

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2020-176
March 2020

ORANGE 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. Barbara M. Jenkins served as Superintendent of the Orange County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Teresa Jacobs, Chair from 11-20-18	Districtwide
Bill Sublette, Chair through 11-19-18	Districtwide
Angela Gallo from 11-20-18	1
Joie W. Cadle through 11-19-18	1
Johanna Lopez from 11-20-18	2
Daryl Flynn through 11-19-18	2
Linda Kobert, Vice Chair through 11-25-18	3
Pam Gould	4
Kathleen "Kat" Gordon, Vice Chair from 11-26-18	5
Karen Castor Dentel from 11-20-18	6
Nancy Robinson through 11-19-18	6
Melissa Byrd from 11-20-18	7
Christine Moore through 11-19-18	7

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

The team leader was Jeffrey M. Brizendine, CPA, and the audit was supervised by Brenda C. Racis, 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 Orange 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; however, we noted a certain additional matter as summarized below.

Additional Matter

Finding AM 2019-001: The District did not consistently comply with Florida Department of Education directives for reporting charter schools as discretely presented component units on the District financial statements. Similar findings were noted in our report Nos. 2017-151 and 2014-147.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Child and Adult Care Food Program, Title I, Federal Pell Grant, and Hurricane Education Recovery programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

AUDIT OBJECTIVES AND SCOPE

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on the District's major Federal programs;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for the finding included in our report No. 2017-151.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Orange County District School Board, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statement of the school internal funds, which represents 4 percent and 13 percent, respectively, of the assets and liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. The financial statements of the school internal funds and the aggregate discretely presented component units were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those financial statements, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter

As discussed in Note III. to the financial statements, certain component units included in the financial statements for the 2018-19 fiscal year were excluded from the financial statements for the 2017-18 fiscal year. This matter affects the comparability of amounts reported for the 2017-18 fiscal year with amounts reported for the 2018-19 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Budgetary Comparison Schedule – General Fund**, **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 Orange County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2019. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

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

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$4,421,976,543 (net position).
- The District's total net position increased by \$303,432,724. This increase is primarily attributable to the ongoing investment of the District in new schools and the renovation of existing schools supported by sales tax proceeds and other capital outlay revenues.
- Total revenues of \$2,651,096,878 were comprised of general revenues in the amount of \$2,447,237,748, or 92.3 percent, and program specific revenues from charges for services, grants and contributions in the amount of \$203,859,130, or 7.7 percent.
- For the year ended June 30, 2019, the District had \$2,347,664,154 in expenses related to governmental activities; \$203,859,130 of which were offset by program specific charges for services, grants and other sources. General revenues (primarily taxes and State funding programs) of \$2,447,237,748 were sufficient to provide for the District's programs.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,976,601,987, an increase of \$95,766,785 in comparison with the prior year. Approximately 4.8 percent of this total amount, \$95,807,803 is available for spending at the District's discretion for the purposes defined for each governmental fund (unassigned fund balance). The remaining balance of \$1,880,794,184 has been designated as nonspendable, restricted, committed, or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$95,807,803, or 5.4 percent of total general fund expenditures.
- The District's total long-term debt for bonds and certificates of participation decreased by \$53,212,131, or 4.4 percent, during the current fiscal year due to principal payments.

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements (or district-wide financial statements) are designed to provide a broad overview of the District's finances, in a manner similar to those of a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities provides information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes, other post-employment benefits, and earned but unused vacation and sick leave).

All of the District's activities and services are reported in the government-wide financial statements, including instruction, pupil support services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes, State assistance, and interest and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here. The District currently does not report any business-type activities, which would include functions that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include not only the District itself (known as the primary government), but also the School Board of Orange County Employee Benefits Trust and the Orange County School Board Leasing Corporation. The School Board of Orange County Employee Benefits Trust (Trust) and the Orange County School Board Leasing Corporation (Corporation), although also legally separate, were formed to administer the District's group health and life insurance program and facilitate financing for the acquisition of facilities and equipment, respectively. Due to the substantive economic relationships between the District and the Trust and Corporation, their financial activities have been included as an integral part of the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing

so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains 10 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Projects – Capital Improvement Tax Fund, and Capital Projects – Other Capital Projects Fund, which are considered to be major funds. Data from the other 7 governmental funds are combined into a single aggregated presentation.

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

Proprietary Funds: The District maintains one type of proprietary fund – internal service funds. Internal service funds are an accounting device used to accumulate and allocate cost internally among the District's various functions. The District uses internal service funds to account for its self-insurance programs, employee benefits trust, and printing services. Because these services benefit the District's governmental functions, they have been included within governmental activities in the government-wide financial statements.

The three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in a subsequent note.

Fiduciary Funds: Fiduciary funds, which, for the District, consist solely of agency funds, are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds, except that agency funds do not report changes in fiduciary net assets, as agency fund assets should equal liabilities.

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,421,976,543 at the close of the most recent fiscal year. The following

is a summary of the District's net position as of June 30, 2019, compared to net position as of June 30, 2018:

Net Position, End of Year			
	Governmental Activities		Percentage
	6-30-19	6-30-18	Change
Current and Other Assets	\$ 2,247,139,297	\$ 2,163,139,651	3.9%
Capital Assets	4,309,717,217	4,078,077,824	5.7%
Total Assets	6,556,856,514	6,241,217,475	5.1%
Deferred Outflows of Resources	532,020,620	532,396,085	-0.1%
Long-Term Liabilities	2,376,823,539	2,403,037,812	-1.1%
Other Liabilities	180,471,535	183,419,837	-1.6%
Total Liabilities	2,557,295,074	2,586,457,649	-1.1%
Deferred Inflows of Resources	109,605,517	68,612,092	59.7%
Net Position:			
Net Investment in Capital Assets	3,173,122,344	2,904,493,083	9.2%
Restricted	1,616,592,993	1,502,492,314	7.6%
Unrestricted (Deficit)	(367,738,794)	(288,441,578)	-27.5%
Total Net Position	\$ 4,421,976,543	\$ 4,118,543,819	7.4%

The largest portion of the District's net position reflects its investment in existing capital assets (e.g., land; buildings; machinery, and equipment), net of accumulated depreciation and less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide educational and related services to students; consequently, these assets are not available for future spending. Although the District's investment in 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.

A portion of the District's net position reflects its restricted net position for capital projects, debt service, food service, and other purposes. The District will use these resources in a continuing effort to build and refurbish sufficient classroom space for the growing student population in Orange County, Florida.

The balance of the District's net position is shown as unrestricted deficit net position of \$367,738,794. The deficit balance in unrestricted net position is primarily due to reporting the District's proportionate share of the State's net pension liability.

Overall, the District's net position increased by \$303,432,724 during the current fiscal year primarily due to building of capital fund resources for future school renovations, construction projects, and expansion of the digital curriculum initiative.

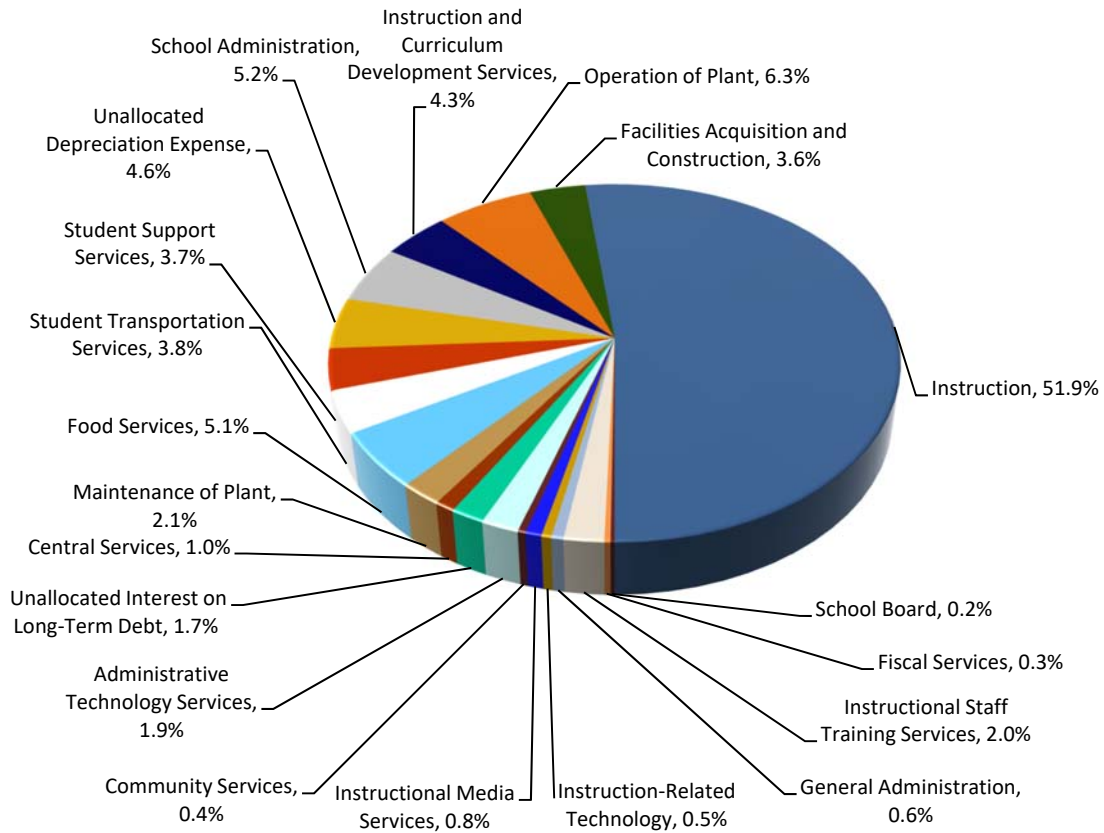
The key elements of the changes in the District's net position for the fiscal years ended June 30, 2019, and June 30, 2018, are as follows:

Operating Results for the Fiscal Year Ended

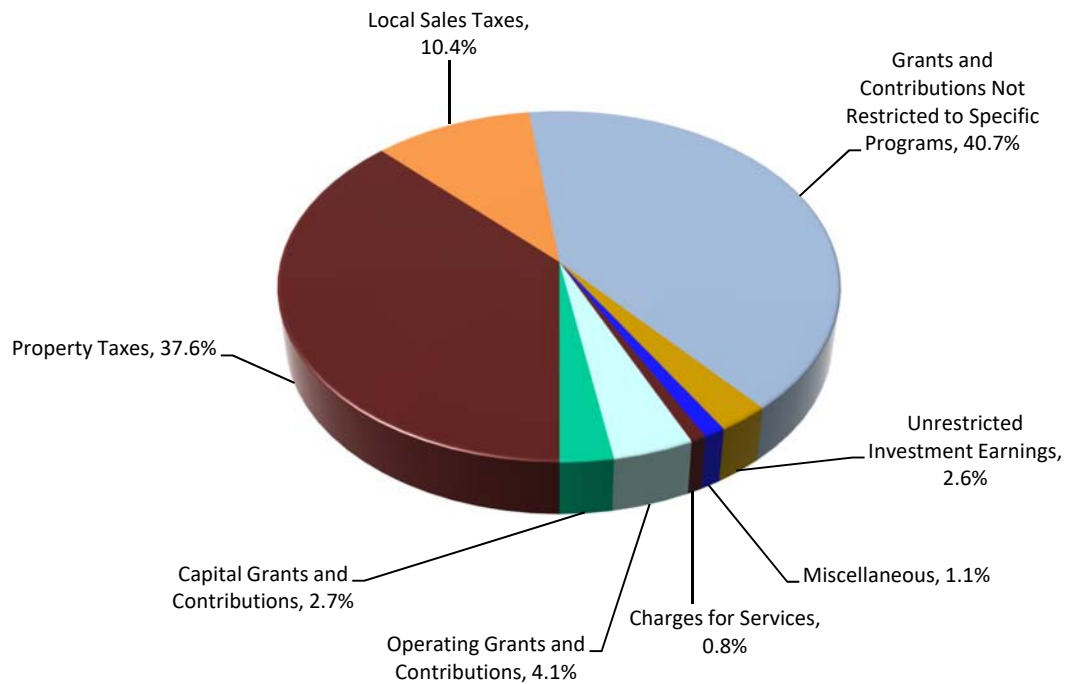
	Governmental Activities		Percentage
	6-30-19	6-30-18	Change
Program Revenues:			
Charges for Services	\$ 22,406,158	\$ 20,638,317	8.6%
Operating Grants and Contributions	108,670,739	106,513,236	2.0%
Capital Grants and Contributions	72,782,233	87,081,962	-16.4%
General Revenues:			
Property Taxes	995,548,001	942,257,939	5.7%
Local Sales Taxes	274,456,899	257,649,248	6.5%
Grants and Contributions Not Restricted to Specific Programs	1,079,843,301	1,033,532,472	4.5%
Unrestricted Investment Earnings	69,306,271	26,944,313	157.2%
Miscellaneous	28,083,276	34,421,026	-18.4%
Total Revenues	2,651,096,878	2,509,038,513	5.7%
Functions/Program Expenses:			
Instruction	1,217,834,484	1,194,393,453	2.0%
Student Support Services	85,636,044	79,172,466	8.2%
Instructional Media Services	17,636,792	17,227,053	2.4%
Instruction and Curriculum Development Services	102,102,823	87,831,613	16.2%
Instructional Staff Training Services	46,885,234	45,949,316	2.0%
Instruction-Related Technology	12,357,242	12,166,683	1.6%
Board	4,290,283	4,302,606	-0.3%
General Administration	13,671,827	11,978,130	14.1%
School Administration	121,419,810	117,572,616	3.3%
Facilities Acquisition and Construction	84,463,480	42,477,600	98.8%
Fiscal Services	7,790,601	7,281,398	7.0%
Food Services	119,079,253	105,144,544	13.3%
Central Services	22,996,779	22,084,806	4.1%
Student Transportation Services	90,129,694	89,368,593	0.9%
Operation of Plant	147,788,527	129,080,997	14.5%
Maintenance of Plant	49,444,625	43,509,576	13.6%
Administrative Technology Services	44,453,510	32,581,505	36.4%
Community Services	10,090,036	10,548,409	-4.3%
Unallocated Interest on Long-Term Debt	40,565,733	51,813,730	-21.7%
Unallocated Depreciation Expense	109,027,377	103,770,164	5.1%
Total Functions/Program Expenses	2,347,664,154	2,208,255,258	6.3%
Change in Net Position	303,432,724	300,783,255	0.9%
Net Position - Beginning	4,118,543,819	3,795,569,264	8.5%
Adjustment to Beginning Net Position (1)	-	22,191,300	-100.0%
Net Position - Beginning, as Restated	4,118,543,819	3,817,760,564	7.9%
Net Position - Ending	\$4,421,976,543	\$4,118,543,819	7.4%

(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.

