

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2020-189
March 2020

PALM BEACH 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. Donald E. Fennoy II served as Superintendent of the Palm Beach County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Barbara McQuinn	1
Chuck Shaw, Vice Chair from 12-5-18, Chair through 12-4-18	2
Karen M. Brill	3
Erica Whitfield	4
Frank A. Barbieri, Jr., Esq., Chair from 12-5-18	5
Marcia Andrews	6
Dr. Debra L. Robinson, Vice Chair through 12-4-18	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 Samantha M. Palaigos, CPA, and the audit was supervised by Diana G. Garza, 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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PALM BEACH COUNTY DISTRICT SCHOOL BOARD

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of the Palm Beach 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 comply with Florida Department of Education directives for reporting charter schools as discretely presented component units on the District financial statements. A similar finding was noted in our report No. 2017-190.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Title I, Student Support and Academic Enrichment Program, Hurricane Education Recovery, and Head Start 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. 2017-190.

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 Palm Beach County District School Board, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 2. 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 2018-19 fiscal year with amounts reported for the 2017-18 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 **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 30, 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 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The School District of Palm Beach County, Florida's (District) management discussion and analysis (MD&A) is designed to provide an objective and easy to read analysis of the District's financial activities for the fiscal year ended June 30, 2019, based on currently known facts, decisions, or conditions. It is intended to provide a broad overview using a short-term and long-term analysis of the District's activities based on information presented in the financial report and fiscal policies that have been adopted by the seven elected members of the school board (Board). Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget) and identify individual fund issues or concerns.

As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The reader of this statement should take time to read and evaluate all sections of this report, including the notes that are provided in addition to this MD&A.

FINANCIAL HIGHLIGHTS

- The net position of the District increased \$63 million, or 4.2 percent, from \$1.487 billion to \$1.550 billion. Funding per student has slowly increased since the low point in school year 2011-12, and has finally exceeded the school year 2007-08 levels, without consideration for inflation. Enrollment at district schools increased 0.2 percent, approximately 450 students, while charter schools experienced a 1.3 percent increase in enrollment (approximately 250 students) which resulted in the District passing through additional FEFP revenue. In addition, net position increased related to the revenue received for the new half penny sales tax with limited expenditures prior to year-end.
- The District's total long-term debt decreased by \$95 million, or 6.2 percent, primarily due to debt repayments of \$87.7 million and amortization of issuance premium of \$23.4 million offset, in part, by a new equipment and bus loan of \$16.1 million (discussed in Note 10).
- Total revenues increased by \$73 million or 3.2 percent, from \$2.311 billion to \$2.384 billion when compared to the prior year.
 - o General revenue accounted for \$1.743 billion, or 73.1 percent, of all revenues and increased \$52 million or 3.1 percent. This increase is primarily attributed to property tax increase of \$32.4 million (mainly due to 5.4 percent increase in property values partially offset by 2.9 percent lower millage rate), higher sales tax revenue of \$7.7 million, and \$13.1 million increase in investment earnings mainly due to higher investment rates.
 - o Program specific revenue in the form of charges for services, grants and contributions accounted for \$641.2 million, or 26.9 percent of all revenues and increased \$21 million or 3.4 percent. The increase is primarily attributed to an increase in school lunch and breakfast programs, Charter School Capital Outlay revenue, and increase in other State and Local revenue.
- Total expenses increased \$143 million from \$2.178 billion to \$2.321 billion. This increase is primarily related to additional non-capitalizable capital outlay spending of penny sales tax referendum funds and raises given to employees in 2019.
- The District's governmental funds reported combined fund balances of \$694.8 million.

- o The General Fund (the primary operating fund), reflected on a current financial resources basis, ended the year with a fund balance of \$183.8 million. Of this amount, \$64 million is classified as unassigned that is available to cover unanticipated financial needs and includes the Board approved contingency, \$83.5 million is classified as assigned, \$29.9 million is classified as restricted, and \$6.4 million is classified as nonspendable. During the current year, General Fund revenues (including other financing sources) exceeded expenditures (including other financing uses) by \$25.5 million, primarily due to additional property taxes, higher than anticipated interest earnings, staff vacancies, and less than expected charter school enrollment.
- o Debt service funds ended the year with a fund balance of \$121.9 million and is restricted to cover debt service payments. Certificates of Participation (COPS) Debt Service Fund, a major fund, has a restricted fund balance of \$107.3 million, and the remaining debt service funds which are included with the other nonmajor governmental funds have a restricted fund balance of \$14.6 million.
- o Capital project funds ended the year with a fund balance of \$371.9 million and is restricted or assigned to fund existing and future capital projects. The Capital Improvement Fund, a major fund, has a restricted fund balance of \$114.5 million. The Sales Tax Fund, another major fund, has a restricted fund balance of \$202.2 million. Capital project funds included with other nonmajor governmental funds is comprised of restricted fund balance of \$14.6 million which primarily includes the Adult Education capital project and other smaller capital projects, and an assigned fund balance of \$40.6 million for other locally sourced capital projects.
- o Special revenue funds ended the year with a fund balance of \$17.2 million, of which \$13 million is restricted to child nutrition costs and \$4.2 million is nonspendable inventory.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the government-wide statements.
- The *governmental funds* statements tell how *basic* services like instruction and instructional support services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-term* and *long-term* financial information about the activities the District operated like *businesses*, such as group health self-insurance and long-term claim self-insurance.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure 1 Major Features of Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as instructional costs	Activities the District operates similar to private businesses: health internal service fund and workers' compensation, automobile and general liability claims fund	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net position • Statement of revenues, expenses, and changes in fund net position • Statement of cash flows	• Statement of fiduciary net position • Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus

Figure 1, above, summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the District's assets, liabilities, and deferred inflows/outflows of resources. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources less liabilities and deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, the reader needs to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, all the District's activities are reported as governmental activities.

- *Governmental activities* – All of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes, sales taxes, and State formula aid finance most of the activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like Federal grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or difference) between them.
- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. There are two types of proprietary funds:
 - o *Enterprise funds* account for goods and services provided to those outside the District, generally on a user-charge basis. Currently, the District has no enterprise funds.
 - o *Internal service funds* report self-insurance activities charged to the District's other programs and activities.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.
 - o The District excludes these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to Financial Statements

The notes provide disclosures and additional information that are essential to a full understanding of the financial information presented in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Government-wide

The District's net position was \$1.550 billion at June 30, 2019. The largest portion of the District's net position, \$1.769 billion, reflect its investment in capital assets (i.e., land, buildings, furniture, buses and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position (\$519.9 million) represents resources that are subject to external restrictions on how they may be used. The increase of \$70 million in restricted net position is mainly related to capital project funds (including restrictions for Sales Tax referendum) as well as restrictions for debt service funds.

Table 1

Summary of Net Position
Governmental Activities
(in Thousands)

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Current and Other Assets	\$ 1,197,041	\$ 1,061,314	\$ 135,727	12.8%
Capital Assets (Net)	<u>3,155,834</u>	<u>3,216,281</u>	<u>(60,447)</u>	-1.9%
Total Assets	<u>4,352,875</u>	<u>4,277,595</u>	<u>75,280</u>	1.8%
Deferred Loss of Debt Refunding	95,143	106,386	(11,243)	-10.6%
Pension and OPEB Related	<u>438,511</u>	<u>433,602</u>	<u>4,909</u>	1.1%
Total Deferred Outflows of Resources	<u>533,654</u>	<u>539,988</u>	<u>(6,334)</u>	-1.2%
Current and Other Liabilities	432,725	399,614	33,111	8.3%
Long-Term Liabilities	<u>2,770,826</u>	<u>2,835,374</u>	<u>(64,548)</u>	-2.3%
Total Liabilities	<u>3,203,551</u>	<u>3,234,988</u>	<u>(31,437)</u>	-1.0%
Pension and OPEB Related	<u>132,501</u>	<u>94,990</u>	<u>37,511</u>	39.5%
Total Deferred Inflows of Resources	<u>132,501</u>	<u>94,990</u>	<u>37,511</u>	39.5%
Net Position:				
Net Investment in Capital Assets	1,768,987	1,777,638	(8,651)	-0.5%
Restricted	519,938	449,958	69,980	15.6%
Unrestricted (Deficit)	<u>(738,448)</u>	<u>(739,991)</u>	<u>1,543</u>	0.2%
Total Net Position	<u>\$ 1,550,477</u>	<u>\$ 1,487,605</u>	<u>\$ 62,872</u>	4.2%

Capital assets (net) decreased \$60.4 million or 1.9 percent compared to prior year and primarily reflects the impact of current year depreciation exceeding capital spending. Cash and other assets increased \$135.7 million or 12.8 percent, primarily as a result of cash and taxes receivable generated by the capital

projects funds. Long-term liabilities decreased \$64.5 million or 2.3 percent, primarily as a result of debt service payments, partially offset by higher pension and other postemployment benefit (OPEB) liabilities. The analyses in Table 1 and Table 2 focus on the summary of net position and summary of changes in net position for the District's governmental activities.

Table 2 Summary of Changes in Net Position Governmental Activities (in thousands)				
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Program Revenues:				
Charges for Services	\$ 56,678	\$ 53,379	\$ 3,299	6.2%
Operating Grants and Contributions	562,289	547,857	14,432	2.6%
Capital Grants and Contributions	22,204	18,932	3,272	17.3%
General Revenues:				
Property Taxes	1,269,724	1,237,277	32,447	2.6%
Local Sales Taxes	145,848	138,127	7,721	5.6%
Grants and Contributions Not Restricted to Specific Programs	265,547	260,096	5,451	2.1%
Investment Earnings	26,075	12,991	13,084	100.7%
Other General Revenues	35,366	42,106	(6,740)	-16.0%
Total Revenues	<u>2,383,731</u>	<u>2,310,765</u>	<u>72,966</u>	<u>3.2%</u>
Functions/Program Expenses:				
Instruction	1,225,972	1,197,458	28,514	2.4%
Instructional Support Services	195,060	185,883	9,177	4.9%
Board	8,323	7,643	680	8.9%
General Administration	14,484	13,609	875	6.4%
School Administration	113,823	109,988	3,835	3.5%
Facilities Acquisition and Construction	133,721	54,526	79,195	145.2%
Fiscal Services	7,511	7,205	306	4.2%
Food Services	103,194	95,977	7,217	7.5%
Central Services	18,034	16,647	1,387	8.3%
Student Transportation Services	59,704	59,170	534	0.9%
Operation and Maintenance of Plant	224,701	216,347	8,354	3.9%
Administrative Technology Services	7,183	7,041	142	2.0%
Community Services	45,745	46,737	(992)	-2.1%
Interest on Long-Term Debt	53,496	53,137	359	0.7%
Unallocated Depreciation Expense	109,908	107,109	2,799	2.6%
Total Expenses	<u>2,320,859</u>	<u>2,178,477</u>	<u>142,382</u>	<u>6.5%</u>
Change in Net Position	<u>62,872</u>	<u>132,288</u>	<u>(69,416)</u>	<u>-52.5%</u>
Net Position - Beginning	<u>1,487,605</u>	<u>1,355,317</u>	<u>132,288</u>	<u>9.8%</u>
Net Position - Ending	<u>\$ 1,550,477</u>	<u>\$ 1,487,605</u>	<u>\$ 62,872</u>	<u>4.2%</u>

The results of this year's operations for the District as a whole are reported in the statement of activities. Table 2, above, takes the information from that statement and rearranges them slightly so the reader can see the total revenues and expenses for the current year compared to fiscal year 2018.

