outstanding State Board of Education Bonds are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To	Original Amount
Series 2010-A	\$ 85,000	4.00-5.00	2022	\$ 210,000
Series 2011-A	485,000	3.00-5.00	2023	5,375,000
Series 2014-A	517,000	3.00-5.00	2025	817,000
Series 2014-B	42,000	2.00	2020	1,062,000
Series 2017-A	305,000	5.00	2026	362,000
Total Bonds Payable	\$ 1,434,000			\$ 7,826,000

The following table provides a schedule of the District's future minimum lease payments for State Board of Education bonds:

<u>Outstanding at Year End</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 348,840	\$ 285,000	\$ 63,840
2021	315,850	265,000	50,850
2022	322,600	285,000	37,600
2023	304,850	279,000	25,850
2024	163,700	149,000	14,700
2025-2026	181,000	171,000	10,000
Total Minimum Bond Payments	1,636,840	1,434,000	202,840
Add: Unamortized Premium	284,231	284,231	-
Total Bonds Payable	\$ 1,921,071	\$ 1,718,231	\$ 202,840

IX. CHANGES IN LONG-TERM LIABILITIES

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

<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>	<u>Due In One Year</u>
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	\$408,783,000	\$ -	\$ 18,275,000	\$390,508,000	\$23,083,000
Plus Unamortized Net Premium	39,822,095	-	3,188,653	36,633,442	3,188,653
Net Certificate of Participation Payable	448,605,095	-	21,463,653	427,141,442	26,271,653
Bonds Payable	1,800,000	-	366,000	1,434,000	285,000
Plus Unamortized Net Premium	365,108	-	80,877	284,231	60,670
Net Bonds Payable	2,165,108	-	446,877	1,718,231	345,670
Estimated Insurance Claims Payable	17,525,275	75,847,199	75,201,170	18,171,304	8,045,584
Compensated Absences Payable	41,518,588	19,623,829	19,122,959	42,019,458	3,923,898
Net OPEB Liability	18,112,951	1,444,958	1,888,514	17,669,395	1,631,696
Net Pension Liability	363,180,587	28,345,824	30,205,860	361,320,551	2,851,210
Total Governmental Activities	\$891,107,604	\$125,261,810	\$148,329,033	\$868,040,381	\$43,069,711
BUSINESS-TYPE ACTIVITIES					
Compensated Absences Payable	\$ 217,379	\$ 326,886	\$ 310,178	\$ 234,087	\$ 14,561
Net OPEB Liability	186,985	14,596	19,076	182,505	16,482
Net Pension Liability	3,392,528	287,876	307,516	3,372,888	28,800
Total Business-Type Activities	\$ 3,796,892	\$ 629,358	\$ 636,770	\$ 3,789,480	\$ 59,843

For the governmental activities, compensated absences, pensions, and other postemployment benefits are generally liquidated with resources of the General Fund. The estimated insurance claims are liquidated with resources from internal service funds. Compensated absences, pensions, and other postemployment benefits for business-type activities are generally liquidated with resources from the enterprise fund.

X. ARBITRAGE PAYABLE

Certain long-term debt obligations are subject to Section 148 of the Internal Revenue Code. The code requires a rebate to the Federal Government for interest earned on tax exempt proceeds if the earnings exceed the interest cost on the related debt. Pursuant to the IRS regulations, the arbitrage liabilities have

been calculated for outstanding Certificates of Participation, and the District's liability is zero as of June 30, 2019.

XI. 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	\$ 5,596,878	\$ -
Capital Projects - Local Capital Improvement	59,095	-
Nonmajor Governmental		4,834,933
Internal Service Fund - Self Insurance	-	821,040
Total	\$ 5,655,973	\$ 5,655,973

The interfund receivables/payables at June 30, 2019, are primarily due to the reclassification of cash balances in the District's Master Account in order to cover cash deficits in Special Revenue – Contracted Programs and Capital Projects – PECO Funds. The interfund receivables and payables represent the payments of expenditures paid by one fund for another fund and will be repaid within 12 months after year end.

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

Fund	Transfers In	Transfers Out
Major Funds:		
General	\$ 21,126,147	\$ 2,500,000
Debt Service - Other	36,750,187	-
Capital Projects - Local Capital Improvement	-	46,195,090
Capital Projects - Impact Fees	-	5,200,112
Nonmajor Governmental Funds	2,269,437	6,536,105
Internal Service Funds	2,500,000	-
Enterprise Fund	-	2,214,464
Total	\$ 62,645,771	\$ 62,645,771

The District transferred \$31,550,075 and \$5,200,112 from the Capital Projects – Local Capital Improvement Fund and Impact Fees, respectively, to the Debt Service – Other Fund to pay principal and interest payments due on certificates of participation. Also, from Capital Projects – Local Capital Improvement Fund, \$4,945,016 was transferred to the General Fund for the property insurance and \$9,699,999 to the General Fund for maintenance costs. Other transfers to the General Fund were \$1,000,000 for facility assessments and \$211,210 for the charter schools' portion of the Educational Facility Security Grant from the Capital Projects – Other Capital Projects Fund. The District also transferred to the General Fund \$3,055,458 from the Capital Projects – PECO Fund for charter schools, and \$2,214,464 was transferred from the Enterprise Fund. A transfer from the General Fund of \$2,500,000 to Workmans' Compensation was made to cover additional claims. Special Revenue – Food

Service Fund transferred \$2,269,437 to the Capital Projects – Other Capital Projects fund to fund additional renovation and maintenance of the District's kitchens.