Expenses – Statement of Activities



Revenues by Source – Statement of Activities



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

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,976,601,987, an increase of \$95,766,785 in comparison with the prior year. Approximately 4.8 percent of this total amount (\$95,807,803) constitutes unassigned fund balance. The remainder of fund balance is nonspendable (\$6,317,907), restricted (\$1,598,918,819), or assigned (\$275,557,458) to indicate that it is not available for new spending.

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$95,807,803, while the total fund balance was \$385,569,658. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 5.4 percent of total General Fund expenditures, while total fund balance represents 21.6 percent of that same amount.

The fund balance of the District's General Fund decreased by \$5,923,288 during the current fiscal year. Key factors in this decrease are as follows:

- Spending down of funds reserved for professional development training.
- Continued implementation of student and business systems.
- Employees received an average salary increase of 4 percent.

The Capital Projects – Capital Improvement Tax Fund, which is used to account for capital project activity funded from the nonvoted capital improvement tax, has a total fund balance of \$301,342,952, all of which is restricted for specific capital projects. The net increase in fund balance during the current year in this fund was \$33,368,573 and resulted primarily from funds being reserved for future planned expenditures. Of the total fund balance, \$15,667,245 has been encumbered for specific projects.

The Capital Projects – Other Capital Projects Fund, which is used to account for capital project activity funded sources such as certificates of participation, sales tax and impact fees, has a total fund balance of \$1,083,207,562, all of which is restricted for specific capital projects. The net increase in fund balance during the current year in this fund was \$68,116,191 and resulted primarily from funds being reserved for specific capital projects. Of the total fund balance, \$175,030,956 has been encumbered for specific projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was no difference between the original budget and the final amended General Fund budget other than a functional expenditure reclassification at fiscal year end to reflect capital outlay purchases.

General Fund actual revenues exceeded the budgeted revenues by approximately \$34.5 million. Local revenue exceeded the budget by approximately \$12 million. The State revenue was more by approximately \$7.5 million. General Fund actual expenditures were less than the budgeted appropriations by approximately \$39.6 million. This was due to the delay of planned expenditures for several major initiatives.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets as of June 30, 2019, is \$4,309,717,217 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; audio visual materials, and computer software. The total increase in the District's investment in capital assets (net of accumulated depreciation) for the current fiscal year was \$231,639,392 (5.7 percent).

Major capital asset events during the current fiscal year included the following:

- Construction of Audubon Park School
- Rebuilding of Blankner Elementary School
- Rebuilding of Boone High School
- Rebuilding of Carver Middle School
- Rebuilding of College Park Middle School
- Rebuilding of Colonial High School
- Rebuilding of Corner Lake Middle School
- Rebuilding of Cypress Park Elementary School
- Rebuilding of Dover Shores Elementary School
- Rebuilding of Frangus Elementary School
- Construction of OCPS Ace School
- Rebuilding of Hillcrest Elementary School
- Rebuilding of Hidden Oaks Elementary School
- Rebuilding of Hungerford Elementary School
- Rebuilding of Ivey Lane Elementary School
- Rebuilding of Jackson Middle School
- Construction of Lake Como Elementary School
- Construction of Laureate Park Elementary School
- Rebuilding of Liberty Middle School

- Construction of Maxie Elementary School
- Rebuilding of Meadow Woods Elementary School
- Construction of Metrowest Elementary School
- Rebuilding of Mollie Ray Elementary School
- Rebuilding of Oakhill Elementary School
- Rebuilding of Odyssey Middle School
- Construction of Pershing/Pine Castle K-8
- Rebuilding of Pine Hills Elementary School
- Rebuilding of Pine Hills Transportation Facility
- Rebuilding of Washington Shores Primary Learning Center
- Rebuilding of Rock Lake Elementary School
- Rebuilding of Ventura Elementary School
- Rebuilding of Windermere High School
- Rebuilding of Union Park Elementary School
- Construction of Horizons West Middle School

	Governmental Activities	
	June 30, 2019	June 30, 2018
Land	\$ 360,238,950	\$ 325,908,281
Improvements Other Than Buildings	24,423,119	21,883,175
Buildings and Fixed Equipment	3,553,285,555	3,387,435,673
Furniture, Fixtures, and Equipment	80,256,579	75,990,232
Motor Vehicles	65,788,000	51,092,719
Construction in Progress	222,135,942	211,866,033
Computer Software	3,589,072	3,901,711
Total Capital Assets	\$ 4,309,717,217	\$ 4,078,077,824

Additional information on the District's capital assets can be found in Note IV.D. to the financial statements.

Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of \$1,156,006,988, none of which is considered to be general "bonded debt" (i.e., backed by the full faith and credit of the District). The District's debt consisted of certificates of participation payable and State school bonds payable which are secured by specific revenue sources or the underlying assets.

Summary of Outstanding Debt

	Governmental Activities	
	June 30, 2019	June 30, 2018
Certificates of Participation Payable	\$ 1,154,813,988	\$ 1,207,189,119
State School Bonds Payable	1,193,000	2,030,000
Total Debt	\$ 1,156,006,988	\$ 1,209,219,119

During the current fiscal year, the District's total long-term debt decreased by \$53,212,131 (4.4 percent).

The District's Moody's rating for its certificates of participation remained the same "Aa2" rating. Fitch's rating remained the same "AA" rating. The S&P rating remained the same "AA" rating.

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

ECONOMIC FACTORS AND NEW YEAR'S BUDGETS AND RATES

The following factors were considered in preparing the District's budget for the 2020 fiscal year:

- The unemployment rate in June 2019 for the District (Orlando, Florida) was 3.1 percent, a decrease of 0.3 percent from the prior year rate of 3.4 percent. The State's average unemployment rate as of June 2019 was 3.5 percent. Florida's unemployment rate has decreased 0.4 percent since last year while the nation's rate decreased 0.4 percent during the same time period from 4.2 to 3.8 percent.
- Residential housing continues to rebound, with more housing developments being approved. Related to the District's student population, projected growth in fiscal year 2020 is 3,764 full-time equivalents for an anticipated total enrollment of 210,457.
- The District's health insurance contribution increased by 10 percent due to increased cost of health benefits. Board contributions went from \$8,444 per full-time employee to \$9,289.
- The District continues to expand its digital curriculum initiative and has budgeted funds to build infrastructure and add devices for all remaining students.
- Increased appropriations for the Florida Best and Brightest Teacher and Principal Scholarship Programs and the Turnaround School Supplemental Services Allocation.
- Unassigned fund balance in the General Fund at June 30, 2019, was \$95,807,803. The District has assigned \$263,948,336. Of this amount, \$213,531,512 was assigned for Encumbrances and Budget Appropriations, which are included in the 2020 fiscal year budget. The remainder, \$50,416,824 for Other Postemployment Benefits (OPEB), is a long-term liability and as such is not included in the 2020 fiscal year budget.

Although current estimates indicate that no subsequent reductions will be required, the historical experience, where adjustments were made in prior years, causes some concern regarding the consistency of State funding for the current year. The District has therefore been proactive and set aside adequate reserves to deal with such a contingency should it materialize.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer, Orange County Public Schools, 445 W. Amelia Street, Orlando, Florida 32801.

BASIC FINANCIAL STATEMENTS

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

	Primary Government	Component Units
	Governmental Activities	Charter Schools / Educational Foundation
ASSETS		
Cash and Cash Equivalents	\$ 554,089,978	\$ 19,245,053
Investments	1,572,862,649	7,608,158
Restricted Investments	42,511,541	-
Accounts Receivable	2,941,208	3,459,857
Interest Receivable	1,227,538	2,200
Due from Other Agencies	66,974,155	6,700,304
Deposits Receivable	187,185	762,197
Inventories	6,278,390	-
Prepaid Items	66,653	879,168
Nondepreciable Capital Assets	582,374,892	3,444,528
Depreciable Capital Assets, Net	3,727,342,325	80,311,915
TOTAL ASSETS	6,556,856,514	122,413,380
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	10,936,194	-
Pensions	433,749,142	3,612,190
Accumulated Decrease in Fair Value of Hedging Derivatives	32,710,354	-
Net Carrying Amount of Debt Refunding	54,624,930	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	532,020,620	3,612,190
LIABILITIES		
Accrued Salaries and Benefits	24,162,022	9,659,411
Payroll Deductions and Withholdings	312,578	-
Accounts Payable	31,514,703	-
Sales Tax Payable	10,479	-
Construction Contracts Payable	22,583,253	-
Construction Contracts Payable - Retained Percentage	12,629,563	-
Due to Other Agencies	1,513,666	77,465
Accrued Interest Payable	17,538,641	72,088
Unearned Revenue	53,006,630	115,416
Estimated Liability for Self-Insurance Program	17,200,000	-
Long-Term Liabilities:		
Portion Due Within 1 Year	80,887,098	4,128,609
Portion Due After 1 Year	2,295,936,441	89,226,876
TOTAL LIABILITIES	2,557,295,074	103,279,865
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	5,045,869	-
Pensions	104,559,648	665,718
TOTAL DEFERRED INFLOWS OF RESOURCES	109,605,517	665,718
NET POSITION		
Net Investment in Capital Assets	3,173,122,344	1,491,314
Restricted for:		
State Required Carryover Programs	8,296,657	-
Debt Service	119,268,206	1,253,953
Capital Projects	1,437,131,560	118,299
Food Service	38,239,471	1,642,429
State Grants	5,445,898	-
Other Purposes	8,211,201	1,999,955
Unrestricted	(367,738,794)	15,574,037
TOTAL NET POSITION	\$ 4,421,976,543	\$ 22,079,987

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

**Orange 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	\$ 1,217,834,484	\$ 3,730,953	\$ -	\$ -
Student Support Services	85,636,044	-	-	-
Instructional Media Services	17,636,792	-	-	-
Instruction and Curriculum Development Services	102,102,823	-	-	-
Instructional Staff Training Services	46,885,234	-	-	-
Instruction-Related Technology	12,357,242	-	-	-
Board	4,290,283	-	-	-
General Administration	13,671,827	-	-	-
School Administration	121,419,810	-	-	-
Facilities Acquisition and Construction	84,463,480	-	-	72,782,233
Fiscal Services	7,790,601	-	-	-
Food Services	119,079,253	9,753,902	108,670,739	-
Central Services	22,996,779	-	-	-
Student Transportation Services	90,129,694	736,614	-	-
Operation of Plant	147,788,527	-	-	-
Maintenance of Plant	49,444,625	-	-	-
Administrative Technology Services	44,453,510	-	-	-
Community Services	10,090,036	8,184,689	-	-
Unallocated Interest on Long-Term Debt	40,565,733	-	-	-
Unallocated Depreciation Expense*	109,027,377	-	-	-
Total Primary Government	\$ 2,347,664,154	\$ 22,406,158	\$ 108,670,739	\$ 72,782,233
Component Units				
Charter Schools/Educational Foundation	\$ 133,724,426	\$ 1,729,953	\$ 5,842,876	\$ 5,657,033

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

Net Position - Ending

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

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

**Net (Expense) Revenue and Changes
in Net Position**

Primary Government	Component Units
Governmental Activities	Charter Schools/Educational Foundation
\$ (1,214,103,531)	\$ -
(85,636,044)	-
(17,636,792)	-
(102,102,823)	-
(46,885,234)	-
(12,357,242)	-
(4,290,283)	-
(13,671,827)	-
(121,419,810)	-
(11,681,247)	-
(7,790,601)	-
(654,612)	-
(22,996,779)	-
(89,393,080)	-
(147,788,527)	-
(49,444,625)	-
(44,453,510)	-
(1,905,347)	-
(40,565,733)	-
(109,027,377)	-
<u>(2,143,805,024)</u>	<u>-</u>
 -	 (120,494,564)
 790,925,998	 -
204,622,003	-
274,456,899	-
1,079,843,301	118,264,893
69,306,271	919,033
28,083,276	680,757
<u>2,447,237,748</u>	<u>119,864,683</u>
303,432,724	(629,881)
4,118,543,819	1,999,393
-	20,710,475
<u>4,118,543,819</u>	<u>22,709,868</u>
<u>\$ 4,421,976,543</u>	<u>\$ 22,079,987</u>

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

	General Fund	Capital Projects - Capital Improvement Tax Fund	Capital Projects - Other Capital Projects Fund
ASSETS			
Cash and Cash Equivalents	\$ 184,411,212	\$ 83,095,636	\$ 190,689,377
Investments	205,250,994	229,781,982	894,043,134
Restricted Investments	-	-	-
Accounts Receivable	613,138	-	-
Interest Receivable	-	-	946,207
Due from Other Funds	15,564,372	-	-
Due from Other Agencies	16,186,239	3,239,604	37,252,398
Due from Internal Funds	51,315	-	-
Inventories	3,793,110	-	-
Prepaid Items	66,653	-	-
TOTAL ASSETS	\$ 425,937,033	\$ 316,117,222	\$ 1,122,931,116
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ 22,016,712	\$ -	\$ -
Payroll Deductions and Withholdings	312,578	-	-
Accounts Payable	16,525,537	4,013,395	7,416,759
Sales Tax Payable	10,479	-	-
Construction Contracts Payable	-	1,029,803	20,643,534
Construction Contracts Payable - Retained Percentage	-	775,963	11,663,261
Due to Other Funds	-	8,955,109	-
Due to Other Agencies	1,502,069	-	-
Unearned Revenue	-	-	-
Total Liabilities	40,367,375	14,774,270	39,723,554
Fund Balances:			
Nonspendable	3,859,763	-	-
Spendable:			
Restricted	21,953,756	301,342,952	1,083,207,562
Assigned	263,948,336	-	-
Unassigned	95,807,803	-	-
Total Fund Balances	385,569,658	301,342,952	1,083,207,562
TOTAL LIABILITIES AND FUND BALANCES	\$ 425,937,033	\$ 316,117,222	\$ 1,122,931,116

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

Other Governmental Funds		Total Governmental Funds	
\$	46,320,463	\$	504,516,688
	120,129,133		1,449,205,243
	38,343,299		38,343,299
	2,407		615,545
	281,331		1,227,538
	-		15,564,372
	10,295,914		66,974,155
	-		51,315
	2,458,144		6,251,254
	-		66,653
<u>\$</u>	<u>217,830,691</u>	<u>\$</u>	<u>2,082,816,062</u>
\$	2,106,827	\$	24,123,539
	-		312,578
	614,260		28,569,951
	-		10,479
	909,916		22,583,253
	190,339		12,629,563
	6,609,263		15,564,372
	11,597		1,513,666
	906,674		906,674
<u>11,348,876</u>		<u>106,214,075</u>	
	2,458,144		6,317,907
	192,414,549		1,598,918,819
	11,609,122		275,557,458
	-		95,807,803
<u>206,481,815</u>		<u>1,976,601,987</u>	
<u>\$</u>	<u>217,830,691</u>	<u>\$</u>	<u>2,082,816,062</u>

**Orange 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 **\$ 1,976,601,987**

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.