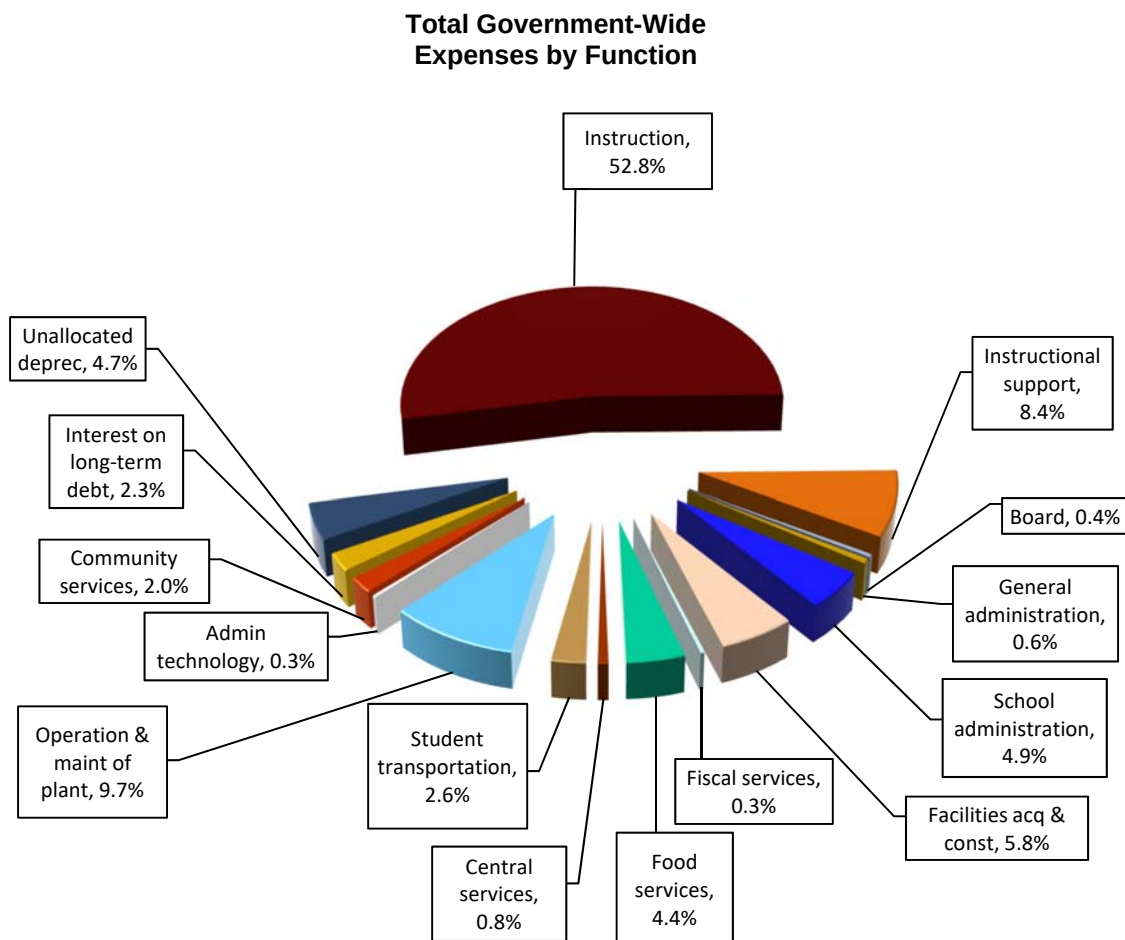
As reported in the statement of activities, the cost of all of the governmental activities this year was \$2.321 billion. Some costs were paid by those who benefited from the programs (\$56.7 million), or by other governments and organizations who subsidized certain programs with grants and contributions (\$584.5 million). The District paid for the remaining “public benefit” portion of the governmental activities with \$1.270 billion in property taxes, \$145.8 million in sales tax, \$265.5 million in grants and contributions not restricted to specific programs, \$26.1 million in investment earnings, and \$35.4 million in other general revenue.

Property taxes increased \$32.4 million, or 2.6 percent, which is primarily attributed to a 5.4 percent increase in property values partially offset by a 2.9 percent reduction in millage rate. Sales tax revenue increased \$7.7 million or 5.6 percent, which represents an increase in collections for the Palm Beach County penny sales tax referendum, of which the District receives half cent.

Investment earnings increased \$13.1 million, or 100.7 percent, as a result of 66 percent higher interest rates and 23 percent higher average invested cash balances.

Facilities acquisition and construction increased \$79.2 million, or 145.2 percent, mainly as a result of an additional \$50 million spending on sales tax projects, \$14 million in HVAC projects, \$7 million in non-capitalized spending on technology, and other miscellaneous projects in schools.

The pie chart below represents total expenses classified by function.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

As of June 30, 2019, the District's governmental funds reported a combined fund balance of \$694.8 million, which is an increase of \$88.6 million or 14.6 percent over the prior year.

The General Fund, which is the chief operating fund of the District and is always considered a major fund, had a fund balance of \$183.8 million which is an increase of \$25.5 million or 16.1 percent. The increase is primarily due to higher than anticipated revenues, staff vacancies, and less than expected charter school enrollment. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$64 million.

The COPS Debt Service Fund, another major fund, reported an ending fund balance of \$107.3 million, which is a decrease of \$15.8 million, or 12.9 percent, when compared with the prior year. The decrease is related to the amount of debt service payments the District will need to make in fiscal year 2020.

The Capital Improvement Fund, another major fund, reported an ending fund balance of \$114.5 million which is an increase of \$35 million, or 44 percent, due to the timing of revenue and capital outlay spending.

The Sales Tax Fund, another major fund, reported an ending fund balance of \$202.2 million which is an increase of \$42.3 million or 26.4 percent, primarily due to sales tax collections exceeding the capital outlay spending of the Sales Tax Referendum projects.

Other Nonmajor Governmental Funds, which represent a summarization of all the other nonmajor governmental funds, ended the year with total fund balance of \$87.1 million which is an increase of \$1.6 million or 1.9 percent. This increase is primarily due to \$9.2 million increase in fund balance due to sinking fund requirements for QSCB debt offset in part by Special Revenue Fund – Food Service expenditures exceeding revenue by \$5.6 million for the current year and Capital Projects Funds expenditures exceeding revenue by \$2.2 million.

Proprietary Funds

The District's internal service funds reported a combined net position of \$145 million. The Health Internal Service Fund ended the year with a net position of \$121.6 million, which is an increase of \$9.1 million, or 8.1 percent, over last year due to premiums exceeding claims and other expenses. The Workers' Compensation and Claims Fund ended the year with a net position of \$23.4 million, which is an increase of \$5.8 million, or 32.6 percent, due to premiums exceeding claims and other expenses. Proprietary funds use accrual basis accounting, thus this fund records actuarially determined long-term claims liabilities.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, appropriations remained flat at \$1.835 billion from original budget to final budget. Revenues increased \$15.4 million from original to final budget with higher interest income as well as Federal and local revenue.

The General Fund actual expenditures were less than the budgeted appropriations by approximately

\$118.1 million. This is primarily due to staff vacancies as well as enhanced cost containment measures put in place, such as a hiring freeze on non-instructional positions, as well as unspent funds in programs such as Afterschool, International Baccalaureate, Advanced Placement, AICE, Industry Certification, and State categorical programs.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As shown in Table 3, at June 30, 2019, the District had \$3.156 billion invested in a broad range of capital assets, including land; construction in progress; improvements other than buildings; buildings and improvements; furniture, fixtures, and equipment; motor vehicles; and audio/video materials and software. This amount represents a net decrease (including additions, deletions, and depreciation) of \$60.4 million from last year. The decrease is primarily due to depreciation expense of \$109.9 million exceeding capital spending of \$49.8 million. Capital spending in the current year includes the acquisition of 81 buses for \$9 million, other vehicles of \$3.7 million, computer technology of \$19.6 million (including IT infrastructure upgrades and new servers of \$1.3 million), and capital construction in progress of \$11 million.

In November 2016, the taxpayers of Palm Beach County approved a one-penny sales surtax of which 50 percent will be for the District. These capital dollars will allow the District to continue its effort to provide state-of-the-art facilities, which include modernizations, facility renewal projects, remodeling projects, new school construction, buses and support vehicles, security systems and technology infrastructure for all of its students.

Table 3
Capital Assets at Year End
Governmental Activities
(in thousands)

	June 30, 2019	June 30, 2018	Increase (Decrease)
Land	\$ 343,655	\$ 342,755	\$ 900
Construction in Progress	13,298	8,788	4,510
Improvements Other Than Buildings	60,011	59,138	873
Buildings and Improvements	4,171,119	4,171,560	(441)
Furniture, Fixtures, and Equipment	140,100	124,412	15,688
Motor Vehicles	122,459	120,897	1,562
Audio/Video Materials and Software	50,654	44,846	5,808
Less: Accumulated Depreciation	(1,745,462)	(1,656,115)	(89,347)
Total Capital Assets, Net	\$ 3,155,834	\$ 3,216,281	\$ (60,447)

Long-Term Debt

As shown in Table 4, at the end of this fiscal year, the District had \$1.441 billion in debt outstanding, which is \$95 million lower than last fiscal year. The decrease in outstanding debt is mainly due to debt principal repayments of \$87.7 million and amortization of issuance premium of \$23.4 million offset in part by the new equipment and bus loan of \$16.1 million. See Note 10 of the notes to the financial statements for more information on long-term liabilities.