XII. SCHEDULE OF REVENUE SOURCES

The following is a schedule of the District's State and Federal revenue for the fiscal year ended June 30, 2019:

State Revenue Sources	Amount
Florida Education Finance Program (FEFP)	
Class Size Reduction	\$ 79,280,627
ESE Guaranteed Allocation	29,486,151
Supplemental Academic Instruction	20,058,479
Transportation	10,756,545
Instructional Materials	6,108,271
Reading Allocation	3,195,766
Workforce Development Program	3,860,170
Safe Schools	4,051,258
Teachers Classroom Supply Assistance	1,399,335
DJJ Supplemental Allocation	176,503
FEFP - All Other	169,794,678
School Recognition Program	2,701,487
Capital Outlay and Debt Service Withheld for SBE Bonds	2,749,719
Voluntary Prekindergarten Program	1,923,978
Gross Receipts Tax (public education capital outlay)	1,694,578
Charter School Capital Outlay	3,055,458
District Discretionary Lottery Funds	249,943
Food Service Supplement	340,223
Other:	
Motor Vehicle License Tax	211,604
Sales Tax Distribution	223,250
Preschool Projects	4,000
Miscellaneous	9,711,735
Total	\$ 351,033,758

Federal Revenue Sources	Amount
Contracted Programs:	
Title I Grants to Local Educational Agencies	\$ 19,681,947
Special Education Cluster (IDEA)	18,474,727
Head Start	4,567,516
Other	8,444,786
Food Service Program	25,132,432
Other Federal Funds	3,065,315
Total	\$ 79,366,723

XIII. PROPERTY TAXES

The following table represents a summary of millages and taxes levied for the fiscal year ended June 30, 2019, based on the District's final Certification of School Taxable Value received from the Brevard County Property Appraiser.

	<u>Millages</u>	<u>Taxes Levied</u>
General Fund		
Nonvoted school tax:		
Required local effort	4.051	\$ 171,403,686
Basic discretionary local effort	0.748	31,648,965
Capital Projects Fund		
Nonvoted tax:		
Local capital improvements	<u>1.500</u>	<u>63,467,176</u>
Total	<u>6.299</u>	<u>\$ 266,519,827</u>

XIV. RETIREMENT PLANS

1. FRS – Defined Benefit Pension

The District follows GASB Statement No. 68, Accounting and Financial Reporting for Pensions, for reporting the employer's proportionate share of the net pension liabilities for the FRS and HIS defined benefit pension plans.

General Information Regarding the Florida Retirement System (FRS)

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

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

The District's share of collective pension expenses for the 2018-19 fiscal year was \$48,559,245; \$40,655,716 attributed to the FRS Plan and \$7,903,529 attributed to the HIS Plan.

FRS Pension Plan

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans 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 FRS pension plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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

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

The following table shows the percentage value for each year of service credit earned:

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2018-19 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	8.26
FRS, Elected County Officers	3.00	48.70
FRS, Senior Management Service	3.00	24.06
DROP – Applicable to Members from All of the Above Classes	0.00	14.03
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

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

The District's contributions to the FRS Plan totaled \$24,491,128 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the District reported a liability of \$247,031,172 for its proportionate share of the Plan's net pension liability. The respective net pension liabilities were measured as of June 30, 2018, and the amounts used to calculate each

of the net pension liabilities was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the liability was based on the District's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the District's proportionate share was 0.820142493 percent, which was a decrease of 0.010850679 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized the Plan pension expense of \$40,655,716. 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	\$ 20,927,254	\$ 759,561
Change of Assumptions	80,717,772	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	19,086,170
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	23,499	5,979,796
District FRS Contributions Subsequent to the Measurement Date	24,491,128	-
Total	\$ 126,159,653	\$ 25,825,527

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$24,491,128, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 29,982,308
2021	20,222,336
2022	1,732,229
2023	13,443,781
2024	9,152,901
Thereafter	1,309,443
Total	\$ 75,842,998

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation, was based on an actuarial experience study of the FRS for the period July 1, 2008 through June 30, 2013. Some of the key actuarial assumptions applied were:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	7.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, the cost method used was *Individual Entry Age*.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and be adding expected inflation.

The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

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

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

Discount Rate. The discount rate used to measure the total pension liability changed from 7.1 percent in 2018 to 7 percent in 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating members will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the District's proportionate share

of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
District's Proportionate Share of the Net Pension Liability	\$ 450,842,247	\$ 247,031,172	\$ 77,754,002

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

Payables to the Pension Plan. At June 30, 2019, the District reported a payable of \$4,607,728 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2019.