Non-Depreciable Capital Assets	\$ 582,374,892	
Depreciable Capital Assets, Net	<u>3,727,342,325</u>	4,309,717,217

Interest on long-term debt is accrued as a liability in the government-wide statements, but not recognized in the governmental funds until due, except for accrued interest received as part of a debt issue.

Accrued Interest Payable - Government-wide Statement of Net Position	(17,538,641)
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The deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$ 433,749,142	
Deferred Inflows Related to Pensions	<u>(104,559,648)</u>	329,189,494

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. This is the amount of assets and liabilities of the internal service funds included in governmental activities in the statement of net position, net of capital assets.

93,411,863

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	\$ (1,193,000)	
Certificates of Participation Payable	(1,154,813,988)	
Compensated Absences Payable	(116,895,528)	
Derivative Instruments	(32,710,354)	
Other Postemployment Benefits Payable	(50,416,824)	
Net Pension Liability	<u>(1,006,601,292)</u>	(2,362,630,986)

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

Deferred Outflows Related to OPEB	\$ 10,936,194	
Deferred Inflows Related to OPEB	<u>(5,045,869)</u>	5,890,325

The deferred outflows of resources related to accumulated fair value of hedging derivatives are applicable to future periods and, therefore, are not reported in the governmental funds.

54,624,930

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

32,710,354

Net Position - Governmental Activities	<u>\$ 4,421,976,543</u>
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The accompanying notes to financial statements are an integral part of this statement.

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**Orange 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	Capital Projects - Capital Improvement Tax Fund	Capital Projects - Other Capital Projects Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 1,491,848	\$ -	\$ -
Federal Through State and Local	25,821,651	-	-
State	908,995,364	-	18,969
Local:			
Property Taxes	790,925,998	204,622,003	-
Local Sales Taxes	-	-	274,456,899
Impact Fees	-	-	64,641,613
Charges for Services - Food Service	-	-	-
Miscellaneous	43,091,533	7,135,302	42,557,827
Total Local Revenues	<u>834,017,531</u>	<u>211,757,305</u>	<u>381,656,339</u>
Total Revenues	<u>1,770,326,394</u>	<u>211,757,305</u>	<u>381,675,308</u>
Expenditures			
Current - Education:			
Instruction	1,117,008,264	-	-
Student Support Services	66,558,497	-	-
Instructional Media Services	16,614,288	-	-
Instruction and Curriculum Development Services	69,915,211	-	-
Instructional Staff Training Services	27,881,202	-	-
Instruction-Related Technology	11,552,632	-	-
Board	4,145,921	-	-
General Administration	8,547,638	-	-
School Administration	115,280,909	-	-
Facilities Acquisition and Construction	9,439,011	13,347,433	53,732,097
Fiscal Services	7,470,768	-	-
Food Services	-	-	-
Central Services	22,060,393	-	-
Student Transportation Services	68,568,974	-	-
Operation of Plant	144,469,303	-	-
Maintenance of Plant	46,861,952	-	-
Administrative Technology Services	43,974,136	-	-
Community Services	486,181	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	2,735,294	77,404,330	259,827,020
Other Capital Outlay	3,384,801	-	-
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>1,786,955,375</u>	<u>90,751,763</u>	<u>313,559,117</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(16,628,981)</u>	<u>121,005,542</u>	<u>68,116,191</u>
Other Financing Sources (Uses)			
Transfers In	9,784,120	-	-
Sale of Capital Assets	780,540	-	-
Loss Recoveries	141,033	-	-
Transfers Out	-	(87,636,969)	-
Total Other Financing Sources (Uses)	<u>10,705,693</u>	<u>(87,636,969)</u>	<u>-</u>
Net Change in Fund Balances	<u>(5,923,288)</u>	<u>33,368,573</u>	<u>68,116,191</u>
Fund Balances, Beginning	391,492,946	267,974,379	1,015,091,371
Fund Balances, Ending	<u>\$ 385,569,658</u>	<u>\$ 301,342,952</u>	<u>\$ 1,083,207,562</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 5,488,978	\$ 6,980,826
235,239,192	261,060,843
19,108,626	928,122,959
-	995,548,001
-	274,456,899
-	64,641,613
9,753,902	9,753,902
13,216,048	106,000,710
22,969,950	1,450,401,125
282,806,746	2,646,565,753
53,207,931	1,170,216,195
14,975,710	81,534,207
225,078	16,839,366
27,713,763	97,628,974
17,115,250	44,996,452
212,694	11,765,326
-	4,145,921
4,784,680	13,332,318
574,791	115,855,700
166,671	76,685,212
55	7,470,823
116,326,138	116,326,138
96,253	22,156,646
9,229,423	77,798,397
419,763	144,889,066
2,927	46,864,879
-	43,974,136
9,471,352	9,957,533
3,638,865	343,605,509
12,463,267	15,848,068
43,855,292	43,855,292
45,974,383	45,974,383
360,454,286	2,551,720,541
(77,647,540)	94,845,212
87,636,969	97,421,089
-	780,540
-	141,033
(9,784,120)	(97,421,089)
77,852,849	921,573
205,309	95,766,785
206,276,506	1,880,835,202
\$ 206,481,815	\$ 1,976,601,987

Orange 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 **\$ 95,766,785**

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

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

Capital outlays net of amounts not capitalized	\$ 359,453,577	
Net Loss on Sale	(8,360,514)	
Depreciation Expense	<u>(119,453,671)</u>	231,639,392

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 43,855,292

Deferred charges associated with long-term debt issued in a prior year are reported in the statement of activities, but are not a current financial resource and, therefore, are not reported in the governmental funds. This is the net decrease in deferred charges during the current period. (4,526,991)

Premiums and discounts on debt issued are reported in the governmental funds in the year the debt is issued, but are deferred and amortized over the life of the debt in the statement of activities. 9,356,839

Interest on long-term debt is recognized in the governmental funds when due, but is recognized as interest accrues in the statement of activities. 578,804

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. (5,101,986)

Governmental funds report District OPEB contributions as expenditures. However, in the statement of activities, the cost of OPEB benefits earned net of employee contributions, as determined through an actuarial valuation, is reported as an OPEB expense. 619,682

Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense. (59,519,173)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. This is the net expense of internal service funds reported with governmental activities, excluding depreciation expense reported above. (9,235,920)

Change in Net Position - Governmental Activities **\$ 303,432,724**

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

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

	Governmental Activities - Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 49,573,290
Investments	123,657,406
Restricted Investments	4,168,242
Accounts Receivable	2,274,348
Deposits Receivable	187,185
Inventories	27,136
Total Current Assets	179,887,607
Noncurrent Assets:	
Furniture and Equipment	80,764
Less Accumulated Depreciation	(69,758)
Total Noncurrent Assets	11,006
TOTAL ASSETS	179,898,613
LIABILITIES	
Current Liabilities:	
Accrued Salaries and Benefits	38,483
Accounts Payable	2,944,752
Unearned Revenue	52,099,956
Estimated Liability for Self-Insurance Program	17,200,000
Total Current Liabilities	72,283,191
Noncurrent Liabilities:	
Estimated Insurance Claims Payable	14,192,553
Total Noncurrent Liabilities	14,192,553
TOTAL LIABILITIES	86,475,744
NET POSITION	
Investment in Capital Assets	11,006
Unrestricted	93,411,863
TOTAL NET POSITION	\$ 93,422,869

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

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

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Charges for Services	\$ 5,501,616
Premiums	221,447,669
Other	30,392
Total Operating Revenues	<u>226,979,677</u>
OPERATING EXPENSES	
Salaries	1,024,217
Employee Benefits	488,240
Purchased Services	14,664,852
Energy Services	45,972
Materials and Supplies	151,590
Claims Expenses	224,460,396
Depreciation	2,158
Total Operating Expenses	<u>240,837,425</u>
Operating Loss	<u>(13,857,748)</u>
NONOPERATING REVENUES	
Miscellaneous	4,619,670
Total Nonoperating Revenues	<u>4,619,670</u>
Change in Net Position	(9,238,078)
Total Net Position - Beginning	<u>102,660,947</u>
Total Net Position - Ending	<u><u>\$ 93,422,869</u></u>

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

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

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Services	\$ 225,112,017
Cash Payments for Insurance Claims	(226,222,116)
Cash Payments to Suppliers for Goods and Services	(13,603,436)
Cash Payments to Employees for Services	(1,512,407)
Other Operating Cash Receipts	30,392
Net Cash Used by Operating Activities	(16,195,550)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings	4,531,123
Purchase of Investments	(4,810,862)
Miscellaneous Income	88,547
Net Cash Used by Investing Activities	(191,192)
Net Decrease in Cash and Cash Equivalents	(16,386,742)
Cash and Cash Equivalents, Beginning	65,960,032
Cash and Cash Equivalents, Ending	\$ 49,573,290
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ (13,857,748)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	2,158
Changes in Assets and Liabilities:	
Accounts Receivable	(1,837,268)
Deposit Receivable	37,815
Prepaid Expenses	50,000
Inventories	19,855
Accrued Salaries and Benefits	50
Accounts Payable	265,917
Unearned Revenue	885,391
Estimated Liability for Self-Insurance Program	(1,761,720)
Total Adjustments	(2,337,802)
Net Cash Used by Operating Activities	\$ (16,195,550)
Noncash Investing, Capital, and Financing Activities	
Net Increase in Fair Value of Investments	\$ 665,525

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

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

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 14,649,236
Accounts Receivable	228,845
Prepaid Items	107,775
Inventory	218,299
TOTAL ASSETS	\$ 15,204,155
LIABILITIES	
Accounts Payable	\$ 290,866
Internal Accounts Payable	14,913,289
TOTAL LIABILITIES	\$ 15,204,155

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

Pursuant to Section 1001.51(11)(d), Florida Statutes, the Superintendent is responsible for keeping records and accounts of all financial transactions in the manner prescribed by the SBE.

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

As required by accounting principles generally accepted in the United States (GAAP), these basic financial statements present the District (the primary government) and its component units. The component units discussed below are included in the District's reporting entity because of the significance of their operational or financial relationships with the District.

Blended Component Units. The District's employee group health and life insurance program, described in a subsequent note, is administered through the School Board of Orange County Employee Benefits Trust (Trust). Assets necessary to fund the program are transferred to the Trust; however, under the terms of the Trust Agreement, the School Board retains control of the assets. Due to the substantive economic relationship between the District and the Trust, the financial activities of the Trust are reported in the accompanying basic financial statements as an internal service fund.

The Orange 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. The Board of Directors of the Leasing Corporation are members of the Board who elect to serve as ex-officio Directors. 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 as part of debt service and capital projects funds. Separate financial statements for the Leasing Corporation are not published.

Discretely Presented Component Units. The component units columns in the government-wide financial statements include the financial data of the District's other component units. The Foundation for Orange County Public Schools, Inc. (the Foundation) is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to raise funds; receive, hold, invest, and administer property; and to make expenditures for the benefit of the District. Section 1001.453, Florida Statutes, requires the Foundation to be authorized and approved by the District. The stated mission of the Foundation is to identify, develop and focus community resources to make a meaningful impact on the success of students and teachers of Orange County Public Schools. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit.

Access Charter School, Inc.; Sunshine High School – Central Orange County Campus, Inc. (d/b/a Aloma High School); Aspire Charter Academy, Inc.; BridgePrep Academy of Orange County; Central Florida Leadership Academy Charter School; Sunshine High School – Orlando Campus, Inc. (d/b/a Chancery Charter High School); Sunshine High School – Greater Orlando Campus, Inc. (d/b/a Econ River Charter High School); Hope Charter School, Inc.; Innovations Middle Charter School; Innovation Montessori Ocoee High School, Inc.; Innovation Montessori Ocoee, Inc.; Kid's Community College Orange County Charter School; Lake Eola Charter School, Inc.; Legacy High School, Inc.; Legends Academy; Eagles' Nest Community Charter Schools, Inc. (d/b/a Lucious and Emma Nixon Academy); Nap Ford Community School, Inc.; Orange County Preparatory Academy; Orlando Science Elementary Charter School, Inc.; Orlando Science Middle/High Charter School, Inc.; The Passport Charter School, Inc.; Pinecrest Collegiate Academy; Pinecrest Creek Academy; Pinecrest Preparatory Charter School (Orlando Campus); Princeton House Charter School, Inc.; Prosperitas Leadership Academy, Inc.; Renaissance Charter School at Chickasaw Trail; Renaissance Charter School at Crown Point; Renaissance Charter School at Goldenrod; Renaissance at Hunter's Creek; Sunshine High School - Orange County Campus, Inc. (d/b/a Sheeler Charter High School); Sunshine High School - Greater Orlando Campus, Inc. (d/b/a Sunshine Charter High School); United Cerebral Palsy (UCP) Downtown Charter School; UCP East Orange Charter School; UCP Pine Hills Charter School; UCP Transitional Learning Academy Charter School; UCP West Orange Charter School; and Workforce Advantage Academy Charter High School, Inc. (Charter Schools) are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. These charter schools operate under charters approved by their sponsor, the Orange County District School Board.