Table 4

Long-term Debt Outstanding at Year End Governmental Activities (in Thousands)			
	June 30, 2019	June 30, 2018	Increase (Decrease)
Notes/Loans Payable	\$ 22,374	\$ 15,031	\$ 7,343
Capital Outlay Bond Issues	8,542	9,853	(1,311)
Certificates of Participation	1,278,343	1,355,973	(77,630)
Plus: Issuance Premium	131,463	154,873	(23,410)
Total	\$ 1,440,722	\$ 1,535,730	\$ (95,008)

The District's certificates of participation are rated Aa3 by Moody's Investors Service, AA- by Standard and Poor's Corporation, and AA- by Fitch Ratings Services.

The District is subject to State laws that limit the amount of State Board of Education Capital Outlay Bond Issues outstanding to 10 percent of the non-exempt assessed valuation. At June 30, 2019, the statutory limit for the District was approximately \$20.9 billion, providing additional debt capacity of approximately \$20.9 billion.

State statute requires that no more than 75 percent of the capital millage levy be used for the Certificate of Participation (COPs) debt service. The District's debt policy limits the issuance of COPs by stating that the debt service could not exceed half of the capital millage levy. In fiscal year 2009, when the capital millage levy was reduced to 1.75 mills, the debt policy was amended to allow debt service to be up to 1 mill but should be within 50 percent of the capital millage levy within 5 years. Based on the reduction of the capital millage levy and existing property values, the District's capacity to issue new COPs debt has been dramatically reduced.

Other long-term obligations (not included above) include liabilities for compensated absences, estimated long-term claims, other postemployment benefits, and net pensions.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The School District's revenues are determined in large part by the Florida Legislature and Governor. Funding per student is set as part of the State's annual budget approval. Local school board taxing authority is also governed at the State level with the Legislature dictating the largest component of school property taxes, known as the Required Local Effort (RLE), and through statutory caps that limit the remaining components of the school levy.

Education in Florida has been underfunded by the State for over a decade. Florida has fallen from 36th in the United States in fiscal year 2007 to 45th as of fiscal year 2017, based on the latest national data available from the National Center for Education Statistics. The average spending for all 50 states and the District of Columbia increased by 3.7 percent per pupil during fiscal year 2017, compared to an increase of only 1.7 percent per pupil in Florida, according to the most recent data released by the National Center for Education Statistics. The decline in state funding is expected to continue due to the Florida Legislature's ongoing commitment to roll back school property tax rates. In Palm Beach, the fiscal

year 2020 Florida Education Finance Program (FEFP) is expected to increase \$32.6 million or 1.78 percent per student, excluding Best and Brightest Teachers and Principals categorical previously funded outside of FEFP.

Since not all needs of the District can be met with the limited state funds available, the residents of Palm Beach County overwhelming approved a referendum increasing the additional operating millage to 1 mill in November 2018 generating \$202.9 million for District operated schools in fiscal year 2020.

The referendum will fund investments in:

- Teacher pay – Over \$100 million for teacher recruitment and retention supplements.
- Behavioral Health – Adding 170 School Behavioral Health positions (one per school), 40 school psychologists (nearly 150 positions district-wide), and expanding mental health co-located services.
- Arts and music education – Continuing to fund over 700 elementary art, music, PE, choice and career academy teachers.
- School Safety – Funding officers, police aides, school security monitors, and other school-based security initiatives increasing the total investment in school security in fiscal year 2020 to over \$60 million.

School security has been a priority for the District prior to the passage of the Marjory Stoneman Douglas High School Public Safety Act in 2018. The District has consistently invested significantly more in school security than revenue received from the State Safe School Allocation. It will be a challenge to manage the competing priorities of school security and mental health versus academic initiatives and providing fair compensation for all employees that keeps pace with inflation.

Future budgets are dependent on the Florida Legislature, voter support, and property tax values. The 1 mill referendum will sun set June 30, 2023, unless renewed by the voters. In addition, House Bill 7123 approved by the 2019 Legislature mandates future voted discretionary millages approved on or after July 1, 2019, must be shared with charter schools based upon student enrollment. As a result, any future operating millage referendum in 2022 or beyond will be subject to this requirement absent a change in legislation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

Michael J. Burke, Chief Financial Officer
The School District of Palm Beach County, Florida
3328 Forest Hill Boulevard, Suite C-316
West Palm Beach, FL 33406

Visit the District's website at:
<http://www.palmbeachschools.org>

View an electronic copy of the District's CAFR at:
<http://www.palmbeachschools.org/accounting/>

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BASIC FINANCIAL STATEMENTS

The School District of Palm Beach County, Florida
Statement of Net Position
June 30, 2019
(amounts expressed in thousands)

	Primary Government	
	Governmental Activities	Component Units
ASSETS		
Cash, Cash Equivalents, and Investments	\$ 1,094,246	\$ 31,802
Ad Valorem and Sales Taxes Receivable	48,013	-
Accounts, Deposits, and Interest Receivable	1,201	3,542
Due from Other Agencies	35,036	4,680
Inventories	10,588	-
Restricted Assets (Cash with Fiscal Agent)	3,226	6,465
Other Assets	4,731	1,334
Capital Assets:		
Land	343,655	4,686
Construction in Progress	13,298	52
Improvements Other Than Buildings	60,011	8,931
Buildings and Improvements	4,171,119	112,886
Furniture, Fixtures and Equipment	140,100	19,691
Motor Vehicles	122,459	1,195
Property Under Capital Lease	-	1,299
Audio/Video Materials and Software	50,654	8,865
Less Accumulated Depreciation	(1,745,462)	(39,149)
TOTAL ASSETS	4,352,875	166,279
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Debt Refunding	95,143	-
Other Postemployment Benefits	13,384	-
Pensions	425,127	6,276
TOTAL DEFERRED OUTFLOWS OF RESOURCES	533,654	6,276
LIABILITIES		
Accounts and Contracts Payable	69,014	5,351
Accrued Payroll and Payroll Deductions	90,351	5,531
Tax Anticipation Notes Payable	115,000	-
Retainage Payable on Contracts	1,954	-
Deposits Payable	353	-
Interest Payable	28,928	620
Unearned Revenue	2,764	54
Noncurrent Liabilities:		
Portion Due or Payable Within One Year:		
Loans/Note Payable	8,805	1,545
Obligations Under Capital Leases	-	1,250
Bonds Payable	1,177	657
Liability for Compensated Absences	15,263	614
Certificates of Participation Payable	76,303	-
Estimated Claims	22,813	-

(Continued)

The School District of Palm Beach County, Florida
Statement of Net Position (continued)
June 30, 2019
(amounts expressed in thousands)

	Primary Government	
	Governmental Activities	Component Units
Long-Term Liabilities (continued):		
Portion Due or Payable After One Year:		
Loans/Note Payable	\$ 13,569	\$ 2,227
Obligations Under Capital Leases	-	49,241
Deferred Rental Payments	-	957
Bonds Payable	8,204	71,169
Liability for Compensated Absences	182,194	243
Certificates of Participation Payable	1,332,664	-
Obligations Under Interest Rate Swap	-	235
Estimated Claims	34,881	-
Other Postemployment Benefits	157,651	-
Net Pension Liability	1,041,663	13,590
TOTAL LIABILITIES	3,203,551	153,284
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	20,186	-
Pensions	112,315	1,788
TOTAL DEFERRED INFLOWS OF RESOURCES	132,501	1,788
NET POSITION		
Net Investment in Capital Assets	1,768,987	(1,518)
Restricted for:		
State Required Carryover Programs	5,236	-
Debt Service	95,553	4,462
Capital Projects	374,283	60
Food Service	17,213	-
Other Purposes	27,653	1,173
Unrestricted (Deficit)	(738,448)	13,306
TOTAL NET POSITION	\$ 1,550,477	\$ 17,483

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

The School District of Palm Beach County, Florida
Statement of Activities
For the Fiscal Year Ended June 30, 2019
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 1,225,972	\$ 2,410	\$ 359,713	\$ 9,672
Instructional Support Services	195,060	-	60,549	-
Board	8,323	-	-	-
General Administration	14,484	-	3,471	-
School Administration	113,823	-	6,717	-
Facilities Acquisition and Construction	133,721	-	-	8,082
Fiscal Services	7,511	-	174	-
Food Services	103,194	15,007	82,008	-
Central Services	18,034	-	1,068	-
Student Transportation Services	59,704	1,319	27,827	-
Operation of Plant	143,627	-	10,143	-
Maintenance of Plant	81,074	-	8	-
Administrative Technology Services	7,183	-	1,208	2,758
Community Services	45,745	37,942	9,403	-
Interest on Long-Term Debt	53,496	-	-	1,692
Unallocated Depreciation Expense	109,908	-	-	-
Total Primary Government	\$ 2,320,859	\$ 56,678	\$ 562,289	\$ 22,204
Component Units				
Charter Schools	\$ 201,366	\$ 4,807	\$ 13,109	\$ 10,076

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

Investment Earnings

Other General Revenues

Special Items

Total General Revenues and Special Items

Change in Net Position

Net Position - Beginning

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

Net Position - Ending

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

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

Primary Government	
Governmental Activities	Component Units

\$	(854,177)	\$	-
	(134,511)		-
	(8,323)		-
	(11,013)		-
	(107,106)		-
	(125,639)		-
	(7,337)		-
	(6,179)		-
	(16,966)		-
	(30,558)		-
	(133,484)		-
	(81,066)		-
	(3,217)		-
	1,600		-
	(51,804)		-
	(109,908)		-
	<u>(1,679,688)</u>		<u>-</u>

-	(173,374)
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979,948	-
289,776	-
145,848	-
265,547	167,379
26,075	1,108
35,366	4,194
-	(299)
<u>1,742,560</u>	<u>172,382</u>
62,872	(992)
1,487,605	-
-	18,475
<u>1,487,605</u>	<u>18,475</u>
\$ 1,550,477	\$ 17,483

The School District of Palm Beach County, Florida
Balance Sheet – Governmental Funds
June 30, 2019
(amounts expressed in thousands)