HIS Pension Plan

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

Benefits Provided. For fiscal year June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but no more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Federal Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2019, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$6,022,248 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the District reported a net pension liability of \$117,662,267 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The respective net pension liabilities were measured as of June 30, 2018 and the amounts used to calculate each of the net pension liabilities was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the liability was based on the District's 2017-18 fiscal year contributions relative to the total contributions of all participating members. At June 30, 2018, the District proportionate share was 1.111687614 percent, which was an decrease of 0.017808261 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized the HIS Plan pension expense of \$7,903,529. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 1,801,357	\$ 199,904
Change of Assumptions	13,085,498	12,440,238
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	71,024	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	1,891,522	5,196,922
District HIS Contributions Subsequent to the Measurement Date	6,022,248	-
Total	\$ 22,871,649	\$ 17,837,064

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$6,022,248, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 767,343
2021	761,355
2022	769,763
2023	3,844
2024	(2,178,948)
Thereafter	(1,111,020)
Total	\$ (987,663)

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	3.87 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 3.87 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index, and changed from 3.58 percent to 3.87 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.87 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
District's Proportionate Share of the Net Pension Liability	\$ 134,010,425	\$ 117,662,267	\$ 104,035,126

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

Payables to the Pension Plan. At June 30, 2019, the District reported a payable of \$756,764 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2019.

Aggregate Pension Expense. The aggregate amounts of net pension liabilities for deferred outflows of resources, deferred inflows of resources and pension expense for the District's defined benefit plan is summarized in the chart below.

<u>Description</u>	<u>FRS Pension Plan</u>	<u>HIS Plan</u>	<u>Total</u>
Ending Net Pension	\$ 247,031,172	\$ 117,662,267	\$ 364,693,439
Deferred Outflows	126,159,653	22,871,649	149,031,302
Deferred Inflows	25,825,527	17,837,064	43,662,591
Pension Expense	40,655,716	7,903,529	48,559,245

2. 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 Florida State Board of Administration (SBA), and is reported in the SBA's annual financial statements and in the State's Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2018-19 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control

over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2019, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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

Required employer and employee contributions for the fiscal year ended June 30, 2019, were \$5,338,752 and \$1,893,751, respectively.

Payables to the Investment Plan. At June 30, 2019, the District reported a payable of \$1,198,942 for employer and employee contributions to the Investment Plan required for the fiscal year ended June 30, 2019.

XV. OTHER POSTEMPLOYMENT BENEFIT OBLIGATIONS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, establishes the standards for recognizing and measuring liabilities, deferred outflows and inflows of resources and expenses/expenditures for postemployment benefits.

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. Eligible retirees may choose the Brevard School Board's medical plan that is available to active employees until Medicare eligible. Dependents of retirees may be covered at the retiree's option. Prescription drug coverage is extended to retirees and their dependents who are covered under the medical plan. Retirees and their dependents are also eligible to participate in the employer-sponsored vision and dental plans; however, these benefits are fully insured and purchased by the employee/retiree and not considered a postemployment benefit. Retiring employees have an option of participating in the employer-sponsored group life policy; however, the cost is not subsidized by the employer and is not considered a postemployment benefit.

The OPEB Plan does not issue a stand-alone report and is not included in the report of another entity. There are no assets that are accumulated in a trust that meets the criteria in paragraph 4 of the Statement. The following table contains a summary of participants covered by the Plan as of June 30, 2017.

Inactive Employees or Beneficiaries Currently Receiving Benefits	223
Inactive Employees Entitled To But Not Yet Receiving Benefits	0
Active Employees	<u>6,223</u>
Total	<u>6,446</u>

Total OPEB Liability. The District's total OPEB liability as of \$17,851,900 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017, and update procedures were used to determine the total OPEB liability as of June 30, 2018.

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

Inflation	2.50 percent
Salary Increases	3.7 – 7.8 percent, average, including inflation
Discount Rate	3.62 percent
Healthcare Cost Trend Rates	Trend starting at 7 percent and gradually decreasing to an ultimate trend rate of 4.24 percent, plus 0.34 percent increase for excise tax.

The Actuarial Cost Method is the *Individual Entry Age Normal Cost Method* with an increasing normal cost pattern consistent with the salary increase assumptions listed in the above table and used in the July 1, 2016, actuarial valuation of the Florida Retirement System.

The discount rate was based on the daily rate of Fidelity's 20-Year Municipal General Obligation AA Index as of June 30, 2018, which is the most recent data available on or before the measurement date. This index is the fixed income market yield curve for municipal bonds with 20 years to maturity and includes only federally tax-exempt municipal bonds as reported in Fidelity's 20-year Municipal GO AA index.

Mortality rates are based on the results of a statewide experience study periods 2008 through 2013 and are obtained from mortality tables used in the July 1, 2016, actuarial valuation of the Florida Retirement System. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The RP2000 Generational tables used are projected by Scale BB for healthy inactive mortality, postemployment and healthy active mortality during employment. Changes of assumptions and other inputs reflect a change in the discount rate from 3.56 percent in 2017 to 3.62 percent in 2018.

The table below represents the components of the changes in the total OPEB liability for the fiscal year ending June 30, 2019, based on the measurement period July 1, 2017, to June 30, 2018 .

Changes in the Total OPEB Liability.

	<u>Amount</u>
Balance at June 30, 2018	\$ 18,299,936
Changes for the year:	
Service Cost	811,938
Interest	647,616
Changes of Assumptions or Other Inputs	(66,791)
Benefit Payments	<u>(1,840,799)</u>
Net Changes	<u>(448,036)</u>
Balance at June 30, 2019	<u><u>\$ 17,851,900</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The table listed below represents the total liability of \$17,851,900 at the discount rate of 3.62 percent as well as calculations of the liability using a discount rate of 1 percentage point lower (2.62 percent) or 1 percentage higher (4.62 percent).