In accordance with the FDOE requirements, the charter schools are included as component units of the District. According to the FDOE, the charter schools are fiscally dependent on the District for their tax levy and the majority of their funding, which creates a financial burden to the District because the charter schools' full-time equivalent (FTE) student enrollment is the basis for the District to provide funding to the charter schools.

The following charter schools are reported by other governmental entities and are therefore not included in the District's basic financial statements in accordance with generally accepted accounting principles: Oakland Avenue Charter School, Cornerstone Charter Academy, and Cornerstone

Charter High School. The charter schools are organized under the Town of Oakland (Oakland Avenue), and the City of Belle Isle (both Cornerstone Charter Schools).

Audits of the financial statements of the Foundation and the charter schools for the fiscal year ended June 30, 2019, are conducted by independent certified public accountants and their audit reports are filed in the District's administrative office at 445 West Amelia Street, Orlando, Florida 32801.

B. Basis of Presentation: Government-Wide Financial Statements

The government-wide financial statements are prepared under the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the government in its entirety, except for those that are fiduciary. Governmental activities, which generally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which are generally supported by fees charged. The District currently does not have any business-type activities.

The Statement of Net Position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District. The Statement of Activities presents a comparison between the direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Depreciation expenses associated with the District's transportation and maintenance departments are allocated to the student transportation services and maintenance of plant functions, while remaining depreciation expenses are not readily associated with a particular function and are reported as unallocated.

Amounts reported as program revenues include (1) charges for services provided to students for tuition, fees, rental, material, supplies, or other services, (2) operating grants and contributions, and (3) capital grants and contributions. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The District eliminates from the Statement of Net Position and the Statement of Activities most interfund receivables and payables and transfers between funds as well as the transactions associated with its Internal Service Funds.

The District's Foundation and charter schools use the economic resources management focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are

recognized when incurred. The Foundation and thirty-three charter schools follow GASB standards of accounting and financial reporting. Five charter schools follow FASB standards of accounting and financial reporting for not-for-profit organizations.

C. Basis of Presentation: Fund Financial Statements

The governmental fund financial statements are prepared utilizing the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues "susceptible to accrual" include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers revenues from ad valorem taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the fund liability is incurred. However, exceptions include unmatured principal and interest on general long-term debt, accumulated sick and vacation pay, other postemployment benefits liability, claims and judgments and certain prepaid items, which are recognized when due/paid.

In applying the "susceptible to accrual" concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of revenues. In one type, moneys must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of the expenditure. In the other type, moneys are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the "susceptible to accrual" criteria are met. In all cases, moneys received before the revenue recognition criteria have been met, are reported as unearned revenue.

The Agency (Fiduciary) funds are purely custodial in nature (assets equal liabilities) and as such do not have a measurement focus. Agency funds use the accrual basis of accounting to recognize receivables and payables.

The Proprietary Fund Financial Statements are prepared under the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service funds are for self-insurance (property, casualty, liability, and workers' compensation), employee benefits (health and prescription), and printing provided to other funds. Operating expenses for the internal service funds include salaries, employee benefits, purchased services, energy services, materials and supplies, claims expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes. The General Fund is the District's primary operating fund.
- Capital Projects – Capital Improvement Tax Fund – to account for the financial resources generated by Section 1011.71(2), Florida Statutes, local capital improvement taxes (property taxes) and other local sources to be used for educational capital outlay needs, including new construction, renovation and remodeling projects and debt service payments.
- Capital Projects – Other Capital Projects Fund – to account for the financial resources generated by certificates of participation, impact fees, lottery, sales tax and other local sources to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments.

Additionally, the District reports the following nonmajor fund types:

- Special Revenue Funds – to account for the financial resources of the school food service program, certain grant program resources, the extended day childcare program, and other such restricted sources.
- Debt Service Funds – to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related debt issuance costs.
- Capital Projects Funds – to account for the financial resources generated from allocations of State revenues that are to be used for educational capital outlay needs, including new construction, renovation and remodeling projects.
- Internal Service Funds – to account for the District's limited self-insurance programs and printing service operations.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at all schools in connection with school, student athletic, class, and club activities.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

1. Cash and Cash Equivalents

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, and/or collateralized with securities held in Florida's multiple financial institution collateral pool required by Sections 280.07 and 280.08, Florida Statutes. For the Internal Service Funds, the statement of cash flows considers cash as those accounts used as demand deposit accounts.

Cash balances from all funds are combined and invested to the extent available. Earnings are allocated monthly to each fund based on a rolling 2-month average balance of cash and investments.

2. Investments

Investments consist of amounts placed with various intergovernmental investment pools, which hold a majority of United States government securities, municipal securities, and repurchase agreements. The investment earnings are allocated to each fund based on a rolling 2-month average investment balance in that fund. Investments also consist of the State of Florida's Special Purpose Investment Account (SPIA) authorized in Section 17.61(1), Florida Statutes, Florida PRIME, Florida Public Assets for Liquidity Management (FL PALM), formerly known as the Florida Education Investment Trust Fund (FEITF), Florida Surplus Asset Fund Trust (FL SAFE), corporate bonds, municipal bonds, commercial paper, and United States instrumentality securities. The District's investment in SPIA is part of an investment pool managed by the Florida Department of Treasury, where the District owns a share of the pool, not the underlying shares of the assets in the pool. The District relies on policies developed by the State Treasury for managing interest and credit risk for this external investment pool.

Investments are valued at fair value, amortized cost, or net asset value, as applicable. The types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

Restricted investments consist of \$38,343,299 restricted for the repayment of certificates of participation principal and interest, and \$4,168,242 pledged to cover certain workers' compensation claims.

3. Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Transportation, custodial, and school supply inventories are stated at cost on a weighted average basis. Food service inventories are stated at cost on the last invoice basis, which approximates the first-in, first-out basis, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer

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

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000 for furniture, fixtures and equipment; motor vehicles; audio visual materials; and computer software; and \$50,000 for improvements other than buildings; buildings and fixed equipment; and construction in progress and which have an estimated life of one or more years. All land purchases are capital assets regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the values of the assets or materially extend assets lives are not capitalized and are expensed as incurred. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

Capital assets of the primary government, excluding land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	15 years
Buildings and Fixed Equipment	40 years
Furniture, Fixtures, and Equipment	5 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

5. Pensions

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

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

6. Unearned Revenue

Unearned revenue consists primarily of health insurance premiums collected from employees during the fiscal year for the coverage period extending through the plan year-end of September 30.

7. Long-Term Liabilities

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

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums and discounts, as well as issuance costs and deferred amounts on refunding, during the current period. The face amount of debt issued is reported as another financing source while discounts on debt issuances and deferred amounts on refunding are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the portion due and payable at year-end.

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

8. Deferred Outflows/Inflows of Resources

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

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

9. 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 financial statements, a flow assumption must be made about the order in which 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.

10. Fund Balance Flow Assumptions

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

11. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The Board does not have a policy regarding the commitment or assignment of fund balances; however, by resolution, the Board has given the ability to assign fund balance to the Superintendent and the Chief Financial Officer. The District does not have commitments imposed by formal action of its highest level of decision-making authority and, as such, the District does not report any committed fund balance.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes. The District also assigns fund balance when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

F. Revenues and Expenditures/Expenses

1. Program Revenues

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

identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. State Revenue Sources

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

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

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

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

3. District Property Taxes

The Board is authorized by State law to levy property taxes for district school operations, capital improvements, and debt service. Property taxes consist of ad valorem taxes on real and personal property within the District. The Orange County Property Appraiser determines the real and personal property values within the District. The Orange County Tax Collector then collects the taxes and remits them to the District.

The Board adopted the 2018 tax levy on September 11, 2018. Property values are assessed as of January 1 each year. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Orange County Tax Collector at fiscal year-end but not yet remitted to the District. Because any delinquent taxes collected after June 30 would not be material, delinquent taxes receivable are not accrued and no delinquent tax revenue deferral is recorded.

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

4. Federal Revenue Sources

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

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the financial statement date and the reported amounts of revenues and expenses or expenditures during the reporting period. Actual results could differ from those estimates.

II. ACCOUNTING CHANGES

A. Governmental Accounting Standards Board (GASB) Statement No. 88.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for reporting periods beginning after June 15, 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The District has implemented this Statement for the 2018-19 fiscal year.

B. GASB Statement No. 84.

The GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

C. GASB Statement No. 87.

The GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases 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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

III. PRIOR PERIOD ADJUSTMENTS

For the fiscal year ended June 30, 2018, certain charter schools were excluded from the District's reporting entity, but were included for the fiscal year ended June 30, 2019, affecting the comparability of financial statements for those years. As a result of this change, beginning net position of the component units as a whole has been adjusted by \$20,710,475.

The following is a summary of the adjustment to beginning net position of the discretely presented component units reported in the statement of activities:

	<u>Component Units</u>
Beginning net position as previously reported at June 30, 2018	\$ 1,999,393
Prior period restatement to increase beginning net position balance by the June 30, 2018, net position of charter schools.	20,710,475
Net position as restated, July 1, 2018	<u>\$ 22,709,868</u>

IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

B. Investments

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical

assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District recurring fair value measurements are valued using quoted prices for similar assets or liabilities in active markets (Level 2 inputs).

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

		Fair Value Measurements at Reporting Date Using Quoted Prices		
	Amounts Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
United States Government Agencies and Instrumentalities	\$ 294,412,660	\$ -	\$ 294,412,660	\$ -
Corporate Bonds	60,713,776	-	60,713,776	-
Municipal Bonds	36,807,046	-	36,807,046	-
Total investments by fair value level	391,933,482	\$ -	\$ 391,933,482	\$ -
Investments measured at the net asset value (NAV)				
Florida Special Purpose Investment Account (SPIA)	233,281,382			
Florida Public Assets for Liquidity Management (Term)	20,000,000			
	253,281,382			
Investments reported at amortized cost				
Florida PRIME	599,729,236			
Florida Public Assets for Liquidity Management (Portfolio)	254,940,013			
Florida SAFE	101,249,214			
Money Market	4,168,242			
Certificates of Deposit	10,000,000			
Commercial Paper	60,446			
Cash with Trustee	12,175			
Total investments reported at amortized cost	970,159,326			
Total Investments, Primary Government	\$ 1,615,374,190			

Certain investments are measured at fair value using the net asset value per share (or its equivalent) practical expedient or amortized cost, which approximates fair value. These amounts have not been classified in the fair value hierarchy. The District invests in these types of investments to obtain competitive market returns while ensuring the safety and liquidity of the portfolio. These types of investments may be redeemed without advance notice and there are no unfunded commitments for further investment. There are currently no limitations as to the frequency of redemptions; however, Florida PRIME has the ability to impose restrictions on withdrawals should a material event occur. Detailed information on the withdrawal restrictions that may be imposed and Florida PRIME's responsibilities should such an event occur is described in Section 218.409(8)(a), Florida Statutes.

Interest Rate Risk

District policies limit the maturity of the District's investment portfolio to a 5-year weighted average life as a means of limiting its exposure to fair value losses arising from increasing interest rates. Also, at least 3 months of average disbursements should be invested in highly liquid funds with a maturity range of 0-90 days.

The District has \$331,219,706 in obligations of the United States Government Sponsored Agencies/Federal Instrumentalities and Municipal Bonds and \$60,713,776 in Corporate Bonds.

These securities include 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 the stated interest rate, until final maturity. These securities have various call dates with final maturity dates being December 2028.

At June 30, 2019, the District's investments had the following maturities:

Investment	Fair Value	Investment Maturities				
		Less Than				
		6 Months	1 Year	2 Years	5 Years	After
Florida Special Purpose Investment Account (SPIA)	\$ 233,281,382	\$ -	\$ -	\$ -	\$233,281,382	\$ -
Florida PRIME	599,729,236	599,729,236	-	-	-	-
Florida Public Assets for Liquidity Management	274,940,013	274,940,013	-	-	-	-
Florida Safe	101,249,214	101,249,214	-	-	-	-
Money Market Funds	4,168,242	4,168,242	-	-	-	-
Certificates of Deposit	10,000,000	10,000,000	-	-	-	-
Commercial Paper	60,446	60,446	-	-	-	-
Cash with Trustee	12,175	12,175	-	-	-	-
Corporate Bonds	60,713,776	7,978,873	5,030,090	35,051,775	12,653,038	-
Obligations of the United States Government Agencies and Instrumentalities	294,412,660	21,354,504	-	29,891,525	100,102,905	143,063,726
Municipal Bonds	36,807,046	-	7,431,824	6,304,045	23,071,177	-
Total Investments, Reporting Entity	\$1,615,374,190	\$1,019,492,703	\$12,461,914	\$71,247,345	\$369,108,502	\$143,063,726

For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2019, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the Local Government Surplus Funds Trust Fund [Florida PRIME], or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and

Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. Investments authorized by District policy are:

- Direct Obligations of United States Treasury;
- United States Government Sponsored Agencies or Federal Instrumentalities;
- Florida PRIME;
- Florida Special Purpose Investment Account;
- Florida Education Investment Trust Fund;
- Certificates of Deposit and Savings Accounts;
- Repurchase Agreements;
- State and/or Local Government Taxable or Tax-Exempt Debt;
- Corporate Notes;
- Commercial Paper; and
- Money Market Funds.

Custodial Credit Risk

Section 218.415(18), Florida Statutes, requires the District to earmark all investments and (1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; (2) if in a book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or (3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District's \$331,219,706 investments in obligations of Municipalities and United States Government Agencies and Instrumentalities and \$60,713,776 in Corporate Bonds are held by the safekeeping agent, in the name of the District.