	General Fund	COPS Debt Service Fund	Capital Improvement Fund
ASSETS			
Cash, Cash Equivalents, and Investments	\$ 375,898	\$ 107,257	\$ 113,551
Ad Valorem and Sales Taxes Receivable	18,024	-	5,330
Accounts, Deposits, and Interest Receivable	1,201	-	-
Due from Other Agencies	8,759	-	-
Due from Other Funds	11,000	-	-
Inventories	6,359	-	-
Other Assets	-	-	-
TOTAL ASSETS	\$ 421,241	\$ 107,257	\$ 118,881
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts and Contracts Payable	\$ 24,859	\$ 6	\$ 4,307
Accrued Payroll and Payroll Deductions	91,726	-	-
Tax Anticipation Notes Payable	115,000	-	-
Accrued Interest Payable	2,549	-	-
Due to Other Funds	-	-	-
Retainage Payable on Contracts	-	-	122
Deposits Payable	353	-	-
Unearned Revenue	553	-	-
Total Liabilities	235,040	6	4,429
Deferred Inflows of Resources:			
Unavailable Revenue	2,435	-	-
Fund Balances:			
Nonspendable	6,359	-	-
Restricted	29,865	107,251	114,452
Committed	-	-	-
Assigned	83,542	-	-
Unassigned	64,000	-	-
Total Fund Balances	183,766	107,251	114,452
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 421,241	\$ 107,257	\$ 118,881

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

Sales Tax Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 200,536	\$ 97,426	\$ 894,668
24,659	-	48,013
-	-	1,201
-	23,277	32,036
-	-	11,000
-	4,229	10,588
-	72	72
<u>\$ 225,195</u>	<u>\$ 125,004</u>	<u>\$ 997,578</u>

\$ 21,526	\$ 16,450	\$ 67,148
-	6,393	98,119
-	-	115,000
-	-	2,549
-	11,000	11,000
1,461	371	1,954
-	-	353
-	2,575	3,128
<u>22,987</u>	<u>36,789</u>	<u>299,251</u>

<u>-</u>	<u>1,084</u>	<u>3,519</u>
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-	4,229	10,588
202,208	42,324	496,100
-	18	18
-	40,560	124,102
-	-	64,000
<u>202,208</u>	<u>87,131</u>	<u>694,808</u>

<u>\$ 225,195</u>	<u>\$ 125,004</u>	<u>\$ 997,578</u>
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The School District of Palm Beach County, Florida
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019
(amounts expressed in thousands)

Total Fund Balances - Governmental Funds \$ 694,808

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Cost of the Assets	\$ 4,901,296	
Accumulated Depreciation	(1,745,462)	
Total Capital Assets, Net of Depreciation	3,155,834	3,155,834

Deferred outflows/inflows of resources are reported in the statement of net position but not recognized in the governmental funds since they do not represent current resources.

Deferred Outflow - Net Unamortized Amount for Refunding Transactions	\$ 95,143	
Deferred Outflow - Pensions	424,632	
Deferred Outflow - OPEB	13,384	
Deferred Inflow - Pensions	(112,180)	
Deferred Inflow - OPEB	(20,186)	400,793

Expenditures for insurance and software extending over more than one accounting period not allocated between or among accounting periods, but accounted for as expenditures of the period of acquisition in the funds. 4,659

An internal service fund is used by management to charge the costs of health premiums, workers' compensation, auto and general liability to individual funds. The net position of the internal service fund is included in governmental activities in the statement of net position.

Assets and Deferred Outflows of Resources	\$ 206,299	
Liabilities and Deferred Inflows of Resources	(61,307)	
Net Position	144,992	144,992

Revenues that have been deferred or unearned in the governmental funds but are recognized as revenue in the government-wide financial statements. 3,883

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

Loans/Notes Payable	\$ (22,374)	
Bonds Payable	(9,381)	
Certificates of Participation Payable	(1,408,967)	
Compensated Absences	(189,388)	
Other Postemployment Benefits (OPEB)	(157,545)	
Net Pension Liability	(1,040,458)	
Accrued Interest on Long-term Debt	(26,379)	(2,854,492)

Net Position - Governmental Activities **\$ 1,550,477**

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

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The School District of Palm Beach County, Florida
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2019
(amounts expressed in thousands)

	General Fund	COPS Debt Service Fund	Capital Improvement Fund
Revenues			
Local Sources:			
Ad Valorem Taxes	\$ 979,948	\$ -	\$ 289,776
Local Sales Taxes	-	-	-
Interest Income and Other	12,468	428	4,342
School Age Child Care Fees	37,942	-	-
Food Service Sales	247	-	-
Local Grants and Other	31,195	-	-
Total Local Sources	1,061,800	428	294,118
State Sources:			
Florida Education Finance Program	322,660	-	-
Capital Outlay and Debt Service	109	-	-
Food Service	-	-	-
Public Education Capital Outlay	-	-	-
Class Size Reduction	220,000	-	-
Charter School Capital Outlay	-	-	-
State Grants and Entitlements	35,671	-	-
Total State Sources	578,440	-	-
Federal Sources:			
Federal Grants and Entitlements	12,256	-	-
National School Lunch Act	-	-	-
Total Federal Sources	12,256	-	-
Total Revenues	1,652,496	428	294,118
Expenditures			
Current:			
Instruction	1,100,782	-	-
Instructional Support Services	132,135	-	-
Board	8,316	-	-
General Administration	9,865	-	-
School Administration	109,308	-	-
Facilities Acquisition and Construction	298	-	27,605
Fiscal Services	7,049	-	-
Food Services	150	-	-
Central Services	16,155	-	-
Student Transportation Services	57,618	-	-
Operation of Plant	141,378	-	-
Maintenance of Plant	80,090	-	-
Administrative Technology Services	7,037	-	-
Community Services	42,150	-	-
Total Current Expenditures	1,712,331	-	27,605
Capital Outlay	1,974	-	10,693
Debt Service:			
Retirement of Principal	-	77,630	-
Interest	1,891	59,463	-
Fiscal Charges	-	98	-
Total Expenditures	1,716,196	137,191	38,298
Excess (Deficiency) of Revenues Over Expenditures	(63,700)	(136,763)	255,820
Other Financing Sources (Uses)			
Transfers In	89,269	120,925	-
Transfers Out	(30)	-	(220,844)
Loans Incurred	-	-	-
Sale of Capital Assets and Other	-	-	-
Total Other Financing Sources (Uses)	89,239	120,925	(220,844)
Net Change in Fund Balances	25,539	(15,838)	34,976
Fund Balances, Beginning	158,227	123,089	79,476
Fund Balances, Ending	\$ 183,766	\$ 107,251	\$ 114,452

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

Sales Tax Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,269,724
145,848	-	145,848
3,684	1,725	22,647
-	-	37,942
-	14,760	15,007
2,493	7,823	41,511
152,025	24,308	1,532,679
-	-	322,660
-	7,280	7,389
-	998	998
-	2,758	2,758
-	-	220,000
-	9,672	9,672
-	25,477	61,148
-	46,185	624,625
-	130,030	142,286
-	80,956	80,956
-	210,986	223,242
152,025	281,479	2,380,546
-	91,912	1,192,694
-	56,791	188,926
-	-	8,316
-	3,471	13,336
-	361	109,669
72,881	32,928	133,712
-	174	7,223
-	101,971	102,121
-	1,064	17,219
-	466	58,084
-	13	141,391
-	8	80,098
-	-	7,037
-	3,105	45,255
72,881	292,264	2,105,081
28,723	8,131	49,521
-	10,040	87,670
-	4,372	65,726
136	35	269
101,740	314,842	2,308,267
50,285	(33,363)	72,279
-	26,899	237,093
(8,000)	(8,219)	(237,093)
-	16,071	16,071
-	246	246
(8,000)	34,997	16,317
42,285	1,634	88,596
159,923	85,497	606,212
\$ 202,208	\$ 87,131	\$ 694,808

The School District of Palm Beach County, Florida
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2019
(amounts expressed in thousands)

Net Change in Fund Balances - Governmental Funds	\$	88,596
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense (\$109,908) in excess of capitalized capital outlay (\$49,778) in the current period.		(60,130)
--	--	----------

Governmental funds report the effect of bond insurance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Deferred Refunding Amortization	\$ (11,242)		
Premium/Discount Amortization	<u>23,410</u>		12,168

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		3,883
--	--	-------

Revenues reported in the governmental funds that were reported as revenue in the statement of activities in the prior year under full accrual.		(4,096)
--	--	---------

Note/Loan proceeds provided current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		(16,071)
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Repayment of notes/loans is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		8,729
---	--	-------

Repayment of bond & COPs principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		78,941
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The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		(317)
--	--	-------

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

Prepaid Insurance & Software	\$ (474)		
Compensated Absences	(3,463)		
Other Postemployment Benefits	(7,824)		
Pension Expense	(52,302)		
Accrued Interest on Long-Term Debt	<u>331</u>		(63,732)

An internal service fund is used by management to charge the costs of self-insurance claims (including health, workers' compensation, auto and general liability) to individual funds. The net income of the internal service fund is reported with governmental activities.		<u>14,901</u>
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Change in Net Position - Governmental Activities	\$	<u>62,872</u>
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The accompanying notes to financial statements are an integral part of this statement.