	1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
Total OPEB Liability	\$ 18,984,790	\$ 17,851,900	\$ 16,756,372

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The table listed below represents the total liability of \$17,851,900, as well as calculations of the liability using healthcare cost trend rates that are 1 percentage point lower (6 percent decreasing to 3.58 percent) or 1 percentage point higher (8 percent decreasing to 5.58 percent).

	1% Decrease (6% decreasing to 3.58%)	Healthcare Cost Trend Rates Assumption (7% decreasing to 4.58%)	1% Increase (8% decreasing to 5.58%)
Total OPEB Liability	\$ 15,838,715	\$ 17,851,900	\$ 20,223,166

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$1,384,476. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions or Other Inputs	\$ -	\$ 657,433
Benefits Paid Subsequent to the Measurement Date	1,648,178	-
Total	\$ 1,648,178	\$ 657,433

The deferred outflows of resources related to OPEB, in the amount of \$1,648,718, are employer OPEB contributions made after the measurement date, and will be recognized as a reduction of the OPEB liability in the 2019-20 fiscal year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amortization</u>
2020	\$ (75,078)
2021	(75,078)
2022	(75,078)
2023	(75,078)
2024	(75,078)
Thereafter	(282,043)
Total	\$ (657,433)

XVI. COMMITMENTS

The District uses encumbrance accounting for recording purchase order commitments for goods and services and has recorded \$29,327,930 in encumbrances for major funds (General \$5,864,994, Debt Service – Other \$52, Local Capital Improvement \$7,873,568, Sales Surtax \$13,561,119, and Impact Fees \$2,028,197) and \$3,918,125 in nonmajor funds at June 30, 2019. The District has also recorded the following major construction contract commitments as of June 30, 2019, which may include encumbrances:

<u>Project</u>	<u>Balance Committed</u>
Apollo ES Facility Renewal Attachment F	\$ 121,466
Atlantis ES Facility Renewal Attachment F	637,710
Atlantis ES Painting	139,920
Bayside HS Facility Renewal LCIF	224,362
Central MS Fire Alarm, HVAC controls, Structured Cabling LCIF	128,446
Cocoa HS Building 34 Impact Fees	1,531,516
Cocoa HS High Facility Renewal Attachment F	1,003,578
Cocoa HS High Facility Renewal LCIF	582,266
Creel ES Facility Renewal Attachment F	484,507
Croton ES Facility Renewal Attachment F	113,552
District-wide Replace at Failure	168,721
District-wide School Security Attachment F	3,905,110
Eau Gallie HS Cafeteria Renovation Food Services Capital	1,141,321
Eau Gallie HS Facility Renewal Attachment F	913,173
Endeavour ES Facility Renewal CO&DS	592,323
Gemini ES Facility Renewal Attachment F	284,224
Gemini ES Facility Renewal CO&DS	374,813
Harbor City ES Facility Renewal Attachment F	359,734
Harbor City ES Facility Renewal LCIF	138,616
Holland ES Facility Renewal Attachment F	1,755,374
Hoover MS Facility Renewal Attachment F	241,631
Indialantic ES Facility Renewal Attachment F	877,285
Jackson MS Facility Renewal Attachment F	231,235
Johnson MS Facility Renewal Attachment F	2,359,908
Johnson MS Kitchen Renovation Food Services Capital	560,477
Jupiter ES Painting	139,920
Lewis Carroll ES Chiller Pump Addition Attachment F	174,567
Lockmar ES Facility Renewal Attachment F	1,069,562

Project (continued)	Balance Committed
Madison MS Facility Renewal Attachment F	\$ 1,265,087
Madison MS Facility Renewal LCIF	278,067
Melbourne HS CTE Culinary Lab Renovation Operating	117,243
Melbourne HS Facility Renewal Attachment F	175,750
Melbourne HS Intercom Replacement Attachment F	105,000
Melbourne HS Intercom Replacement LCIF	144,226
Melbourne HS Turf Replacement LCIF	430,257
Mila ES Facility Renewal Attachment F	154,209
Plant Operations - Fuel Tank Replacement LCIF	406,551
Port Malabar ES AC Renewal Attachment F	538,400
Port Malabar ES AC Renewal LCIF	259,993
Quest ES Facility Renewal Attachment F	323,925
Quest ES Portable Relocation LCIF	163,340
Rockledge HS Facility Renewal Attachment F	491,334
Southwest MS Facility Renewal Attachment F	109,408
Southwest MS Courtyard Canopy Repairs LCIF	589,218
Space Coast JR/SR HS Painting	122,825
Stevenson ES Facility Renewal Attachment F	672,552
Stevenson ES Facility Renewal LCIF	176,460
Stone Magnet MS Canopy Replacement LCIF	331,283
Stone Magnet MS Plumbing Renovation Attachment F	100,000
Stone Magnet MS Plumbing Renovation LCIF	101,865
Surfside ES Facility Renewal Attachment F	814,477
Surfside ES Facility Renewal LCIF	190,000
University Park ES Facility Renewal Attachment F	544,593
University Park ES Facility Renewal LCIF	180,032
New Viera ES Impact Fees	12,831,157
West Shore JR/SR HS Facility Renewal Attachment F	610,122
Williams ES Facility Renewal Attachment F	103,364
Total Commitments	\$ 42,586,055