Concentration of Credit Risk

Composition of investment portfolio is limited by District policy to:

- Direct Obligations of the United States Treasury to 100 percent;
- United States Government Sponsored Agencies (Federal Instrumentalities) to 80 percent;
- Florida PRIME to 100 percent;
- Florida Special Purpose Investment Account to 100 percent;
- Florida Education Investment Trust Fund to 100 percent;
- Certificates of Deposit and Savings Accounts to 100 percent;

- Repurchase Agreements, fully collateralized by Direct Obligations of United States Government Securities to 30 percent;
- State and/or Local Government Taxable or Tax-Exempt Debt to 20 percent;
- Corporate Bonds to 20 percent;
- Commercial Paper to 30 percent; and
- Money Market Funds to 100 percent.

As of June 30, 2019, the District investments in the State of Florida Special Purpose Investment Account (SPIA) totaled \$233,281,382, which is rated AA-f by S&P with an effective duration of 2.71 years. These funds allocate investment earnings monthly.

As of June 30, 2019, the District investments in the Florida PRIME totaled \$602,524,781 which is rated AAAm by S&P and has a weighted average maturity of 28 days. These funds allocate investment earnings monthly.

As of June 30, 2019, the District investments in the Florida Public Assets for Liquidity Management totaled \$274,940,013. These funds are rated AAAm by S&P and have a weighted average maturity of 52 days.

As of June 30, 2019, the District investments in Florida Safe totaled \$101,249,214. These funds are rated AAAm by S&P and have a weighted average maturity of 41 days.

As of June 30, 2019, the District investments in commercial paper were \$60,446. These funds are rated A-1, P-1 by S&P Moody's, respectively, as required by the District's investment policy. The District holds these funds under a trust indenture in connection with several certificates of participation series.

As of June 30, 2019, the District investments in corporate bonds were \$60,713,776, all of which were rated A or higher at the time of purchase.

All District investments are in compliance with District policy in relation to interest rate risk, credit risk, and concentration of credit risk.

C. Receivables

The majority of receivables are due from other agencies. These receivables and the remaining accounts receivable are considered to be fully collectible. As such, no allowance for uncollectible accounts receivable is accrued.

The following is a schedule of due from other agencies at June 30, 2019:

Fund:	Amount
Major Governmental Funds:	
General Fund:	
Orange County Tax Collector:	
Unremitted Property Taxes	\$ 12,525,181
Miscellaneous State Agencies	3,661,058
Capital Projects Funds:	
Capital Improvement Tax Fund:	
Orange County Tax Collector:	
Unremitted Property Taxes	3,239,604
Other Capital Projects Fund:	
State of Florida - Department of Revenue:	
Unremitted Sales Tax	24,881,907
Orange County Board of County Commissioners:	
Unremitted Impact Fee Collections	9,290,195
Miscellaneous Cities Impact Fee Collections	2,942,932
Miscellaneous Agencies	137,364
Nonmajor Governmental Funds:	
Special Revenue Funds:	
Food Service Fund:	
Florida Department of Education:	
Meal Reimbursements	1,800,009
Other Federal Programs Fund:	
Florida Department of Education:	
Federal Grant Reimbursements	8,019,813
Miscellaneous Grantor Agencies	335,531
Capital Projects Fund:	
Capital Outlay & Debt Service Fund:	
Florida Department of Education:	
CO&DS	140,561
Total Due From Other Agencies	\$ 66,974,155

D. Changes in Capital Assets

Changes in capital assets are presented in the following table:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 325,908,281	\$ 34,330,669	\$ -	\$ 360,238,950
Construction in Progress	211,866,033	267,980,762	257,710,853	222,135,942
Total Capital Assets Not Being Depreciated	537,774,314	302,311,431	257,710,853	582,374,892
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	40,617,153	4,681,143	-	45,298,296
Buildings and Fixed Equipment	4,327,142,659	257,710,853	15,860,134	4,568,993,378
Furniture, Fixtures, and Equipment	191,996,376	27,658,919	16,809,778	202,845,517
Motor Vehicles	132,825,889	24,791,878	11,805,841	145,811,926
Audio Visual Materials	5,469	-	1,228	4,241
Computer Software	7,025,648	10,207	82,361	6,953,494
Total Capital Assets Being Depreciated	4,699,613,194	314,853,000	44,559,342	4,969,906,852
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	18,733,978	2,141,199	-	20,875,177
Buildings and Fixed Equipment	939,706,986	85,781,930	9,781,093	1,015,707,823
Furniture, Fixtures, and Equipment	116,006,144	21,114,395	14,531,601	122,588,938
Motor Vehicles	81,733,170	10,083,603	11,792,847	80,023,926
Audio Visual Materials	5,469	-	1,228	4,241
Computer Software	3,123,937	332,544	92,059	3,364,422
Total Accumulated Depreciation	1,159,309,684	119,453,671	36,198,828	1,242,564,527
Total Capital Assets Being Depreciated, Net	3,540,303,510	195,399,329	8,360,514	3,727,342,325
Governmental Activities Capital Assets, Net	<u>\$ 4,078,077,824</u>	<u>\$ 497,710,760</u>	<u>\$ 266,071,367</u>	<u>\$ 4,309,717,217</u>

Depreciation expense was charged to functions/programs as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 8,974,469
Maintenance of Plant	1,451,825
Unallocated	109,027,377
Total Depreciation Expense - Governmental Activities	<u>\$ 119,453,671</u>

E. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment

Plan. Chapter 112, Florida Statutes, established the Retiree HIS Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

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

The District's FRS and HIS pension expense totaled \$146,619,929 for the fiscal year ended June 30, 2019.

FRS Pension Plan

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

- *Regular* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers* – Members who hold specified elective offices in local government.
- *Senior Management Service* – Members in senior management level positions.
- *Special Risk* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

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, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 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, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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

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

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

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

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

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	8.26
FRS, Elected County Officers	3.00	48.70
FRS, Senior Management Service	3.00	24.06
FRS, Special Risk	3.00	24.50
DROP – Applicable to Members from All of the Above Classes	0.00	14.03
FRS, Reemployed Retiree	(2)	(2)

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

The District's contributions to the Plan totaled \$69,331,806 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 \$672,999,279 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the net pension liability was based on the District's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the District's proportionate share was 2.234354903 percent, which was an increase of 0.005781712 percent 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 \$118,625,169. 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	\$ 57,013,156	\$ 2,069,310
Change of Assumptions	219,903,435	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	51,997,399
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	14,800,574	12,806,252
District FRS Contributions Subsequent to the Measurement Date	69,331,806	-
Total	<u>\$ 361,048,971</u>	<u>\$ 66,872,961</u>

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$69,331,806, 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	\$ 89,320,819
2021	59,498,041
2022	6,295,533
2023	38,948,700
2024	26,819,870
Thereafter	3,961,241
Total	\$ 224,844,204

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

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

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

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2018 valuation was updated from 7.1 percent to 7 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6 percent) or 1 percentage point higher (8 percent) than the current rate:

	<u>1% Decrease (6%)</u>	<u>Current Discount Rate (7%)</u>	<u>1% Increase (8%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 1,228,251,912	\$ 672,999,279	\$ 211,829,142

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 no payables 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 the fiscal year ended June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Federal Medicare.

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

The District's contributions to the HIS Plan totaled \$17,768,950 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 \$333,602,013 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the net pension liability was based on the District's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the District's proportionate share was 3.151913025 percent, which was an increase of 0.008628771 percent 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 \$27,994,760. 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	\$ 5,107,299	\$ 566,777
Change of Assumptions	37,100,665	35,271,194
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	201,370	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	12,521,887	1,848,716
District HIS Contributions Subsequent to the Measurement Date	17,768,950	-
Total	\$ 72,700,171	\$ 37,686,687

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$17,768,950, 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	\$ 7,761,886
2021	7,744,910
2022	5,410,275
2023	1,579,394
2024	(3,530,509)
Thereafter	(1,721,422)
Total	\$ 17,244,534

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, which is an increase from 3.58 percent used at the preceding measurement date. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the

depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 3.58 percent to 3.87 percent.

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

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
District's Proportionate Share of the Net Pension Liability	\$ 379,953,145	\$ 333,602,013	\$ 294,965,658

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 no payables for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2019.

2. FRS – Defined Contribution Pension Plan

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

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

payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2018-19 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Elected County Officers	11.34
FRS, Senior Management Service	7.67
FRS, Special Risk	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2019, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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

The District's Investment Plan pension expense totaled \$17,492,159 for the fiscal year ended June 30, 2019.

F. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to Section 112.0801, Florida Statutes, former employees who retire from the District, and eligible dependents, may continue to participate in the District's health and hospitalization plan for medical and prescription drug coverages. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premiums rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. Contribution

requirements of the plan members and the District are established and may be amended by the Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. The District provides healthcare benefits, include prescription drug coverage, for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above. Effective October 1, 2014, once the participant or spouse attains age 65, the District does not continue coverage. Postemployment healthcare and life insurance are optional benefits available through the District after retirement, but retirees must pay the full premium. Therefore, there is no liability to the District for these benefits.

Employees Covered by Benefit Terms. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	601
Active Employees	<u>22,226</u>
Total	<u>22,827</u>

Total OPEB Liability. The District's total OPEB liability of \$50,416,824 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

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:

Actuarial Cost Method	Entry Age Normal
Discount Rate	3.9 percent decreasing to 3.49 percent as of the end of the measurement period
20-Year Municipal Bond Rate	3.49 percent
Salary Increases	3 percent
Inflation Rate	2 percent
Mortality Rates	RP-2014 headcount Mortality tables for males and females, using base rates from 2006, projected with scale MP-2018 to valuation year
Healthcare Cost Trend Rates	5.6 percent decreasing to 5.3 percent as of the end of the measurement period to an ultimate rate of 3.7 percent for 2029 and later years

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends.

Projection of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Changes in the Total OPEB Liability.

	<u>Amount</u>
Balance at June 30, 2018	<u>\$ 46,395,566</u>
Changes for the year:	
Service Cost	1,394,593
Interest	1,863,816
Differences Between Expected and Actual Experience	11,235,281
Changes of Assumptions or Other Inputs	(5,749,617)
Benefit Payments	<u>(4,722,815)</u>
Net Changes	<u>4,021,258</u>
Balance at June 30, 2019	<u>\$ 50,416,824</u>

The changes of assumptions or other inputs was based on the following:

- The discount rate was changed from 3.9 percent as of June 30, 2018, to 3.49 percent as of June 30, 2019.
- The healthcare cost trend rate was changed from 5.6 percent as of June 30, 2018, to 5.3 percent as of June 30, 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.49 percent) or 1 percentage point higher (4.49 percent) than the current rate:

	<u>1% Decrease (2.49%)</u>	<u>Current Discount Rate (3.49%)</u>	<u>1% Increase (4.49%)</u>
Total OPEB Liability	\$ 54,199,895	\$ 50,416,824	\$ 46,905,785

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

	<u>1% Decrease (4.30%)</u>	<u>Current Discount Rate (5.30%)</u>	<u>1% Increase (6.30%)</u>
Total OPEB Liability	\$ 45,399,182	\$ 50,416,824	\$ 56,270,711

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

\$4,103,134. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 10,936,194	\$ -
Changes of Assumptions or Other Inputs	-	5,045,869
Total	\$ 10,936,194	\$ 5,045,869

Amounts recognized in the 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>Amount</u>
2020	\$ 844,725
2021	844,725
2022	844,725
2023	844,725
2024	844,725
Thereafter	1,666,700
Total	\$ 5,890,325

G. Construction and Other Significant Commitments

Construction Contracts. The following is a schedule of major construction contract commitments at June 30, 2019:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Boone High School	\$ 24,882,284	\$ 19,356,581	\$ 5,525,703
Oakshire/Pinewoods Elementary School	11,054,732	281,793	10,772,939
Colonial High School	15,230,610	8,960,244	6,270,366
Rolling Hills Elementary School	11,991,066	-	11,991,066
20-E-SW-4	14,900,013	446,541	14,453,472
Southwest Middle School	13,070,831	2,080,680	10,990,151
Pinar Elementary School	12,313,255	267,102	12,046,153
Timber Creek High School	11,401,732	8,355,943	3,045,789
Olympia High School	11,201,463	4,390,402	6,811,061
Gotha Middle School	7,075,067	-	7,075,067
Pine Hills Transportation	19,231,042	15,086,855	4,144,187
Total	\$ 152,352,095	\$ 59,226,141	\$ 93,125,954

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

The following is a schedule of encumbrances at June 30, 2019:

Major Funds				
General	Capital Projects - Capital Improvement Tax	Capital Projects - Other Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<u>\$ 56,282,923</u>	<u>\$ 15,667,245</u>	<u>\$ 175,030,956</u>	<u>\$ 11,984,894</u>	<u>\$ 258,966,018</u>

H. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District relies on sovereign immunity and therefore does not procure general liability or automobile insurance. Other lines of coverage are being provided on a self-insured basis subject to specified retentions. The District has contracted with claims administrators to administer these self-insurance programs, including the processing, investigating, and payment of claims.

A liability was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2019. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using an investment yield rate of 1.8 percent as determined by a review of the District's interest rates received from intergovernmental pooled investment funds and government securities. These liabilities are \$14,192,553 at June 30, 2019. Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

The District provides employee group health and life insurance. The group health plan is self-insured through the Employee Benefits trust and life insurance is obtained through a commercial carrier. Under these plans, the Board contributes employee premiums as fringe benefits to employees. The employees pay a portion of the costs in the two premium group health plans while the District pays all of the employee costs in the two basic group health plans. Premiums for coverage provided for employee dependents and retirees and their dependents are paid in advance by the employee or retiree. These plans provide for maximum premiums based on the number of participants and individual or family coverages. The group health plan is administered by third-party administrators that are reimbursed by the District from a detail record of services provided. There is no stop loss protection on the group health plan. The District has different funding arrangements with each of the groups that reimburse the claims and healthcare expenses. The District reported an estimated unpaid claims liability of \$17,200,000 in the Internal Service Funds for the group health insurance program at June 30, 2019.