The School District of Palm Beach County, Florida
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual – General Fund
For the Fiscal Year Ended June 30, 2019
(amounts expressed in thousands)

			Actual	Variances -	
	Budgeted Amounts		(Budgetary Basis)	Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local Sources	\$ 1,039,233	\$ 1,060,822	\$ 1,061,800	\$ 21,589	\$ 978
State Sources	591,108	578,440	578,440	(12,668)	-
Federal Sources	5,807	12,256	12,256	6,449	-
Total Revenues	1,636,148	1,651,518	1,652,496	15,370	978
EXPENDITURES:					
Instruction	1,195,870	1,179,410	1,102,921	16,460	76,489
Instructional Support Services	135,468	139,410	132,153	(3,942)	7,257
Board	8,720	9,419	8,325	(699)	1,094
General Administration	9,537	10,731	9,865	(1,194)	866
School Administration	106,753	109,639	109,308	(2,886)	331
Facilities Acquisition and Construction	735	727	306	8	421
Fiscal Services	7,265	7,385	7,053	(120)	332
Food Services	22	162	150	(140)	12
Central Services	16,433	16,323	16,162	110	161
Student Transportation Services	54,420	58,004	57,635	(3,584)	369
Operation of Plant	152,632	157,328	141,405	(4,696)	15,923
Maintenance of Plant	85,271	80,433	80,362	4,838	71
Administrative Technology Services	6,482	7,753	7,037	(1,271)	716
Community Services	54,623	56,369	42,329	(1,746)	14,040
Debt Service	1,008	1,891	1,891	(883)	-
TOTAL EXPENDITURES	1,835,239	1,834,984	1,716,902	255	118,082
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	(199,091)	(183,466)	(64,406)	15,625	119,060
OTHER FINANCING SOURCES (USES)					
Transfers In	97,364	89,269	89,269	(8,095)	-
Transfers Out	-	(30)	(30)	(30)	-
TOTAL OTHER FINANCING SOURCES	97,364	89,239	89,239	(8,125)	-
NET CHANGE IN FUND BALANCE	\$ (101,727)	\$ (94,227)	24,833	\$ 7,500	\$ 119,060
FUND BALANCE, JULY 1, 2018 (GAAP BASIS)			158,227		
FUND BALANCE, JUNE 30, 2019 (BUDGETARY BASIS)			183,060		
Adjustment to Conform with GAAP:					
Elimination of Encumbrances			706		
FUND BALANCE, JUNE 30, 2019 (GAAP BASIS)			\$ 183,766		

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

The School District of Palm Beach County, Florida
Statement of Net Position – Proprietary Funds
June 30, 2019
(amounts expressed in thousands)

	Governmental Activities - Internal Service Funds
ASSETS	
Current Assets:	
Cash, Cash Equivalents, and Investments	\$ 199,578
Due from Other Agencies	3,000
Total Current Assets	<u>202,578</u>
Noncurrent Assets:	
Restricted Cash	3,226
Total Noncurrent Assets	<u>3,226</u>
TOTAL ASSETS	<u>205,804</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	495
LIABILITIES	
Current Liabilities:	
Accounts Payable	1,866
Accrued Payroll and Payroll Deductions	41
Estimated Unpaid Claims	22,813
Total Current Liabilities	<u>24,720</u>
Noncurrent Liabilities:	
Liability for Compensated Absences	260
Estimated Unpaid Claims	34,881
Other Postemployment Benefits	106
Pension	1,205
Total Noncurrent Liabilities	<u>36,452</u>
TOTAL LIABILITIES	<u>61,172</u>
DEFERRED INFLOWS OF RESOURCES	
Pension	135
NET POSITION	
Unrestricted	<u><u>\$ 144,992</u></u>

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

The School District of Palm Beach County, Florida
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2019
(amounts expressed in thousands)

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Premium Revenue	\$ 220,300
Pharmacy Rebates	14,348
Other Operating Revenue	1,027
Total Operating Revenues	<u>235,675</u>
OPERATING EXPENSES	
Salaries	1,371
Benefits	477
Purchased Services	516
Claims and Other Expenses	221,838
Total Operating Expenses	<u>224,202</u>
Operating Income	<u>11,473</u>
NONOPERATING REVENUES	
Interest and Other Income	3,428
Total Nonoperating Revenues	<u>3,428</u>
Change in Net Position	14,901
Total Net Position - Beginning	130,091
Total Net Position - Ending	<u>\$ 144,992</u>

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

The School District of Palm Beach County, Florida
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2019
(amounts expressed in thousands)

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Receipts from Interfund Premiums	\$ 220,300
Cash Payments for Claims and Administration	(223,654)
Cash Receipts for Pharmacy Rebates	14,348
Cash Payments for Salaries and Benefits	(1,789)
Other Receipts	1,062
Net Cash Provided by Operating Activities	<u>10,267</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and Other Income	<u>3,428</u>
Net Cash Provided by Investing Activities	<u>3,428</u>
Net Increase in Cash and Cash Equivalents	13,695
Cash and Cash Equivalents, Beginning*	<u>189,109</u>
Cash and Cash Equivalents, Ending*	<u><u>\$ 202,804</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 11,473
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets, Liabilities, and Deferred Outflows/Inflows of Resources:	
Due from Other Agencies	35
Accrued Payroll and Payroll Deductions	(4)
Accounts Payable	134
Pensions	63
Estimated Unpaid Claims	<u>(1,434)</u>
Total Adjustments	<u>(1,206)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 10,267</u></u>

* Includes Restricted Cash

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

The School District of Palm Beach County, Florida
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2019
(amounts expressed in thousands)

	<u>Private-Purpose Trust Fund</u>	<u>Agency Fund</u>
	<u>Florida Future Educators of America</u>	<u>School Internal Funds</u>
ASSETS		
Cash, Cash Equivalents, and Investments	\$ 331	\$ 20,783
Accounts Receivable	-	1,437
TOTAL ASSETS	<u>331</u>	<u>\$ 22,220</u>
LIABILITIES		
Accounts Payable	-	\$ 174
Due to Student Organizations	-	22,046
TOTAL LIABILITIES	<u>-</u>	<u>\$ 22,220</u>
NET POSITION		
Held in Trust for Scholarships	<u>331</u>	
TOTAL NET POSITION	<u>\$ 331</u>	

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

The School District of Palm Beach County, Florida
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Fiscal Year Ended June 30, 2019
(amounts expressed in thousands)

	<u>Private-Purpose Trust Fund Florida Future Educators of America</u>
ADDITIONS	
Donations	\$ 21
Interest	<u>1</u>
Total Additions	<u>22</u>
DEDUCTIONS	
Scholarships	<u>27</u>
Total Deductions	<u>27</u>
Change in Net Position	(5)
Net Position - Beginning	<u>336</u>
Net Position - Ending	<u>\$ 331</u>

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

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District of Palm Beach County, Florida (District) have been prepared to conform with Generally Accepted Accounting Principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Pursuant to Florida Statutes, Section 1010.01, the Superintendent of Schools is responsible for keeping records and accounts of all financial transactions in the manner prescribed by the State Board of Education. The following is a summary of the more significant of these policies.

A. Reporting Entity

The District and its governing board are organized and operated under Section 4, Article IX, of the Constitution of Florida and Chapter 1001 of Florida Statutes. The District's boundaries are coterminous with those of Palm Beach County. Management of the School District is independent of county and city governments. The membership of the governing board of the District (Board) consists of seven members elected from single member districts for overlapping 4-year terms. The Superintendent is appointed by the Board to act as executive officer of the District.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and are either able to impose its will on the organization and there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete.

Blended Component Unit. District management has determined that the Palm Beach School Board Leasing Corporation (Corporation) is a component unit of the District. The Corporation's sole purpose is to provide for financing and construction of certain District school facilities. Additionally, the Corporation is legally separate from the District and the Board of the Corporation consists of the seven Board members of the District. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

Discretely Presented Component Units. The Florida Department of Education (FDOE) concluded, based on FDOE's interpretation of the GASB requirements, that school districts should report charter schools as discretely presented component units. This conclusion is based, in part, on FDOE's interpretation that exclusion of the charter schools from financial reporting would cause school district

financial statements to be misleading as, pursuant to the 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. As a result, we have included charter school audited financial information to comply with State reporting requirements.

The 49 component unit charter schools in operation during the fiscal year are listed below:

Academy for Positive Learning
1200 North Dixie Highway
Lake Worth, FL 33460

Ben Gamla Palm Beach
8600 South Jog Road
Boynton Beach, FL 33472

Bright Futures Academy
10350 Riverside Drive
Palm Beach Gardens, FL 33410

Eagle Arts Academy
1100 Wellington Trace
Wellington, FL 33414

Everglades Preparatory Academy
360 East Main Street, Building C
Pahokee, FL 33476

Franklin Academy Charter C
5651 Hood Road
Palm Beach Gardens, FL 33418

Franklin Academy Charter School B
7882 South Military Trail
Lake Worth, FL 33463

Glades Academy, Inc.
7638 State Road 15, Building E
Pahokee, FL 33476

Gulfstream L.I.F.E. Academy
3800 South Congress Avenue, Suite 12
Boynton Beach, FL 33426

Inlet Grove Community High School
600 West 28th Street
Riviera Beach, FL 33404

Montessori Academy of Early Enrichment, Inc.
6300 Lake Worth Road
Greenacres, FL 33463

Palm Beach Maritime Academy High School
600 South East Coast Avenue
Lantana, FL 33462

Believers Academy
5840 Corporate Way, Suite 100
West Palm Beach, FL 33407

Bridge Prep Charter Academy of Palm Beach
9085 Happy Hollow Road
Delray Beach, FL 33446

Connections Education Center of the Palm Beaches
1310 Old Congress Avenue
West Palm Beach, FL 33409

Ed Venture Charter School
117 East Coast Avenue
Hypoluxo, FL 33462

Florida Futures Academy – North Campus
1760 North Congress Avenue
West Palm Beach, FL 33409

Franklin Academy Charter D
5651 Hood Road
Palm Beach Gardens, FL 33418

Gardens School of Technology Arts, Inc.
9153 Roan Lane
Palm Beach Gardens, FL 33403

G-STAR School of the Arts
2030 South Congress Avenue, Building J
West Palm Beach, FL 33406

Imagine Schools Chancellor Campus
3333 High Ridge Road
Boynton Beach, FL 33426

Mavericks High School at Palm Springs
3525 South Congress Avenue
Palm Springs, FL 33461

Palm Beach Maritime Academy
1518 West Lantana Road
Lantana, FL 33462

Palm Beach School for Autism
8480 West Lantana Road
Lantana, FL 33467

Palms West Charter School
12031 Southern Boulevard
Royal Palm Beach, FL 33470

Quantum High School
1275 Gateway Boulevard
Boynton Beach, FL 33426

Renaissance Charter School at Cypress
8151 Okeechobee Boulevard
West Palm Beach, FL 33411

Renaissance Charter School at Wellington
3200 South State Road 7
Wellington, FL 33449

Renaissance Learning Academy, Inc.
18370 Limestone Creek Road
Jupiter, FL 33458

Somerset Academy Boca East
333 SW 4th Avenue
Boca Raton, FL 33432

Somerset Academy Canyons High School
9385 Boynton Beach Boulevard
Boynton Beach, FL 33472

Somerset Academy JFK Charter School
4696 Davis Road
Lake Worth, FL 33461

South Tech Academy
1300 SW 30th Avenue
Boynton Beach, FL 33426

Sports Leadership & Mgmt. (SLAM) Middle School
2845 Summit Boulevard
West Palm Beach, FL 33406

The Learning Center at the Els Center of Excellence
18370 Limestone Creek Road
Jupiter, FL 33458

University Preparatory Academy Palm Beach
2101 North Australian Avenue
West Palm Beach, FL 33407

Worthington High School
1711 Worthington Road
West Palm Beach, FL 33409

Potentials Charter School
1201 Australian Avenue
Riviera Beach, FL 33404

Renaissance Charter School at Central Palm
6696 South Military Trail
Lake Worth, FL 33463

Renaissance Charter School at Summit
2001 Summit Boulevard
West Palm Beach, FL 33406

Renaissance Charter School at West Palm Beach
1889 Palm Beach Lakes Boulevard
West Palm Beach, FL 33409

Seagull Academy
6250 North Military Trail
West Palm Beach, FL 33407

Somerset Academy Boca Middle School
333 SW 4th Avenue
Boca Raton, FL 33432

Somerset Academy Canyons Middle School
9385 Boynton Beach Boulevard
Boynton Beach, FL 33472

Somerset Academy Lakes
2845 Summit Boulevard
West Palm Beach, FL 33406

South Tech Preparatory Academy
1325 Gateway Boulevard
Boynton Beach, FL 33426

Sports Leadership & Mgmt. (SLAM) Boca
22500 Hammock Street
Boca Raton, FL 33428

Toussaint L'Ouverture High
2601 South Military Trail
Lake Worth, FL 33415

Western Academy Charter School
650 Royal Palm Beach Boulevard, Suite 400
Royal Palm Beach, FL 33411

B. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The District eliminates from the statement of net position and the statement of activities all interfund receivables and payables and transfers between funds, as well as, the transactions associated with its internal service funds.