XVII. RISK MANAGEMENT – SELF-INSURED PROGRAMS

The District is exposed to various casualty risks including workers' compensation related injuries to employees and volunteers, State tort claims (auto and general liability exposures), and allegations of wrongful or intentional acts that result in claims of negligence typically handled in the State court system, but on occasion depending on how the claim is plead may be handled in Federal court jurisdictions. The District utilizes a third-party administrator to adjust or handle all of these claims. In addition to the self-insured portion of these casualty claims, the District procures insurance with high deductibles to reduce the effect of excessive losses for all of these exposures through commercial insurance companies. A list of these exposures and how they are treated can be found below. In the last 3 years, no claim has exceeded the self-insured retention limits as stated in State statute and though no claim exceeded the self-insured limit, the District further protects itself by purchasing insurance to protect the District in the event of this type of loss exposure.

In addition to casualty-loss exposure, the District provides employees and their dependents with health insurance through one self-insurance program that includes prescription drug benefits all of which are administered through a single third-party administrator. Under both casualty and healthcare programs, claims are presented to the service agents for processing and payment. The third-party administrator sends the District a monthly invoice to reimburse them for the claims paid during each month of the year as well as to cover their fees charged for providing this service on the District's behalf.

Workers' Compensation: Work related injuries to officers, employees, and official school volunteers' liability claims:

- The first \$500,000 of each workers' compensation claim is paid via the District's self-insurance trust funds. These claims are administered through a third-party administrator, Sedgwick CMS.
- All workers' compensation claims with values in excess of \$500,000 are paid via an excess workers' compensation policy purchased through a commercial insurance carrier (Safety National Casualty Co.). Excess workers' compensation claims remain under the control and of Sedgwick CMS as they handle the claim to its conclusion. For claims whose payments exceed \$500,000, Sedgwick CMS will communicate with Safety National Casualty Co. and they request reimbursement of dollars paid in excess. The excess dollars are received by Sedgwick CMS from Safety National Casualty Co. These dollars are then used to offset costs for the continuing excess claim and other claims that incur cost during the month received thereby reducing the reimbursement the District would incur otherwise.

General Liability and Automobile Liability Claims:

- The first \$200,000 of any single incident, single individual, or \$300,000 for multiple claims that arise from a single incident are paid via the District's self-insured trust funds. These claims are capped at the above stated figures by State law specifically Section 768.28, Florida Statutes, better known as the State's doctrine of Sovereign Immunity. All of these claims are administered through a third-party administrator, Sedgwick CMS.
- Section 768.28, Florida Statutes, provides for payments in excess of the above stated figures if the Legislature approves a claims bill allowing for such payment. The District also purchases a commercial insurance policy to pay a maximum of \$2,000,000 if any claim should exceed the deductible of \$500,000. The insurance carrier is BRIT Global Specialty USA, a division of Lloyds, London.

Errors and Omissions Liability Claims:

- The first \$250,000 of each wrongful act is self-insured via the District's self-insured trust funds. Though these claims are not adjusted by Sedgwick CMS, this third-party administrator pays the fees associated with claim investigation, legal representation, and claim settlement/payout.
- For claims in excess of \$250,000, the District purchases a commercial insurance policy that will pay up to an annual aggregate of \$2,000,000. The insurance carrier is BRIT Global Specialty USA, a division of Lloyds, London.

Self-Insured Health Claims:

- The District offers a self-insurance plan covering certain health and prescription drug benefits and utilizes several choices of providers under the plan. Benefits are offered to active employees and their dependents as well as retirees. Under these plans, a portion of the benefits offered is paid by the District and a portion is paid by employees through payroll deduction. Retirees are required to pay the full premium amount for plan coverage at the blended employee premium rate.

The liability for workers' compensation is \$12,084,943, general liability is \$1,197,456, automobile liability is \$684,905, and medical claims is \$4,204,000 for a total amount of \$18,171,304. The liability amounts were determined based on claims adjusters' evaluation of individual claims and management's evaluation, along with actuarial calculations with respect to the probable number and nature of claims arising from losses that have been incurred but have not yet been reported.

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

<u>Fiscal Year</u>	<u>Balance July 1</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance June 30</u>
2017-18	\$ 17,355,054	\$ 71,563,352	\$ (71,393,131)	\$ 17,525,275
2018-19	17,525,275	75,847,199	(75,201,170)	18,171,304

Commercially Purchased Insurance:

The District is also exposed to various risks that could result in severe financial loss or losses that due to the minimal cost are better treated with commercial insurance. These exposures are related to property loss, boiler and machinery related losses, employee crime/theft, and under and above ground fuel storage tanks.

Property Insurance:

- Losses related to fire, earthquake, non-named storms, theft/vandalism, etc., are subject to a deductible of \$100,000 and will pay a maximum loss of \$150,000,000 for any one incident.
- Losses related to named windstorms and flood damage are subject to 3 percent per building replacement value as a deductible. The windstorm deductible is further limited to a maximum loss per storm of \$15,000,000 before insurance pays for the remaining amount of the loss subject to the maximum loss limit for a named windstorm. To trigger insurance coverage, all building damage when totaled together must exceed \$500,000. Once the minimum loss deductible is met, the policy will pay a maximum of \$110,000,000 toward the District's losses.