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

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2017-18	\$ 28,427,834	\$ 215,264,103	\$ (210,537,664)	\$ 33,154,273
2018-19	33,154,273	224,460,396	(226,222,116)	31,392,553

I. Long-Term Liabilities

1. Certificates of Participation

The District entered into a master financing arrangement on May 1, 1997, which was characterized as a lease-purchase agreement, with the Orange County School Board Leasing Corporation (Leasing Corporation) whereby the District secured financing of various educational facilities, vehicles, and equipment. The financing was accomplished through the issuance of Certificates of Participation (COPs).

Certificates of participation at June 30, 2019, are as follows:

<u>Series</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Remaining Interest Rates (Percent) (19)</u>	<u>Facility Lease Term Maturity (20)</u>
2008B (1)	\$ 105,000,000	\$ 105,000,000	Synthetic 4.412	2033
2008E (2)	51,020,000	12,090,000	Synthetic 5.112	2023
2009A (3)	185,000,000	255,000	4 - 4.25	2020
2009B-QSCB (4)	35,820,000	35,820,000	1.15	2025
2010A-QSCB (5)	36,229,000	36,229,000	None	2030
2012A (6)	58,530,000	4,015,000	5	2020
2013A (7)	19,290,000	12,475,000	4 - 5	2026
2014A (8)	63,840,000	1,810,000	5	2025
2015C (11)	132,340,000	132,340,000	5	2032
2015D (12)	114,170,000	109,400,000	5	2033
2016B (14)	36,785,000	36,785,000	2 - 5	2028
2016C (15)	182,355,000	182,355,000	5	2035
2017B (17)	71,080,000	71,080,000	5	2028
2017C (18)	59,035,000	59,035,000	5	2030
Subtotal		798,689,000		
COPs from Direct Borrowings of Debt:				
2015A (9)	107,420,000	81,100,000	2.88	2023
2015B (10)	59,325,000	57,400,000	2.71	2026
2016A (13)	108,155,000	93,645,000	2.23	2025
2017A (16)	37,566,829	34,378,537	1.95	2026
Subtotal		266,523,537		
Total Certificates of Participation		\$ 1,065,212,537		

(1) On April 11, 2008, the Leasing Corporation issued COPs Series 2008B to advance refund COPs Series 2007B.

(2) On September 8, 2008, the Leasing Corporation issued COPs Series 2008E to advance refund COPs Series 2007C.

- (3) On March 11, 2009, the Leasing Corporation issued COPs Series 2009A to finance the cost of the acquisition and construction of certain educational facilities and related furniture, fixtures, equipment and technology; and costs associated with the issuance of Series 2009A COPs.
- (4) On November 24, 2009, the Leasing Corporation issued COPs Series 2009B-Qualified School Construction Bond (QSCB). The proceeds from the issue will be used for comprehensive updates for one middle school.
- (5) On November 15, 2010, the Leasing Corporation issued COPs Series 2010A-QSCB. The proceeds from the issue were used for comprehensive updates for two elementary schools and one new construction elementary school.
- (6) On May 3, 2012, the Leasing Corporation issued COPs Series 2012A to advance refund COPs Series 2001A.
- (7) On September 18, 2013, the Leasing Corporation issued COPs Series 2013A to advance refund a portion of COPs Series 2004A.
- (8) On March 11, 2014, the Leasing Corporation issued COPs Series 2014A to advance refund a portion of COPs Series 2004A.
- (9) On March 11, 2014, the Leasing Corporation entered into a forward refunding of the COPs Series 2005A. On April 1, 2015, the Leasing Corporation issued COPs Series 2015A.
- (10) On June 10, 2014, the Leasing Corporation entered into a forward refunding of the COPs Series 2005B. On May 4, 2015, the Leasing Corporation issued COPs Series 2015B.
- (11) On December 9, 2014, the Leasing Corporation issued COPs Series 2015C to advance refund COPs Series 2006A.
- (12) On January 21, 2015, the Leasing Corporation issued COPs Series 2015D to advance refund COPs Series 2007A.
- (13) On May 27, 2015, the Leasing Corporation entered into a forward refunding of COPs Series 2006B. On May 5, 2016, the Leasing Corporation issued COPs Series 2016A.
- (14) On April 6, 2016, the Leasing Corporation issued COPs Series 2016B to advance refund COPs Series 2008D.
- (15) On April 20, 2016, the Leasing Corporation issued COPs Series 2016C to advance refund COPs Series 2009A.
- (16) On July 3, 2017, the Leasing Corporation issued COPs Series 2017A to advance refund COPs Series 2008C.
- (17) On September 7, 2017, the Leasing Corporation issued COPs Series 2017B to advance refund COPs Series 2012B.
- (18) On December 27, 2017, the Leasing Corporation issued COPs Series 2017C to advance refund COPs Series 2014A.
- (19) The lease payments are payable by the District, semiannually, on August 1 and February 1.
- (20) As a condition of the financing arrangements, the District has given ground leases on District property to the Leasing Corporation, with a rental fee of \$1 per year. The properties covered by the ground lease are, together with the improvement constructed thereon (facilities) and the vehicles and equipment purchased from the financing proceeds, leased back to the District. The lease agreements are automatically renewable through varying dates unless early terminated following the occurrence of an event of default or a nonappropriation of funds to make lease payments, all as described and defined in the leases. If the District fails to renew the lease and to provide for rent payments through to term, it may be required to surrender all facilities, vehicles, and equipment included under the terms of the lease agreements for the benefit of the securers of the COPs.

The District properties included in the various ground leases under these arrangements include:

Certificates	Description of Properties
Series 1997A*	Renovation and remodeling at eighteen elementary, four middle, two high schools, and two 9th grade centers.
Series 1999A*	Three new elementary and one new middle school; replacement of modular buildings; and a high school expansion/replacement.
Series 2000A*	Three elementary schools.
Series 2000B*	One high school.
Series 2001A*	Refunding of COPs, Series 1997A and 2000A.
Series 2002A	Two alternative education schools; the replacement of one elementary, one middle, and one high school; an addition at one middle school and concrete modular buildings at various sites.
Series 2003*	Financing and refinancing 295 premanufactured concrete modular structures.
Series 2004*	Two middle schools, two elementary schools, portable classrooms to meet immediate needs and portable replacements.
Series 2005A*	Refunding of COPs, Series 1997A and 1999A.
Series 2005B*	Refunding of COPs, Series 2000A.
Series 2006A*	One replacement high school and four elementary schools.
Series 2006B*	Refunding of COPs, Series 1999A and 2002A.
Series 2007A/B*	One replacement high school, one replacement middle school, one technical center, one high school, and two elementary schools.
Series 2007C*	Refunding of COPs, Series 1997A.
Series 2008B	Refunding of COPs, Series 2007B.
Series 2008C*	Refunding of COPs, Series 2000B.
Series 2008E	Refunding of COPs, Series 2007C.
Series 2009A	Two replacement high schools.
Series 2009B-QSCB	Comprehensive needs and renovation at one middle school.
Series 2010A-QSCB	Comprehensive needs at two elementary schools and one new elementary school.
Series 2012A	Refunding of COPs, Series 2001A.
Series 2012B*	Refunding of COPs, Series 2002A.
Series 2013A	Refunding of a portion of COPs, Series 2004A.
Series 2014A	Refunding of a portion of COPs, Series 2004A.
Series 2015A	Refunding of COPs, Series 2005A.
Series 2015B	Refunding of COPs, Series 2005B.
Series 2015C	Refunding of COPs, Series 2006A.
Series 2015D	Refunding of COPs, Series 2007A.
Series 2016A	Refunding of COPs, Series 2006B.
Series 2016B	Refunding of COPs, Series 2008D.
Series 2016C	Refunding of COPs, Series 2009A.
Series 2017A	Refunding of COPs, Series 2008C
Series 2017B	Refunding of COPs, Series 2012B
Series 2017C	Refunding of COPs, Series 2014A

* Debt no longer exists, and debt continues to be presented to show the projects applicable to the refunding of COPs.

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

Fiscal Year Ending June 30	Total	Certificates of Participation		Certificates of Participation Direct Borrowings of Debt	
		Principal	Interest	Principal	Interest
2020	\$ 88,047,599	\$ 11,820,000	\$ 37,351,083	\$ 32,382,225	\$ 6,494,291
2021	88,638,090	8,185,000	36,865,708	38,046,420	5,540,962
2022	88,590,590	8,590,000	36,454,559	39,054,149	4,491,882
2023	88,413,518	21,120,000	35,707,813	27,996,911	3,588,794
2024	89,954,692	8,820,000	34,952,542	43,493,601	2,688,549
2025-2029	477,377,477	234,865,000	154,718,991	85,550,231	2,243,255
2030-2034	485,116,540	414,414,000	70,702,540	-	-
2035	93,025,000	90,875,000	2,150,000	-	-
Total Minimum Lease Payments	\$ 1,499,163,506	\$ 798,689,000	\$ 408,903,236	\$ 266,523,537	\$ 25,047,733
Add: Unamortized Premium	89,601,451	89,601,451	-	-	-
Less: Interest	(433,950,969)	-	(408,903,236)	-	(25,047,733)
Total Certificates of Participation	\$ 1,154,813,988	\$ 888,290,451	\$ -	\$ 266,523,537	\$ -

The District does not have any outstanding or unused lines of credit. The District's certificates of participation and certificates of participation from direct borrowings contain a provision that in an event of default or upon the termination of the lease agreement prior to the payment of all scheduled lease payments, the District shall immediately surrender and deliver possession of all facilities financed under the Master Lease.

2. Hedged Debt and Hedging Derivative Instrument Payments

As of June 30, 2019, aggregate debt service requirements of the District's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are as follows. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.

Series 2008B COPs Swap Agreement – Swap Payments and Associated Debt. Assuming interest rates remain the same as at June 30, 2019, annual debt service requirements on the Series 2008B COPs and the interest rate swap would be as follows:

Fiscal Year Ending June 30			Interest Rate	Total
	Principal	Interest	Swaps, Net	
2020	\$ -	\$ 2,467,500	\$ 2,637,600	\$ 5,105,100
2021	-	2,467,500	2,637,600	5,105,100
2022	-	2,467,500	2,637,600	5,105,100
2023	-	2,467,500	2,637,600	5,105,100
2024	-	2,467,500	2,637,600	5,105,100
2025-2029	8,635,000	12,337,500	13,188,000	34,160,500
2030-2033	96,365,000	7,744,425	8,278,296	112,387,721
Total	\$ 105,000,000	\$ 32,419,425	\$ 34,654,296	\$ 172,073,721

Series 2008E COPs Swap Agreement – Swap Payments and Associated Debt. Assuming interest rates remain the same as at June 30, 2019, annual debt service requirements on the Series 2008E COPs and the interest rate swap would be as follows:

Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2020	\$ -	\$ 286,533	\$ 388,331	\$ 674,864
2021	-	286,533	388,331	674,864
2022	-	286,533	388,331	674,864
2023	12,090,000	286,533	388,331	12,764,864
Total	\$ 12,090,000	\$ 1,146,132	\$ 1,553,324	\$ 14,789,456

3. Bonds Payable

Bonds payable at June 30, 2019, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2010A	\$ 920,000	5	2022
Series 2014B	273,000	2	2020
Total Bonds Payable	\$ 1,193,000		

State school bonds are not considered direct borrowings or direct placements of debt. The various bonds were issued to finance capital outlay projects of the District. The following is a description of the bonded debt issues:

State School Bonds

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2019, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2020	\$ 644,460	\$ 593,000	\$ 51,460
2021	375,000	345,000	30,000
2022	267,750	255,000	12,750
Total Bonds Payable	\$ 1,287,210	\$ 1,193,000	\$ 94,210

4. Defeased Debt

The Board defeased in-substance certain outstanding certificates of participation (COPs) by placing a portion of the proceeds of new COPs in an irrevocable trust to provide for all future debt service payments on the old COPs. Accordingly, the trust account assets and the liability for the in-substance defeased COPs are not included in the District's financial statements. On June 30, 2019, debt considered defeased in-substance is as follows:

Debt Issues	Amount Outstanding
Certificates of Participation, Series 2008C	\$ 33,995,000
Certificates of Participation, Series 2008D	41,500,000
Certificates of Participation, Series 2009A	184,380,000
Certificates of Participation, Series 2012B	75,935,000
Certificates of Participation, Series 2014A	62,030,000
Total Defeased Debt	\$ 397,840,000

5. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	\$ 1,108,230,829	\$ -	\$ 43,018,292	\$ 1,065,212,537	\$44,202,225
Add: Unamortized COPs					
Premium (Discount)	98,958,290	-	9,356,839	89,601,451	8,634,984
Total Certificates of Participaton Payable	1,207,189,119	-	52,375,131	1,154,813,988	52,837,209
Bonds Payable	2,030,000	-	837,000	1,193,000	593,000
Estimated Insurance Claims Payable	14,354,273	9,501,936	9,663,656	14,192,553	6,726,842
Compensated Absences Payable	111,793,542	13,455,215	8,353,229	116,895,528	8,461,346
Other Postemployment Benefits Payable	46,395,566	8,744,073	4,722,815	50,416,824	4,103,134
Net Pension Liability	995,291,452	561,880,409	550,570,569	1,006,601,292	8,165,567
Derivative Instrument	25,983,860	6,726,494	-	32,710,354	-
Total Governmental Activities	\$ 2,403,037,812	\$ 600,308,127	\$ 626,522,400	\$ 2,376,823,539	\$80,887,098

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 generally liquidated with the resources of the Internal Service Funds, as discussed in Note I.C.

6. Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2019, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2019 financial statements are as follows:

	Changes in Fair Value		Fair Value at June 30, 2019		
	Classification	Amount	Classification	Amount	Notional
Governmental Activities					
Fair Value Hedges:					
2008B Pay-fixed Interest Rate Swap	Deferred Outflow of Resources	\$ 6,651,720	Liability	\$(31,490,152)	\$ 105,000,000
2008E Pay-fixed Interest Rate Swap	Deferred Outflow of Resources	74,774	Liability	<u>(1,220,202)</u>	12,090,000
Total Hedging Derivative Instruments				<u>\$(32,710,354)</u>	

The fair values of the hedging derivatives take into consideration Level 2 measurement inputs from the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

Objective and Terms of Hedging Derivative Instruments. The following table displays the objective and terms of the District's hedging derivative instruments outstanding at June 30, 2019, along with the credit rating of the associated counterparty.

Type	Objective	Notional Amount	Effective Date	Maturity Date	Amount of Cash Received	Terms	Counterparty	Counterparty Credit Rating
2008B Interest Rate Swap	Hedge of changes in cash flows on the 2008B Certificates	\$ 105,000,000	6/29/2007	8/1/2032	N/A	Pay 4.412%; receives SIFMA Swap Index	Citibank, NA, New York	Aa3,A+,A+
2008E Interest Rate Swap	Hedge of changes in cash flows on the 2008E Certificates	12,090,000	8/1/2007	8/1/2022	N/A	Pay 5.112%; receives SIFMA Swap Index	UBS AG Stamford Branch	Aa3,A+,AA-

Risks

Credit Risk. The District is exposed to credit risk on hedging derivative instruments. The swap's fair value represented the District's credit exposure to the counterparty. Should the counterparty to this transaction fail to perform according to the terms of the swap contract, the District is left with variable rate bonds. As of June 30, 2019, the swap counterparties' credit ratings are noted in the above table.

It is the District's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the nondefaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the nondefaulting party.

The District has no hedging derivative instruments in asset positions at June 30, 2019.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the District's financial instruments or the District's cash flows. The District is exposed to interest rate risk on its interest rate swaps. As the Securities Industry and Financial Markets Association (SIFMA) swap index decreases, the District's net payment on the swap increases which is offset by the variable rate paid on the hedged debt.

Basis Risk. Basis risk is the risk that arises when variable rates or prices of a hedging derivative instrument and a hedged item are based on different reference rates. The District is exposed to basis risk should the variable rate it receives under the agreement be different than the rate it pays on its COPs. Under the requirements of the swap, the District receives a variable payment based on the SIFMA index from the counterparty. The 2008B and 2008E COPs are currently priced in a daily mode and the SIFMA index reflects weekly interest rates.

Termination Risk. Termination risk is that a hedging derivative instrument's unscheduled end will affect the District's asset and liability strategy or will present the District with potentially significant unscheduled termination payments to the counterparty. The District or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract including if either parties' credit rating falls below designated levels.

J. Fund Balance Reporting

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

GASB 54 provides for two major types of fund balances for governmental funds, 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 reports its prepaid items and inventories as nonspendable and does not have any nonspendable funds related to endowments.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on spending constraints.

- **Restricted.** Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- **Committed.** Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority such as school board resolutions.
- **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 does not have a constraint for any particular purpose.

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

- **Nonspendable**. The District has inventories totaling \$6,251,254 and prepaid items totaling \$66,653 that are classified as nonspendable.
- **Restricted for State Categorical Programs, State Grants, Food Service, Debt Service and Capital Projects**. Federal Laws, Florida Statutes, and local ordinances require that certain revenues be specifically designated for purposes of State categorical programs, State Grants, food service, debt service, and capital projects. These funds have been included in the restricted category of fund balance. The restricted fund balances totaled \$1,598,918,819 and represented \$8,296,657 in State categorical programs, \$8,211,201 Post-Secondary Schools Rollover budgets, \$5,445,898 in State Grants, \$38,239,471 in food service, \$136,806,847 in debt service and \$1,401,918,745 in capital projects.
- **Assigned for School Operations and Other Purposes**. The assigned fund balances totaled \$275,557,458. For the General Fund, the Chief Financial Officer of the Board has assigned the OPEB liability of \$50,416,824; Board Projects of \$72,998,892; and K-12 Schools Rollover Budgets of \$42,232,961. Also, for the General Fund, the District reports as assigned outstanding purchase obligations of \$16,738,482 that have not been previously reported as restricted and \$81,561,177 needed to eliminate expected expenditures over expected revenues in the subsequent year budget approved by the Board. In addition, \$11,609,122 is a positive fund balance of non-General Funds that have not been previously reported as nonspendable or restricted and is reported as assigned fund balance.
- **Unassigned**. The unassigned fund balance for the General Fund is \$95,807,803.

The following is a schedule of fund balances by category at June 30, 2019:

	Major Funds				Total Governmental Funds
	General	Capital Projects - Capital Improvement Tax Fund	Capital Projects - Other Capital Projects Fund	Nonmajor Governmental Funds	
Fund Balances					
Nonspendable:					
Inventories					
General Fund	\$ 3,793,110	\$ -	\$ -	\$ -	\$ 3,793,110
Special Revenue - Food Service	-	-	-	2,458,144	2,458,144
Prepaid Items	66,653	-	-	-	66,653
Restricted:					
Categorical Programs	8,296,657	-	-	-	8,296,657
Post-Secondary Rollover Budgets	8,211,201	-	-	-	8,211,201
State Grants	5,445,898	-	-	-	5,445,898
Special Revenue - Food Service	-	-	-	38,239,471	38,239,471
Debt Service	-	-	-	136,806,847	136,806,847
Capital Projects	-	301,342,952	1,083,207,562	17,368,231	1,401,918,745
Assigned:					
School Operations:					
Encumbrances	16,738,482	-	-	-	16,738,482
Board Projects	72,998,892	-	-	-	72,998,892
K-12 Schools Rollover Budgets	42,232,961	-	-	-	42,232,961
Next Year's Budget Deficit	81,561,177	-	-	-	81,561,177
Other Purposes:					
OPEB	50,416,824	-	-	-	50,416,824
Special Revenue - Other	-	-	-	11,609,122	11,609,122
Unassigned	95,807,803	-	-	-	95,807,803
Total Fund Balances	\$385,569,658	\$ 301,342,952	\$ 1,083,207,562	\$206,481,815	\$1,976,601,987

The District has not established a contingency reserve or "Rainy Day Fund." Instead, the Board has approved in the budget to set aside 3 percent of recurring budgeted revenues at the beginning of

each year to cover unforeseen events (e.g., revenue shortfalls, student enrollment under projections, etc.). At the end of the fiscal year, the unassigned general fund balance was \$95,807,803, or 5.5 percent, of General Fund total budgeted revenues for the 2019-20 fiscal year.

K. 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	\$ 15,564,372	\$ -
Capital Projects:		
Capital Improvement Tax	-	8,955,109
Nonmajor Governmental	-	6,609,263
Total	\$ 15,564,372	\$ 15,564,372

The interfund receivables and payables represents payments made prior to year-end but reimbursed by the grantor after year-end and therefore are repaid within 12 months.

The following is a summary of interfund transfers reported in the fund financial statements at June 30, 2019:

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 9,784,120	\$ -
Capital Projects:		
Capital Improvement Tax	-	87,636,969
Nonmajor Governmental	87,636,969	9,784,120
Total	\$ 97,421,089	\$ 97,421,089

The interfund transfers represent the payments of expenditures by one fund for another fund. The transfers in for the General Fund consist of \$7.5 million from the nonmajor Capital Projects – Public Education Capital Outlay Fund for Charter School Capital Outlay and \$2.3 million for maintenance expenditures. The transfers in for the nonmajor Debt Service – Other Fund is from the Capital Projects – Capital Improvement Tax Fund for the COPs debt service payments.

L. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2018-19 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 602,310,333
Categorical Educational Program - Class Size Reduction	245,447,705
Workforce Development Program	32,151,120
Florida Best and Brightest Scholarship Programs	21,376,216
Charter Schools Capital Outlay	7,531,789
CO&DS Distributed to District	7,246,762
Voluntary Prekindergarten Program	5,221,263
PECO Maintenance	2,271,271
Food Service Supplement	1,303,887
CO&DS Withheld for SBE/COBI Bonds	893,858
Discretionary Lottery Funds	741,068
State License Tax	399,423
Miscellaneous	1,228,264
Total	\$ 928,122,959

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

2. Property Taxes

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

	<u>Millages</u>	<u>Taxes Levied</u>
<u>General Fund</u>		
Nonvoted School Tax:		
Required Local Effort	4.051	\$ 581,182,588
Basic Discretionary Local Effort	0.748	107,312,904
Voted School Tax:		
Additional Voted Millage	1.000	143,466,450
<u>Capital Projects - Local Capital Improvement Fund</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	215,199,674
Total	7.299	\$ 1,047,161,616

V. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the internal service funds for the 2018-19 fiscal year:

	<u>Total</u>	<u>Employee Benefit Insurance</u>	<u>Self-Insurance</u>	<u>District Print Center</u>
Total Assets	<u>\$ 179,898,613</u>	<u>\$ 136,115,775</u>	<u>\$ 43,499,475</u>	<u>\$ 283,363</u>
Liabilities and Net Position:				
Accrued Salaries and Benefits Payable	\$ 38,483	\$ 12,919	\$ -	\$ 25,564
Accounts Payable	2,944,752	2,846,577	81,061	17,114
Unearned Revenue	52,099,956	52,099,956	-	-
Estimated Liability for Self-Insurance Program	31,392,553	17,200,000	14,192,553	-
Net Position:				
Investment in Capital Assets	11,006	-	-	11,006
Unrestricted	<u>93,411,863</u>	<u>63,956,323</u>	<u>29,225,861</u>	<u>229,679</u>
Total Liabilities and Net Position	<u>\$ 179,898,613</u>	<u>\$ 136,115,775</u>	<u>\$ 43,499,475</u>	<u>\$ 283,363</u>
Revenues:				
Premium Contributions	\$ 221,447,669	\$ 212,737,676	\$ 8,709,993	\$ -
Charges for Services	5,501,616	-	-	5,501,616
Other	<u>4,650,062</u>	<u>3,280,210</u>	<u>1,275,127</u>	<u>94,725</u>
Total Revenues	231,599,347	216,017,886	9,985,120	5,596,341
Total Expenses	<u>(240,837,425)</u>	<u>(225,659,846)</u>	<u>(9,663,656)</u>	<u>(5,513,923)</u>
Change in Net Position	<u>\$ (9,238,078)</u>	<u>\$ (9,641,960)</u>	<u>\$ 321,464</u>	<u>\$ 82,418</u>

VI. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. Litigation

The District is a defendant in numerous lawsuits as of June 30, 2019. It is the opinion of management, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations on governmental liabilities on uninsured risk, that the amount of loss resulting from litigation that exceeds the above-mentioned limits would not be material to the financial position of the District.

B. Other Loss Contingencies

Amounts received or receivable from grantors are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by grantors cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

VII. SUBSEQUENT EVENTS

On October 22, 2019, the Board authorized the modification on a forward starting basis of August 1, 2020, of the interest portion of basic lease payments under Amended and Restated Schedule 2000A-1 represented by the Series 2015B Certificates. This modification will fix the interest rate to final maturity (August 1, 2025) at 1.54 percent which will result in approximately \$2.6 million in savings to the Board.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General Fund For the Fiscal Year Ended June 30, 2019

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 1,150,025	\$ 1,150,025	\$ 1,491,848	\$ 341,823
Federal Through State and Local	11,189,371	11,189,371	25,821,651	14,632,280
State	901,484,283	901,484,283	908,995,364	7,511,081
Local:				
Property Taxes	798,683,464	798,683,464	790,925,998	(7,757,466)
Interest Income	6,825,000	6,825,000	13,443,375	6,618,375
Postsecondary Vocational Course Fees	2,607,580	2,607,580	2,646,698	39,118
Miscellaneous	13,878,669	13,878,669	27,001,460	13,122,791
Total Local Revenues	821,994,713	821,994,713	834,017,531	12,022,818
Total Revenues	1,735,818,392	1,735,818,392	1,770,326,394	34,508,002
Expenditures				
Current - Education:				
Instruction	1,163,801,892	1,117,666,599	1,117,008,264	658,335
Student Support Services	57,889,024	66,889,024	66,558,497	330,527
Instructional Media Services	15,800,626	16,800,626	16,614,288	186,338
Instruction and Curriculum Development Services	73,378,829	73,378,829	69,915,211	3,463,618
Instructional Staff Training Services	25,367,763	28,067,763	27,881,202	186,561
Instruction-Related Technology	28,509,370	28,509,370	11,552,632	16,956,738
Board	4,608,617	4,608,617	4,145,921	462,696
General Administration	9,274,622	9,274,622	8,547,638	726,984
School Administration	121,160,099	117,775,297	115,280,909	2,494,388
Facilities Acquisition and Construction	9,475,072	9,475,072	9,439,011	36,061
Fiscal Services	7,951,311	7,951,311	7,470,768	480,543
Central Services	20,814,283	22,314,283	22,060,393	253,890
Student Transportation Services	64,729,831	68,729,831	68,568,974	160,857
Operation of Plant	127,788,273	144,788,273	144,469,303	318,970
Maintenance of Plant	39,262,771	47,262,771	46,861,952	400,819
Administrative Technology Services	56,404,268	56,404,268	43,974,136	12,430,132
Community Services	316,179	516,179	486,181	29,998
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	2,735,294	2,735,294	-
Other Capital Outlay	-	3,384,801	3,384,801	-
Total Expenditures	1,826,532,830	1,826,532,830	1,786,955,375	39,577,455
Excess (Deficiency) of Revenues Over Expenditures	(90,714,438)	(90,714,438)	(16,628,981)	74,085,457
Other Financing Sources				
Transfers In	22,582,402	22,582,402	9,784,120	(12,798,282)
Sale of Capital Assets	900,000	900,000	780,540	(119,460)
Loss Recoveries	-	-	141,033	141,033
Total Other Financing Sources	23,482,402	23,482,402	10,705,693	(12,776,709)
Net Change in Fund Balances	(67,232,036)	(67,232,036)	(5,923,288)	61,308,748
Fund Balances, Beginning	391,492,946	391,492,946	391,492,946	-
Fund Balances, Ending	\$ 324,260,910	\$ 324,260,910	\$ 385,569,658	\$ 61,308,748