The government-wide statements are prepared using the economic resources measurement focus and accrual basis accounting. This is the same approach used in the preparation of the proprietary funds financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. 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.

Fund Financial Statements

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

The governmental funds are accounted for on the "flow of current financial resources" measurement focus. Governmental fund financial statements are prepared using the current financial resource measurement focus and the modified accrual basis of accounting. The proprietary funds are accounted for on an "economic resources" measurement focus. Accordingly, the statement of revenues, expenses and changes in fund net position for the proprietary funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

GOVERNMENTAL FUNDS

Governmental funds are those through which most District functions are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the proprietary funds and fiduciary funds) are accounted for through

governmental funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income. The following are the District's major governmental funds:

General Fund

The General Fund is the primary operating fund of the District. Ad valorem tax revenues, revenues from the Florida Education Finance Program (FEFP) and other receipts not allocated by law or contractual agreement to other funds are accounted for in this fund. Similarly, general operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from this fund.

COPS Debt Service Fund

The Certificates of Participation (COPS) Debt Service Fund accounts for the repayment of the District's certificates of participation.

Capital Improvement Fund

The Capital Improvement Fund accounts for locally received funds, primarily ad valorem tax revenue, and funds are used to fund COPS Debt Service, capital maintenance, and other capital projects.

Sales Tax Fund

The Sales Tax Fund accounts for locally received funds, primarily sales tax revenue, for the acquisition, construction or renovation of capital facilities, and acquisition of new computer technology, equipment and vehicles.

Other Nonmajor Governmental Funds

The Other Nonmajor Governmental Funds are a summary of all the other nonmajor governmental funds.

PROPRIETARY FUNDS

The proprietary funds are used to account for ongoing activities where the intent is that charges made to users will cover the costs of the services provided. The measurement focus is upon the determination of net income. The only proprietary funds that the District has are the internal service funds. A proprietary fund distinguishes 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. Operating expenses for internal service funds include salaries, benefits, administrative expenses, and claims paid. All items not meeting this definition are reported as nonoperating revenues and expenses.

Internal Service Funds

The internal service funds are used to account for the financing of goods and services provided by one department to another on a cost reimbursement basis. The District has two internal service funds, one for group health, and one for workers' compensation, general and auto liability claims. Expenditures of the self-insurance funds are charged back to the appropriate governmental fund.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District. The fiduciary funds are prepared under the economic resources measurement focus and the accrual basis of accounting.

Agency Funds

Agency funds consist of activity funds, which are established at each school to record the receipts and disbursements of various school activities administered for the general welfare of the students and completion of certain planned objectives and special programs of school groups. The District retains no equity interest in these funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private Purpose Trust Fund

A trust fund was established in January 1993 and is used to account for a District-supported Florida Future Educators of America. Revenues consist of employee donations and interest income. Expenditures represent scholarships for future teachers, which are awarded in accordance with the trust requirements.

BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recognized in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

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

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., 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 all revenues (with the exception of the expenditure-driven grants) as available if they are collected within 60 days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Current year property tax revenue is recognized when levied for, if available. Amounts are considered available if received by the District within 60 days subsequent to fiscal year-end. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized as expenditures when due/paid; and (2) expenditures related to liabilities reported as general long-term obligations are recognized when due, such as compensated absences, other postemployment benefits (OPEB), pensions, claims payables, bonds, loans and leases.

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal and contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies 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 expenditures. In the other type, monies 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 advance payments or deferred inflows.

Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

Revenue Recognition

Program and General 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.

State Revenue Sources – Revenues from State sources for current operations are primarily from the Florida Education Finance Program (FEFP), administered by the Florida Department of Education (FDOE), under the provisions of Chapter 1011, Florida Statutes. This revenue is recognized in the year of entitlement. The District files reports on full time equivalent (FTE) student membership with the FDOE. The FDOE accumulates information from these reports and calculates the allocation of FEFP funds to the District. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

The District receives and recognizes revenue from the State to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs.

The State allocates gross receipt 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 FDOE.

Property Taxes – Property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

Sales Tax – Sales tax revenue anticipated to be collected within 60 days of year end is recognized in the fiscal year collected by the county.

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.

Use of Resources – 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.

C. Budgetary Policies

Expenditures are controlled by budgetary systems in accordance with various legal and administrative requirements that govern the District's operations. The budget represents a process through which policy decisions are made, implemented and controlled. The budget is adopted on a basis consistent with GAAP, except for encumbrances. The budgetary process includes encumbrances in the current year budget. The encumbrances are reported as expenditures on the budgetary basis of accounting.

Annual budgets are legally adopted for all funds except the fiduciary funds. The budget amounts for revenues and expenditures reflect all amendments to the original budget dated September 5, 2018, with the final amendment approved by the Board. Significant dates in the budgeting timetable follow:

1. The Palm Beach County Property Appraiser certifies to the District the taxable value of all nonexempt District property by July 1 of each year, or the Clerk of the Circuit Court is required to certify an interim tax roll.
2. Within 24 days of tax roll certification, the Board considers and approves for advertising a tentative budget.
3. Within 29 days after tax roll certification, the District advertises the tentative budget and the millage rates therein.
4. A public hearing to adopt the tentative budget and proposed millage rate is held not less than two nor more than five days after the budget is advertised.
5. Within 35 days of tax roll certification, the District notifies the Palm Beach County Property Appraiser of proposed millage rates.

At a final public hearing within 80 days, but not less than 65 days, after tax roll certification, the Board adopts the District budget.

The major functional level is the legal level of budgetary control. Per Board policy, management is authorized to make budget amendments at function level with Board approval. All interim budget amendments between major functional areas within each fund are submitted to the Board for

approval. Federal and State grant budget amendments which require State approval prior to processing are also submitted to the Board for approval with monthly amendments.

Unreserved appropriations are cancelled at the end of the fiscal year. However, encumbered appropriations for funds do not lapse at the end of the fiscal year. Restricted, committed, and assigned fund balances at June 30, 2019, for funds under budgetary control have been re-appropriated for the fiscal year 2020 operating budget within the appropriate fund. Programs restricted for carryover include all State categorical grants required to be expended on specific programs and District approved carryover programs.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

E. Cash, Cash Equivalents, and Investments

The District maintains a Treasurer's pool for the District's cash and investments. Each fund's portion of the pool is reported as cash, cash equivalents and investments in the financial statements. Investments recorded at fair value consist of direct obligations of the United States Treasury, U.S. Government Agency Securities, U.S. Government sponsored agencies, U.S. Treasury Securities, AAA rated local government investment pools, corporate notes, U.S. Government Supported Corporate Debt, and other investments allowable by the District's investment policy. The District categorizes its investments according to the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on observable and unobservable inputs used in establishing the fair value of a financial asset or liability. All money market mutual funds are AAA rated by the various rating agencies and each fund is registered as a 2a-7 fund with the Security and Exchange Commission (SEC) and recorded at amortized cost. Rule 2a-7 of the Investment Company Act of 1940, comprises the rules governing money market funds. For purposes of the statement of cash flows, each fund's portion of the pool is considered cash equivalents, which are money market funds and all highly liquid investments with a maturity of three months or less when purchased.

F. Inventories

Inventories are valued at the lower of cost or net realizable value, using the average cost method. The District's inventories include various items consisting of school supplies, paper, textbooks, fuel, commodities, etc. United States Department of Agriculture (USDA) commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method. Inventorial items are recorded as expenditures when shipped to schools and department offices (the consumption method). The nonspendable fund balance at the governmental fund level is equal to the amount of inventories at year-end to indicate the portion of the governmental fund balances that are nonspendable.

G. Prepaid Items

Expenditures for insurance and similar services extending over more than one accounting period are not allocated between or among accounting periods in the governmental funds and are instead accounted for as expenditures in the period of acquisition (purchase method). In the government-wide financial statements these amounts are reported as other assets and will be charged to expense in the period used or consumed.

H. Capital Assets

Capital assets represent the cumulative amount of capital assets owned and in use by the District. Purchased assets are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position. Gifts or contributions are recorded at estimated acquisition value at the time received. The District's capitalization levels are \$1,000 on tangible personal property, \$100,000 on building improvements, \$50,000 on improvements other than buildings and \$100,000 on intangible assets. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets except land and construction in progress are depreciated.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio/Video Material & Software	3 - 5 years
Buildings and Improvements	15 - 50 years
Improvements Other Than Buildings	15 years
Intangibles	5 years

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position has 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 that will not be recognized as an outflow of resources (expense/expenditure) until then. One item is the net carrying amount of debt refunding reported in the government-wide statement of net position. A deferred loss on debt 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 debt or new refunding debt. A second item, in accordance with GASB Statement No. 68, reports pension related deferred outflows of resources and deferred inflows of resources on its financial statements. A third item, in accordance with GASB Statement No. 75, reports OPEB related deferred inflows of resources on its financial statements.