Boiler and Machinery:

- Losses related to boiler or machinery failure are subject to a deductible of \$25,000 and will pay up to \$50,000,000 in equipment breakdown and property damage.

Employee Theft/Crime:

- Losses related to cash theft or mishandling of assets are subject to a \$25,000 deductible and will reimburse the District up to \$2,500,000 in the event of a loss.

Under and Above Ground Storage Tanks:

- Losses related to diesel and gasoline fuel spills are subject to a \$5,000 deductible and will reimburse the District up to \$1,000,000 toward expenses related to clean up and recovery.

During the fiscal year ended June 30, 2019, the District did not experience any significant reductions in insurance coverage nor did any claim settlement as noted in any area above exceed the insurance coverage purchased in each of the last 3 fiscal years.

XVIII. INTERNAL SERVICE FUNDS

The following is a summary of financial information reported in the internal service funds for the fiscal year ended June 30, 2019:

	<u>Total</u>	<u>Medical Insurance</u>	<u>Workers' Compensation</u>	<u>General/Auto Liability</u>
Total Assets	<u>\$39,000,800</u>	<u>\$21,480,353</u>	<u>\$ 15,586,618</u>	<u>\$ 1,933,829</u>
Liabilities and Net Position:				
Accounts Payable	332,123	56,898	228,191	47,034
Due to Budgetary Funds	821,040	-	821,040	-
Estimated Insurance Claims Payable	<u>18,171,304</u>	<u>4,204,000</u>	<u>12,084,943</u>	<u>1,882,361</u>
Total Net Liabilities	<u>19,324,467</u>	<u>4,260,898</u>	<u>13,134,174</u>	<u>1,929,395</u>
Net Position:				
Investment in Capital Assets	1,284,264	1,284,264	-	-
Unrestricted Net Position	<u>18,392,069</u>	<u>15,935,191</u>	<u>2,452,444</u>	<u>4,434</u>
Total Net Position	<u>19,676,333</u>	<u>17,219,455</u>	<u>2,452,444</u>	<u>4,434</u>
Total Liabilities and Net Position	<u>\$39,000,800</u>	<u>\$21,480,353</u>	<u>\$ 15,586,618</u>	<u>\$ 1,933,829</u>
Revenues:				
Premium Contributions	\$71,200,248	\$66,800,016	\$ 3,484,891	\$ 915,341
Investment Earnings	1,120,039	508,157	529,879	82,003
Other	<u>69</u>	<u>59</u>	<u>10</u>	<u>-</u>
Total Revenues	<u>72,320,356</u>	<u>67,308,232</u>	<u>4,014,780</u>	<u>997,344</u>
Total Expenses	<u>(78,295,649)</u>	<u>(70,649,685)</u>	<u>(6,305,852)</u>	<u>(1,340,112)</u>
Transfers	<u>2,500,000</u>	<u>-</u>	<u>2,500,000</u>	<u>-</u>
Change in Net Position	<u>\$ (3,475,293)</u>	<u>\$ (3,341,453)</u>	<u>\$ 208,928</u>	<u>\$ (342,768)</u>

XIX. FUND BALANCE REPORTING

In addition to the nonspendable fund balances, GASB 54 has provided a hierarchy of *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 self-imposed constraints of the government from its highest level of decision-making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balances of the General Fund that are not constrained for any particular purpose.

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

Nonspendable: The District has a total of \$5,713,461 classified as nonspendable which consists of \$2,004,699 for inventory and \$3,708,762 for prepaid.

Spendable: The District has classified the spendable fund balances as *Restricted*, *Committed*, *Assigned*, and *Unassigned* and considers each to have been spent when expenditures are incurred. The District

does not have a policy regarding either committed or assigned fund balances. When assigned and unassigned balances are available for use, assigned resources will be used first and then unassigned resources will be used as needed.

- Restricted for Capital Projects, State Categoricals, Debt Service, and Food Services: Florida Statutes require that certain revenues be specifically designated for the purposes of capital and debt service requirements, certain designated State categorical spending and other earmarked spending programs, and food services. These funds have been included in the restricted category of fund balance. The restricted fund balances for capital projects, State categoricals, debt service, and food services total \$139,323,083, \$5,653,290, \$4,326,932, and \$8,968,738, respectively.
- Committed to Funding Priorities: The District has set aside \$1,952,952, through Board action, for funding priorities in the 2019-20 fiscal year. The funding priorities consist of instructional coaches, social workers, school security/resource officers, centralized internal accounts, and school athletic assistance. Committed fund balances for each category are \$824,108, \$437,760, \$250,000, \$241,084, and \$200,000, respectively.
- Assigned for School Operations and Capital Projects: The School Board has set aside certain fund balances for school operations and capital projects. For the 2019 fiscal year, the assigned fund balance is \$5,393,464 of which \$4,955,452 is for school operations and \$438,012 is for Capital Projects – Other not restricted for a particular purpose.
- Unassigned: The unassigned fund balance for the General Fund is \$40,733,370.