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

	2019	2018
Total OPEB Liability		
Service Cost	\$ 1,394,593	\$ 1,279,658
Interest	1,863,816	1,850,513
Differences Between Expected and Actual Experience	11,235,281	1,422,670
Changes of Assumptions or Other Inputs	(5,749,617)	-
Benefit Payments	<u>(4,722,815)</u>	<u>(3,140,451)</u>
Net Change in Total OPEB Liability	4,021,258	1,412,390
Total OPEB Liability - Beginning	<u>46,395,566</u>	<u>44,983,176</u>
Total OPEB Liability - Ending	<u>\$ 50,416,824</u>	<u>\$ 46,395,566</u>
Covered-Employee Payroll	\$ 904,238,966	\$ 808,892,586
Total OPEB Liability as a Percentage of Covered-Employee Payroll	5.58%	5.74%

**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	2.23%	2.23%	2.18%	2.36%	2.27%	2.10%
District's Proportionate Share of the FRS Net Pension Liability	\$ 672,999,279	\$ 659,196,997	\$551,681,215	\$304,309,382	\$138,601,800	\$369,393,623
District's Covered Payroll	\$1,029,829,605	\$1,002,052,509	\$950,205,116	\$943,941,480	\$891,614,637	\$842,736,529
District's Proportionate Share of the FRS Net Pension Liability as a Percentage of Its Covered Payroll	65.4%	65.8%	58.1%	32.2%	15.5%	43.8%
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	\$ 69,331,806	\$ 63,677,320	\$ 58,015,247	\$ 53,281,522	\$ 57,441,353	\$ 49,757,965
FRS Contributions in Relation to the Contractually Required Contribution	<u>(69,331,806)</u>	<u>(63,677,320)</u>	<u>(58,015,247)</u>	<u>(53,281,522)</u>	<u>(57,441,353)</u>	<u>(49,757,965)</u>
FRS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$1,070,294,126	\$1,029,829,605	\$1,002,052,509	\$950,205,116	\$943,941,480	\$891,614,637
FRS Contributions as a Percentage of Covered Payroll	6.48%	6.18%	5.79%	5.61%	6.09%	5.58%

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

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

	2018	2017	2016	2015	2014	2013
District's Proportion of the HIS Net Pension Liability	3.15%	3.14%	3.08%	3.11%	3.00%	2.90%
District's Proportionate Share of the HIS Net Pension Liability	\$ 333,602,013	\$ 336,094,455	\$ 358,647,515	\$ 317,278,898	\$ 280,568,669	\$ 252,557,472
District's Covered Payroll	\$ 1,029,829,605	\$ 1,002,052,509	\$ 950,205,116	\$ 943,941,480	\$ 891,614,637	\$ 842,736,529
District's Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered Payroll	32.39%	33.54%	37.74%	33.6%	31.5%	30.0%
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	\$ 17,768,950	\$ 17,092,904	\$ 16,635,167	\$ 15,773,166	\$ 11,892,397	\$ 10,279,238
HIS Contributions in Relation to the Contractually Required Contribution	(17,768,950)	(17,092,904)	(16,635,167)	(15,773,166)	(11,892,397)	(10,279,238)
HIS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 1,070,294,126	\$ 1,029,829,605	\$ 1,002,052,509	\$ 950,205,116	\$ 943,941,480	\$ 891,614,637
HIS Contributions as a Percentage of Covered Payroll	1.66%	1.66%	1.66%	1.66%	1.26%	1.15%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

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

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

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

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

Changes of Assumptions. Changes of assumptions and other inputs include, a change in the discount rate from 3.90 percent to 3.49 percent, a change in the mortality projection, a change in the healthcare cost trend rate from 5.6 at the end of the prior year to 5.3 at the end of the current year, and changes in the likelihood of participant elections.

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

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

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

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

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Orange 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	19002	\$ -	\$ 22,134,867
National School Lunch Program	10.555	19001, 19003	-	73,229,479
Summer Food Service Program for Children	10.559	18006, 18007, 19006, 19007	-	2,477,499
Total Child Nutrition Cluster			-	97,841,845
WIOA Cluster:				
United States Department of Labor:				
Central Florida Regional Workforce Development Board d/b/a Careersource Central:				
WIA/WIOA Adult Program	17.258	None	-	18,018
Special Education Cluster:				
United States Department of Education:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263, 266	1,754,882	46,935,354
Special Education - Preschool Grants	84.173	266, 267	-	785,452
Total Special Education Cluster			1,754,882	47,720,806
Student Financial Assistance Cluster:				
United States Department of Education:				
Federal Pell Grant Program	84.063	N/A	-	3,491,869
TANF Cluster				
United States Department of Health and Human Services:				
Central Florida Regional Workforce Development Board d/b/a Careersource Central:				
Temporary Assistance for Needy Families (TANF) State Programs	93.558	None	-	5,082
CCDF Cluster				
United States Department of Health and Human Services:				
Early Learning Coalition of Orange County:				
Child Care and Development Block Grant	93.575	912	-	126,864
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	912	-	103,002
Total Child Care and Development Cluster			-	229,866
Not Clustered				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
Specialty Crop Block Grant Program - Farm Bill	10.170	None	-	2,605
Team Nutrition Grants	10.574	None	-	15,500
Fresh Fruit and Vegetable Program	10.582	19004	-	393,782
Florida Department of Health:				
Child and Adult Care Food Program	10.558	A-4413	-	9,131,224
Total United States Department of Agriculture			-	9,543,111
United States Department of Defense:				
Air Force Junior Reserve Officers Training Corps	12.UNK	N/A	-	699,371
Army Junior Reserve Officers Training Corps	12.UNK	N/A	-	176,255
Marines Junior Reserve Officers Training Corps	12.UNK	N/A	-	215,731
Navy Junior Reserve Officers Training Corps	12.UNK	N/A	-	400,491
Total United States Department of Defense			-	1,491,848
United States Department of Labor				
Florida Department of Education:				
National Farmworker Jobs Program	17.264	405	-	224,216
Total United States Department of Labor			-	224,216

(Continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Not Clustered (continued)				
United States Department of Education:				
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	\$ -	\$ 1,962,612
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226	1,281,715	59,912,538
Migrant Education - State Grant Program	84.011	217	-	256,106
Career and Technical Education - Basic Grants to States	84.048	161	-	2,603,693
Education for Homeless Children and Youth	84.196	127	-	129,236
Charter Schools	84.282	298	350,057	350,057
Twenty-First Century Community Learning Centers	84.287	244	-	1,380,922
English Language Acquisition State Grants	84.365	102	-	4,925,780
Supporting Effective Instruction State Grants	84.367	224	7,295	5,974,876
School Improvement Grants	84.377	126	-	302,567
Student Support and Academic Enrichment Program	84.424	241	-	1,609,770
Hurricane Education Recovery:	84.938			
Immediate Aid to Restart School Operations	84.938A	105	151,757	4,924,705
Assistance for Homeless Children and Youth	84.938B	107	-	56,756
Temporary Emergency Impact Aid for Displaced Students	84.938C	106	670,908	12,099,424
Total Hurricane Education Recovery	84.938		822,665	17,080,885
Old Dominion University Research Foundation:				
Investing in Innovation (i3) Fund	84.411	N/A	-	2,856
Total United States Department of Education			2,461,732	96,491,898
United States Department of Health and Human Services				
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	N/A	-	307,766
Head Start	93.600	N/A	-	211,184
Total United States Department of Health and Human Services			-	518,950
United States Department of Homeland Security				
Florida Division of Emergency Management:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z0562	-	248,001
Total Expenditures of Federal Awards			\$ 4,216,614	\$ 257,825,510

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 Orange 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:**
- (A) **National School Lunch Program** - Includes \$7,120,870 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (B) **Child and Adult Care Food Program** - Includes \$596,240 cash in lieu of donated food used during the 2018-19 fiscal year.
- (5) **Hurricane Education Recovery.** The District incurred \$17,080,885 in expenditures for the Hurricane Education Recovery grant in the 2017-18 fiscal year.
- (6) **Disaster Grants – Public Assistance (Presidentially Declared Disaster).** In the 2018-19 fiscal year, the Florida Division of Emergency Management approved \$248,001 of eligible expenditures for Hurricane Irma, an event that occurred in September 2017. All of the expenditures were incurred in the 2017-18 fiscal year.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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

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

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

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We noted a certain additional matter that is described on pages 86 and 87.

District's Response to Finding

The District's response to the additional matter finding identified in our audit is included as District Response on page 87 in Finding No. AM 2019-001. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Respectfully submitted,

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

Sherrill F. Norman, CPA
Tallahassee, Florida
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 identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

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

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters are reported.

ADDITIONAL MATTER

FINANCIAL REPORTING

Finding Number	AM 2019-001
Opinion Unit	Aggregate Discretely Presented Component Units
Financial Statements Account Titles	Various
Fund Name	Not Applicable
Adjustment Amounts	Not Applicable
Prior Year Findings	2016-001, Report No. 2017-151; and Finding No. 1, Report No. 2014-147
Finding	District financial reporting procedures need improvement to ensure consistent, proper reporting of charter schools as discretely presented component units.
Criteria	State Board of Education (SBE) Rule 6A-1.0071, Florida Administrative Code, and related instructions from the Florida Department of Education (FDOE) prescribe the exhibits and schedules that should be prepared as part of the District annual financial report (AFR). Section 1010.01, Florida Statutes, requires that these exhibits and schedules be prepared in accordance with generally accepted accounting principles (GAAP). GAAP provide that the financial reporting entity consists of the primary government and its component units. GAAP further define component units as legally separate organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. In October 2012 and January 2014, the FDOE provided guidance directing school districts to report charter schools as discretely presented component units (DPCUs), unless the charter schools were reported as component units of other governmental entities in accordance with GAAP. In addition, in November 2013, the FDOE General Counsel concluded that excluding the charter schools from financial reporting would cause the districts' financial statements to be misleading as, pursuant to Article IX, Section 4 of the State Constitution, charter schools are public schools and each school district has constitutional responsibility for all public schools within the school district.
Condition	Pursuant to guidance from the FDOE, the District was responsible for reporting 37, 36, and 38 charter schools as DPCUs on the District financial statements for the 2016-17, 2017-18, and 2018-19 fiscal years, respectively. However, for the 2016-17 and 2017-18 fiscal years, the District did not report the charter schools as DPCUs on the District AFR or Comprehensive Annual Financial Report (CAFR). Although the District did not report the District's 38 charter schools as DPCUs on the 2018-19 fiscal year AFR originally submitted to FDOE, the AFR was later revised and resubmitted to include the charter schools as DPCUs. However, the District did not report the charter schools as DPCUs on the District 2018-19 fiscal year CAFR.
Cause	In response to our inquiries, District personnel indicated that the inclusion of the charter schools as DPCUs is unnecessary because the District is not financially accountable for the charter schools because the District does not: • Appoint the voting majority of the charter school's board of directors as they are chosen by the charter school.

- Have the unilateral ability to create a charter school, and the SBE has overturned the District's denial of charter applications on several occasions.
- Have the unilateral ability to abolish a charter school.
- Have control over the charter schools' educational or financial programs and cannot impose its will on a charter school.

Notwithstanding this response, the District's inconsistent financial reporting of the charter schools is contrary to the FDOE's conclusion that charter schools are component units of their respective school districts, unless the charter schools were reported as component units of other governmental entities in accordance with GAAP.

Effect

The District is not in compliance with FDOE directives for financial reporting. Excluding charter schools as DPCUs from school district financial statements may cause financial statement users to misunderstand the District's financial activities in comparison with other school districts, and result in incorrect assessments of the District's financial position. In addition, inconsistent financial reporting of charter schools from year to year does not provide for comparable financial statements.

For the 2018-19 fiscal year, the financial activities of these 38 charter schools comprise 97 percent of assets, 99 percent of liabilities, 98 percent of revenues, 98 percent of expenses, and 88 percent of the net position for the financial activities reported for aggregate DPCUs.

Recommendation

The District should improve financial reporting procedures to ensure consistent, compliance with FDOE directives for reporting charter schools as DPCUs on the District financial statements.

District Response

After thoroughly reviewing GASB Statements 14, 39, and 61; the GASB Codification of Governmental Accounting and Financial Reporting Standards; and the GASB Comprehensive Implementation Guide; the District has concluded that the charter schools do not meet the criterion to be considered component units under these standards. Therefore, the District excluded the charter schools from its unaudited Annual Financial Report (AFR) and audited Comprehensive Annual Financial Report (CAFR).

In the fiscal year 2018-19 AFR, the District agreed to include the charter schools as discretely presented component units for the sole purpose of following the Florida Department of Education's financial reporting guidelines. The fiscal year 2018-19 CAFR excluded charter schools based on GASB 61 guidance. This guidance supports our conclusion that charter schools do not qualify as component units of the District and therefore were excluded from the audited CAFR for fiscal years ended June 30, 2013, 2014, 2015, 2016, 2017, 2018 and 2019. The District has received an unmodified opinion from our independent auditors since the first year of implementation of GASB Statement No. 61. The District did not intend for the fiscal year 2018-19 AFR to be consistent with the fiscal year 2018-19 CAFR as the AFR was adjusted to comply with FDOE's reporting guidelines that reflects an interpretation that the District does not agree with regarding GASB Statement No. 61.

Auditor's Remarks

Notwithstanding this response, the District is required to follow SBE rules and related FDOE guidance for financial reporting. In addition, the FDOE considered the GASB requirements and concluded that, pursuant to GASB 14, as amended by GASB 61, sponsoring school districts are financially accountable for charter schools and should report the charter schools as DPCUs. As inconsistent financial reporting of charter schools from year to year does not provide for comparable financial statements and is contrary to FDOE's conclusion, we continue to recommend that the District ensure consistent, proper reporting of DPCUs on the District's financial statements.

PRIOR AUDIT FOLLOW-UP

The District had not taken actions to fully correct the additional matter finding cited in our audit report No. 2017-151 as Finding No. 2016-001 and was similarly noted in our report No. 2014-147 as Finding No. 1.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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