On the government-wide financial statements deferred outflows of resources activity for fiscal year ended June 30, 2019, is as follows (in thousands):

	Beginning Balance July 1, 2018	Increase	Decrease	Ending Balance June 30, 2019
Deferred Outflows of Resources:				
Net Carrying Amount of Deferred Refunding	\$ 106,386	\$ -	\$ 11,243	\$ 95,143
Pension Related - FRS	361,551	68,583	71,141	358,993
Pension Related - HIS	72,051	12,000	17,917	66,134
OPEB Related	-	13,384	-	13,384
Total Deferred Outflows of Resources	\$ 539,988	\$ 93,967	\$ 100,301	\$ 533,654

In addition to liabilities, the statement of net position has 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 \$3.5 million in unavailable deferred revenue (\$2.4 million is related to Medicaid administration claims and \$1.1 million is related to FEMA claims and fuel tax credit) that qualifies as a deferred inflow of resources and it is shown in the governmental funds balance sheet under the modified accrual basis of accounting.

On the government-wide financial statements, deferred inflows of resources totaled \$132.5 million as shown below (in thousands):

	Beginning Balance July 1, 2018	Increase	Decrease	Ending Balance June 30, 2019
Deferred Inflows of Resources:				
Pension Related - FRS	\$ 40,201	\$ 30,902	\$ -	\$ 71,103
Pension Related - HIS	36,324	4,888	-	41,212
OPEB Related	18,465	1,721	-	20,186
Total Deferred Inflows of Resources	\$ 94,990	\$ 37,511	\$ -	\$ 132,501

J. Long-Term Liabilities

In the fund-level financial statements, governmental funds report the face amount of debt issued and debt principal payments, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs and principal payments are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts and bond insurance cost are amortized over the life of the bonds.

K. Self-Insurance

The District is self-insured for health (health insurance for employees and eligible dependents) and portions of its general and automobile liability insurance and workers' compensation (insurance for various risks of loss related to torts; theft of; damage to; destruction of assets; errors and omissions; injury to employees and natural disasters). The estimated liability for self-insured risks represents an estimate of the amount to be paid on insurance claims reported and on insurance claims incurred but not reported (see Note 8).

Consistent with GAAP guidelines, in the proprietary funds financial statements, the liability for self-insured risks is recorded under the accrual basis of accounting. Expenditures of the self-insurance funds are charged back to the appropriate governmental fund.

L. Compensated Absences

Compensated absences are obligations to employees for accumulated vacation and sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused vacation and sick leave up to a specified amount depending on their date of hire. Vacation and sick leave are payable to employees upon termination or retirement at the current rate of pay on the date of termination or retirement.

The District uses the vesting method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The portion related to employees in the internal service fund is recorded at the fund level. The current portion is the amount estimated to be used in the following year. To liquidate the liability, an expenditure is mainly recognized in the general fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations (see Note 10).

M. Pensions

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

N. Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets/deferred outflows of resources and liabilities/deferred inflows of resources and disclosures of contingent assets/deferred outflows of resources and liabilities/deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

O. Postemployment Benefits Other Than Pensions (OPEB)

The District applies GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the measurement, recognition, and display of

OPEB expenditures or expenses, liabilities and assets as discussed in a subsequent note. OPEB is unfunded at June 30, 2019.

P. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In January 2017, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which is effective for the District beginning with its year ending June 30, 2019. The objective of this Statement is to set guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. The adoption of this statement did not impact the District's financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is effective for the District beginning with its year ending June 30, 2019. 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 adoption of GASB Statement No. 88 did not impact the District's financial position or results of operations.

Recently Issued Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which will be effective for the District beginning with its year ending June 30, 2020. The objective of this Statement is to improve guidance regarding what constitutes fiduciary activities for accounting and financial reporting purposes, the recognition of liabilities to beneficiaries, and how fiduciary activities should be reported. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, which will be effective for the District beginning with its year ending June 30, 2021. This Statement outlines new guidance that establishes a single approach to accounting for and reporting leases by state and local governments. The goal is to better align reporting these leases with their particular situations, as well as provide greater transparency and usefulness of financial statements. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which will be effective for the District beginning with its year ending June 30, 2021. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statement No.14 and No. 61*, which will be effective for the District beginning with its year ending June 30, 2020. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization

and to improve the relevance of financial statement information component units. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

2. CHANGE IN REPORTING ENTITY

During the 2017-18 fiscal year, the District did not include the charter schools as aggregate discretely presented component units. This change in the District's reporting entity affects the comparability of amounts reported for the 2018-19 fiscal year with amounts reported for the 2017-18 fiscal year. As a result of this change, beginning net position of the component units as a whole, totaling \$18.5 million, has been added.

3. AD VALOREM TAXES

The Board is authorized by Florida Statutes to levy property taxes for District operations, capital improvements and debt service. Property taxes consist of ad valorem taxes on real and personal property within the District. The Palm Beach County Property Appraiser assesses property values and the Palm Beach County Tax Collector collects the property taxes.

Property values are assessed as of January 1 each year. The Board levies the property tax at the final budget hearing each year based on the assessed valuation of all non-exempt property. This levy finances the expenditures of the current fiscal year. Tax bills are mailed by the Palm Beach County Tax Collector on November 1 and are due no later than April 1. After this date, taxes become an enforceable lien on property. Discounts of up to 4 percent are available for early payment. The majority of ad valorem taxes are collected in November and December and remitted to the School Board. Section 197.383, Florida Statutes, requires the Palm Beach County Tax Collector to distribute the taxes collected to each taxing authority at least four times during the first two months after the tax roll comes into the Tax Collector's possession, and at least once per month thereafter. Taxes are considered delinquent if not paid prior to April 1. State law provides for enforcement of collection of taxes by the sale of tax certificates on real property and for levy upon, seizure and sale of personal property after the Palm Beach County Tax Collector initiates a sequence of required procedures resulting in a court order to carry out the action.

The State Legislature prescribes the maximum non-voted millage that may be levied by the Board for each fiscal year. The total millage rate levy was 6.5720 mills (including 0.25 mills approved by voters in November 2014) and the total assessed value on which the 2018-19 levy was based was \$200.5 billion. Gross taxes levied were approximately \$1.3 billion. Total revenue, net of discounts, was approximately \$1.3 billion. A portion of the taxes levied for the Local Capital Improvement Capital Project Fund, designated for repairs and maintenance programs are transferred to the General Fund as provided by Chapter 1013, Florida Statutes. For fiscal year 2019, the maintenance transfer amounted to approximately \$80.8 million. Additionally, approximately \$8.5 million was transferred for property insurance; bringing the total transfer from capital funds to approximately \$89.3 million.

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and Cash Equivalents

Florida Statutes authorize the deposit of District funds in demand deposits or time deposits of financial institutions approved by the State Treasurer and are defined as public deposits. All District public deposits are held in qualified public depositories pursuant to Chapter 280, Florida Statutes, the "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The collateral pledging level may range from 50 percent to 125 percent depending upon the depository's financial condition and the length of time that the depository has been established. All collateral must be deposited with the State Treasurer. Any losses to public depositors resulting from insolvency are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessment against other qualified public depositories of the same type as the depository in default. All bank balances of the District are fully insured or collateralized. At June 30, 2019, the carrying amount of the District's cash deposits was approximately \$160.2 million and the bank balance was approximately \$169.8 million. The carrying amount of the Agency Fund - School Internal Funds cash deposits was approximately \$20.8 million.

The District receives interest on all balances in its cash accounts from the qualified public depository acting as its banking agent. Interest earnings are allocated to all funds based on the average daily balance of each fund's equity in the Treasurer's Pool.

Cash equivalents consist of amounts invested in money market mutual funds, Florida Public Assets for Liquidity Management (FL Palm) and Florida PRIME. FL Palm and Florida PRIME are external investment pools that are not registered with the Securities Exchange Commission (SEC), but do operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 allows funds to use amortized cost to maintain a constant net asset value (NAV) of \$1.00 per share. Accordingly, the District's investments in both FL Palm and Florida PRIME are reported at the account balance, which is amortized cost. There are no restrictions or fees to withdraw from either of these pools.

Investments

The District's investment policy permits investments in the Florida PRIME Fund, FL Palm, securities of the United States Government, U.S. Government Agencies, Federal instrumentalities, interest bearing time deposit or savings accounts, repurchase agreements, commercial paper, corporate notes, bankers' acceptances, state and/or local government debt, and money market mutual funds. The District's investment advisor used the effective duration method to calculate effective duration measures for the securities held by the District. Besides measuring the sensitivity of the securities market value to changes in interest rates, the effective duration method accounts for any call (early redemption) features that a security may have.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the District categorizes investments according to the fair value hierarchy established by this Statement. The hierarchy is based on valuation inputs used to measure the fair value of the asset as follows: Level

1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs to include quoted prices for similar assets in active and non-active markets; Level 3 inputs are significant unobservable inputs. Certain investments are measured at fair value using the net asset value per share (or its equivalent) practical expedient and have not been classified in the fair value hierarchy. The fair value amounts, presented in the following table, are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net position.

As of June 30, 2019, the District had the following unrestricted cash, cash equivalents, and investments with stated maturities that were categorized as Level 1 and Level 2 (amounts in thousands):

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Effective Duration (Years)
Investments by Level	Balance (in thousands)			
Commercial Paper	\$ 160,285	\$ -	\$ 160,285	0.49
Core Fund Investments				
US Treasury - Notes	115,210	115,210	-	0.41
US Treasury - Bills	199,150	199,150	-	0.20
Federal Agency - Bonds/Notes	10,658	-	10,658	0.50
Corporate Notes	13,207	-	13,207	1.83
Total Investments by Fair Value Level	498,510	\$ 314,360	\$ 184,150	
Investments Reported at Amortized Cost				
FL Palm	223,863			N/A
Money Market Funds	49,671			N/A
Florida PRIME (SBA)	162,020			0.08
Total Investments Reported at Amortized Cost	435,554			
Total Investments	934,064			
Cash Deposits	160,182			
Total Cash, Cash Equivalents, and Investments	\$ 1,094,246			

Interest Rate Risk

To limit exposure to fair value losses resulting from increases in interest rates, the District's Investment Policy limits operating funds to maturities of 2 years or less. Investments of reserves, project funds, debt proceeds and other non-operating funds (core funds) shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed 5 years and the average duration of the funds as a whole may not exceed 3 years. The District's investment in the Federally Backed Securities (Fannie Mae, Freddie Mac (also known as Federal Home Loan Mortgage Corporation) and Farmer Mac) matures between July 2018 and January 2022. As of June 30, 2019, the District held approximately \$3.9 million in fair value of callable Corporate Notes, which permit the issuer to redeem the securities prior to their original maturity date.