The following is a summary of fund balances at June 30, 2019:

	General Fund	Debt Service - Other Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Local Sales Surtax Fund	Capital Projects - Impact Fees Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances							
Nonspendable:							
Inventory	\$ 435,155	\$ -	\$ -	\$ -	\$ -	\$ 1,569,544	\$ 2,004,699
Prepaid	3,708,762	-	-	-	-	-	3,708,762
Restricted:							
Capital Projects	-	-	21,144,874	73,553,976	37,487,264	7,136,969	139,323,083
State Categoricals	5,653,290	-	-	-	-	-	5,653,290
Debt Service	-	4,294,016	-	-	-	32,916	4,326,932
Food Services	-	-	-	-	-	8,968,738	8,968,738
Committed:							
Funding Priorities	1,952,952	-	-	-	-	-	1,952,952
Assigned:							
School Operations	4,955,452	-	-	-	-	-	4,955,452
Capital Projects	-	-	-	-	-	438,012	438,012
Unassigned:							
School Board Contingencies	19,880,369	-	-	-	-	-	19,880,369
Other	20,853,001	-	-	-	-	-	20,853,001
Total Fund Balances	\$ 57,438,981	\$ 4,294,016	\$ 21,144,874	\$ 73,553,976	\$ 37,487,264	\$ 18,146,179	\$ 212,065,290

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The District has inventory and prepaid items that are considered nonspendable. The District has no nonspendable funds related to endowment.

The District has set aside “contingency reserves” per Board Policy 6120, to help sustain the financial stability of the District during times of emergency spending for items such as disaster recovery and revenue shortfalls that could potentially occur after the current year’s budget adoption. Policy 6120

requires at least 3 percent of the current year's annual estimated General Fund revenues to be reserved for contingency purposes. In the event these reserves are needed, a majority vote of the Board is required before using these funds and the Superintendent is required to provide a financial plan to the Board to restore the funds to the minimum 3 percent amount, along with a timeline for restoration. The contingency funds of \$19,880,369 are included as part of the unassigned General Fund balance of \$40,733,370 and equates to 3.59 percent of the 2018-19 fiscal year total General Fund revenues.

XX. COMPONENT UNIT- PINEAPPLE COVE CLASSICAL ACADEMY AT WEST MELBOURNE – PRIOR PERIOD ADJUSTMENT

Pineapple Cove Classical Academy at West Melbourne, a component unit of the District, was approved by the School Board for opening its first year of instruction during the 2018-19 school year. During fiscal year 2017-18, the charter school had financial activity related to real estate development which resulted in expenditures of \$1,657,740 and a deficit net position of (\$1,471,542) for fiscal year ending June 30, 2018. These 2018 results were not reported in the component unit activity of the District's financial statements for fiscal year ending June 30, 2018. Below is a summary of the beginning net position for governmental activities as restated in the District's financial statements for fiscal year ending June 30, 2019.

<u>Description</u>	<u>Governmental Activities</u>
Beginning Net Position June 30, 2018	\$ 12,056,458
Cumulative Effect of Restatement	<u>(1,471,542)</u>
Restated Net Position June 30, 2018	<u>\$ 10,584,916</u>

XXI. LITIGATION

The School Board is a defendant in a number of lawsuits as of June 30, 2019. It is the opinion of the District's 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 exceeded the above-mentioned limits, would not be material to the financial position of the District.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	2019	2018
Total OPEB Liability		
Service Cost	\$ 811,938	\$ 854,258
Interest	647,616	561,206
Changes of Assumptions or Other Inputs	(66,791)	(734,540)
Benefit Payments	(1,840,799)	(1,492,251)
Net Change in Total OPEB Liability	(448,036)	(811,327)
Total OPEB Liability - Beginning	18,299,936	19,111,263
Total OPEB Liability - Ending	<u>\$ 17,851,900</u>	<u>\$ 18,299,936</u>
Covered-Employee Payroll	\$ 275,258,394	\$ 273,228,712
Total OPEB Liability as a Percentage of Covered-Employee Payroll	6.49%	6.70%

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

	2018	2017	2016	2015	2014	2013
District's Proportion of the FRS Net Pension Liability	0.820142493%	0.830993172%	0.849038350%	0.873903029%	0.876490442%	0.889368881%
District's Proportionate Share of the FRS Net Pension Liability	\$ 247,031,172	\$ 245,802,205	\$ 214,382,250	\$ 112,876,297	\$ 53,295,762	\$ 153,099,968
District's Covered Payroll	\$ 363,166,019	\$ 360,321,185	\$ 358,930,491	\$ 342,344,742	\$ 334,805,743	\$ 342,183,393
District's Proportionate Share of the FRS Net Pension Liability as a Percentage of Its Covered Payroll	68.02%	68.22%	59.73%	32.97%	15.92%	44.74%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

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

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

	2019	2018	2017	2016	2015	2014
Contractually Required FRS Contribution	\$ 24,491,128	\$ 23,373,402	\$ 21,632,798	\$ 20,705,154	\$ 21,306,498	\$ 19,133,147
FRS Contributions in Relation to the Contractually Required Contribution	(24,491,128)	(23,373,402)	(21,632,798)	(20,705,154)	(21,306,498)	(19,133,147)
FRS Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 362,793,286	\$ 363,166,019	\$ 360,321,185	\$ 358,930,491	\$ 342,344,742	\$ 334,805,743
FRS Contributions as a Percentage of Covered Payroll	6.75%	6.44%	6.00%	5.77%	6.22%	5.71%

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

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

	2018	2017	2016	2015	2014	2013
District's Proportion of the HIS Net Pension Liability	1.111687614%	1.129495875%	1.161730818%	1.128125564%	1.126860263%	1.177649683%
District's Proportionate Share of the HIS Net Pension Liability	\$ 117,662,267	\$ 120,770,910	\$ 135,394,914	\$ 115,051,062	\$ 105,364,184	\$ 102,529,889
District's Covered Payroll	\$ 363,166,019	\$ 360,321,185	\$ 358,930,491	\$ 342,344,742	\$ 334,805,743	\$ 342,183,393
District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	32.40%	33.52%	37.72%	33.61%	31.47%	29.96%
HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

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

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

	2019	2018	2017	2016	2015	2014
Contractually Required HIS Contribution	\$ 6,022,248	\$ 6,028,710	\$ 5,977,618	\$ 5,954,611	\$ 4,312,398	\$ 3,860,244
HIS Contributions in Relation to the Contractually Required Contribution	(6,022,248)	(6,028,710)	(5,977,618)	(5,954,611)	(4,312,398)	(3,860,244)
HIS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 362,793,286	\$ 363,166,019	\$ 360,321,185	\$ 358,930,491	\$ 342,344,742	\$ 334,805,743
HIS Contributions as a Percentage of Covered Payroll	1.66%	1.66%	1.66%	1.66%	1.26%	1.15%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

No assets are accumulated in a trust.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 7.1 percent to 7 percent, and the active member mortality assumption was updated.

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Clustered				
Child Nutrition Cluster				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	18002, 19002	\$ -	\$ 5,746,433
National School Lunch Program	10.555	18001, 19001	-	17,598,534
Summer Food Service Program for Children	10.559	18006, 18007, 19006, 19007	-	164,057
Total Child Nutrition Cluster			-	23,509,024
Special Education Cluster				
United States Department of Education:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	109,971	18,109,661
Special Education - Preschool Grants	84.173	266, 267	-	365,066
Total Special Education Cluster			109,971	18,474,727
Not Clustered				
United States Department of Agriculture				
Healthier US School Challenge: Smarter Lunchrooms	10.543	N/A	-	43,500
Florida Department of Health:				
Child and Adult Care Food Program	10.558	A-4383, S-4279	-	1,467,058
Florida Department of Agriculture and Consumer Services:				
Fresh Fruit and Vegetable Program	10.582	18004, 19004	-	112,850
Total United States Department of Agriculture			-	1,623,408
United States Department of Defense				
Army Junior Reserve Officers Training Corps	12.UNK	N/A	-	518,663
Air Force Junior Reserve Officers Training Corps	12.UNK	N/A	-	254,600
Navy Junior Reserve Officers Training Corps	12.UNK	N/A	-	153,654
Marine Junior Reserve Officers Training Corps	12.UNK	N/A	-	67,538
Total United States Department of Defense			-	994,455
United States Department of Justice				
Office of Community Oriented Policing Services:				
Public Safety Partnership and Community Policing Grants	16.560	N/A	-	77,033
United States Department of Education				
Impact Aid	84.041	N/A	-	786,547
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	5,702	597,364
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	2,222,849	19,681,948
Career and Technical Education - Basic Grants to States	84.048	161	-	802,581
Education for Homeless Children and Youth	84.196	127	-	121,720
Charter Schools	84.282	298	629,829	629,829
Twenty-First Century Community Learning Centers	84.287	244	-	1,743,756
English Language Acquisition State Grants	84.365	102	-	342,149
Supporting Effective Instruction State Grants	84.367	224	137,927	2,173,310
Student Support and Academic Enrichment Program	84.424	241	-	962,588
Hurricane Education Recovery:	84.938			
Immediate Aid to Restart School Operations	84.938A	105	38,250	409,153
Temporary Emergency Impact Aid for Displaced Students	84.938C	106	23,804	629,075
Total Hurricane Education Recovery	84.938		62,054	1,038,228
Total United States Department of Education			3,058,361	28,880,020
United States Department of Health and Human Services				
Head Start	93.600	N/A	-	4,567,516
United States Department of Homeland Security				
Florida Division of Emergency Management:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	802, 1057, 1006, 741	-	371,187
Total Expenditures of Federal Awards			<u>\$ 3,168,332</u>	<u>\$ 78,497,370</u>

The accompanying notes are an integral part of this Schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Brevard County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.
- (2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance – National School Lunch Program. Includes \$2,111,270 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (5) Hurricane Education Recovery. The District incurred \$1,038,228 in expenditures for the Hurricane Education Recovery grant in the 2017-18 fiscal year.
- (6) Head Start. Expenditures are for grant number 04CH010481-02-00.
- (7) Disaster Grants – Public Assistance (Presidentially Declared Disasters). The District incurred \$371,187 in expenditures for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) grant in the 2017-18 fiscal year.



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT 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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Brevard County District School Board as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 26, 2020, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 26, 2020



Sherrill F. Norman, CPA
Auditor General

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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 Brevard 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, 2019. 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, 2019.

Report on Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on 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 small initial between them.

Sherrill F. Norman, CPA
Tallahassee, Florida
March 26, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	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 Number: 84.010	Name of Federal Program or Cluster: Title I Grants to Local Educational Agencies
Dollar threshold used to distinguish between type A and type B programs:	\$2,354,921
Auditee qualified as low risk auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters are reported.

PRIOR AUDIT FOLLOW-UP

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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