Concentration of Credit Risk

The District's Investment Policy specifies the maximum percentage allocation to any single investment type as well as the maximum percentage holding per issuer. Up to 100 percent of the portfolio may be invested in U.S. Government securities, 80 percent may be invested in Federal Instrumentalities (U.S. government sponsored agencies) with no more than 50 percent with a single issuer and 50 percent may be invested in U.S. government agencies with no more than 25 percent with a single issuer. Corporate Notes are limited to 15 percent of the portfolio with no more than 5 percent with a single issuer.

PORTFOLIO/INVESTMENTS	CARRYING AMOUNT (in thousands)	PERCENTAGE OF INVESTMENT BALANCE	RATING S&P/ MOODY'S
Money Market Funds			
Dreyfus Treasury and Agency	\$ 23,350	2.13%	AAAm/Aaa-mf
Federated Governmental Obligation	7,859	0.72%	AAAm/Aaa-mf
Fidelity Institutional Government Fund	18,462	1.69%	AAAm
FL Palm	223,863	20.46%	AAAm
Florida PRIME (SBA)	162,020	14.81%	AAAm
Commercial Paper	160,285	14.65%	A-1+/P-1
Investments in Fixed Income Securities			
US Treasury - Notes	115,210	10.53%	AA+/Aaa
US Treasury - Bill	199,150	18.20%	A-1+/P-1
Corporate Notes	13,207	1.20%	(1)
Federally Backed Securities (Fannie Mae, Farmer Mac & Freddie Mac) - Long-Term	10,658	0.97%	AA+/Aaa
Total Investments	934,064	85.36%	
Plus Cash Deposits	160,182	14.64%	
Total Cash, Cash Equivalents, and Investments	<u>\$ 1,094,246</u>	<u>100.00%</u>	

(1) Forty-six Corporate securities rating range – S&P (AA+ / BBB+) and Moody's (Aaa / A3).

As of June 30, 2019, all District investments were in compliance with the District's Investment Policy or Debt Management Policy and did not exceed portfolio allocation or issuer maximums.

Credit Risk

The District's Investment Policy lists the authorized investment types as well as the minimum allowable credit rating for each investment type. Corporate notes purchased for investment must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum "A" by Moody's and a minimum long term debt rating of "A" by Standard & Poor's (S&P). The maximum length to maturity for corporate notes shall be 3 years from the date of purchase. As of June 30, 2019, the District held \$13.2 million of corporate notes of which had an S&P rating between AA+ and BBB+. All investments in the Federally Backed Securities (Fannie Mae, Freddie Mac (also known as Federal Home Loan Mortgage Corporation) and Farmer Mac) had an S&P rating of AA+

and a Moody's rating of Aaa for securities held for more than one year. All other rated investments were rated between BBB+ and AAAM by S&P. As of June 30, 2019, the Local Government Investment Pools were rated AAAM by S&P.

Custodial Credit Risk

The District's investment policy requires that all securities, with the exception of certificates of deposit, be held with a third-party custodian; and all securities purchased by, and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. A third-party custodian is defined as any bank depository chartered by the Federal government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida as defined in Section 658.12, Florida Statutes, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida. Certificates of deposit will be placed in the provider's safekeeping department for the term of the deposit. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities are made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. As of June 30, 2019, the District's investment in fixed income securities was held with a third-party custodian.

5. DUE FROM OTHER AGENCIES

At June 30, 2019, the District had a total of approximately \$35 million in Due from Other Agencies which consisted of the following balances (amounts in thousands):

	General Fund	Other Nonmajor Governmental Funds	Internal Service Fund	Total
Federal and State Sources:				
Medicaid*	\$ 2,992	\$ -	\$ -	\$ 2,992
Grants and Entitlements	-	21,128	-	21,128
FEMA and Other Emergency Claims	677	991	-	1,668
Fuel Tax*	-	131	-	131
Education Facilities Security	-	243	-	243
Restart Grant	3,941	-	-	3,941
Local Sources:				
Early Learning Coalition	782	-	-	782
Pharmacy Rebates	-	-	3,000	3,000
Other	367	784	-	1,151
Total Due from Other Agencies	\$ 8,759	\$ 23,277	\$ 3,000	\$ 35,036

* All or partially recorded as Deferred Inflow - Unavailable Revenue at the fund level.

6. INTERFUND ACTIVITIES

Due to/from other funds consisted of the following balances at June 30, 2019 (amounts in thousands):

	Interfund Receivables	Interfund Payables
General Fund	\$ 11,000	\$ -
Other Nonmajor Governmental Funds	-	11,000
Total Interfund	\$ 11,000	\$ 11,000

The amount payable by the Other Nonmajor Governmental Funds to the General Fund is to cover temporary cash shortages related to timing of receipts.

Interfund transfers for the year ended June 30, 2019, were as follows (amounts in thousands):

Transfer from:	Transfer to:			
	General Fund	COPS Debt Service Fund	Other Nonmajor Governmental Funds	Total
Capital Improvement Fund	\$ 81,050	\$ 120,925	\$ 18,869	\$ 220,844
General Fund	-	-	30	30
Sales Tax Fund	-	-	8,000	8,000
Other Nonmajor Governmental Funds	8,219	-	-	8,219
Total	\$ 89,269	\$ 120,925	\$ 26,899	\$ 237,093

Transfers to the General Fund relate primarily to funding for the maintenance, renovation and/or repair of school facilities, pursuant to Section 1011.71, Florida Statutes. Transfers to COPS Debt Service and Other Nonmajor Governmental Funds mainly relate to amounts transferred to make debt service payments and to fund minor capital projects.

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, is as follows (amounts in thousands):

	Beginning Balance July 1, 2018	Additions and Transfers In	Retirements and Transfers Out	Ending Balance June 30, 2019
<u>Non-Depreciable Assets:</u>				
Land	\$ 342,755	\$ 900	\$ -	\$ 343,655
Construction in Progress	8,788	11,001	6,491	13,298
Total Non-Depreciable Assets	351,543	11,901	6,491	356,953
<u>Depreciable Assets:</u>				
Improvements Other Than Buildings	59,138	873	-	60,011
Buildings and Improvements	4,171,560	-	441	4,171,119
Furniture, Fixtures, and Equipment	124,412	22,612	6,924	140,100
Motor Vehicles	120,897	12,710	11,148	122,459
Audio/Video Materials & Software	44,846	8,173	2,365	50,654
Total Depreciable Assets	4,520,853	44,368	20,878	4,544,343
<u>Less Depreciation For:</u>				
Improvements Other Than Buildings	(39,186)	(3,594)	-	(42,780)
Buildings and Improvements	(1,402,426)	(87,032)	(418)	(1,489,040)
Furniture, Fixtures, and Equipment	(100,955)	(8,739)	(6,812)	(102,882)
Motor Vehicles	(74,349)	(8,273)	(10,966)	(71,656)
Audio/Video Materials & Software	(39,199)	(2,270)	(2,365)	(39,104)
Total Accumulated Depreciation	(1,656,115)	(109,908)	(20,561)	(1,745,462)
Capital Assets, Net	\$ 3,216,281	\$ (53,639)	\$ 6,808	\$ 3,155,834

Depreciation expense for the year ended June 30, 2019, of approximately \$109.9 million was not allocated to specific functions. The District's capital assets essentially serve all functions and as such, the depreciation expense is included as a separate line item in the statement of activities.

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; administrative errors and omissions; injuries to employees, students and guests; as well as natural disasters and employee health and medical insurance. The District is self-insured for portions of its general and automobile liability insurance, workers' compensation and employee health and medical insurance. Losses involving auto and general liability claims are limited (generally) by provisions of the Florida State Statute 768.28. A third party administers these self-insured funds. The District purchases commercial insurance for other risks including property, construction and other miscellaneous risks. The District has not experienced any significant reduction in insurance coverage from previous years nor has it paid any settlements in excess of insurance coverage in the past three years. This liability is typically liquidated from the internal service fund.

The employee health insurance claims liability is based on an analysis performed by management, which is based on historical trends. The remaining claims liability is based on an actuarial evaluation performed by an independent actuary as of June 30, 2019, using a discounted rate factor of 2.0 percent. The liability consists of claims reported and payable, as well as an estimate for claims incurred but not reported. At June 30, 2019, the liability for claims consisted of approximately \$14.0 million, \$8.2 million, and \$35.5 million for employee health, auto and general liability, and workers' compensation, respectively.

A summary of changes in the estimated liability for self-insured risks is as follows (amounts in thousands):

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2019
Beginning Balance	\$ 62,028	\$ 59,128
Additions:		
Current Year Claims and Changes in Estimates	201,007	209,899
Reductions:		
Claim Payments	(203,907)	(211,333)
Ending Balance	<u>\$ 59,128</u>	<u>\$ 57,694</u>

9. SHORT-TERM DEBT

Tax Anticipation Notes

On September 25, 2018, the District issued Tax Anticipation Notes (TANS) Series 2018. The \$115 million issue has a coupon rate of 3 percent with an effective yield of 1.97 percent. The notes are dated October 3, 2018 and are due August 30, 2019.

Short-term debt activity for the year ended June 30, 2019, was as follows (amount in thousands):

	Beginning Balance July 1, 2018	Issued	Redeemed	Ending Balance June 30, 2019
Tax Anticipation Notes	<u>\$ 115,000</u>	<u>\$ 115,000</u>	<u>\$ 115,000</u>	<u>\$ 115,000</u>

Revolving Line of Credit (RLOC)

The District has an unused \$80 million RLOC from PNC Bank, used to finance sales tax projects. The District pays an unused fee of 0.10 percent each month. Should the District make a draw on the RLOC, interest would be assessed at a rate of 79 percent of 1-M Libor plus 0.41 percent. The line of credit can be increased to a maximum amount of \$200 million with appropriate notice to the Bank. The RLOC matures on June 27, 2022.

Events of default related to the RLOC would be failure to pay timely, failure to observe and perform any covenant, condition or agreement for a period of 90 days, false statement or representations related to the agreement, filing of bankruptcy, reorganization, and insolvency. In addition, if any debt

of or assumed by the District with combined annual debt service in excess of \$10 million is not paid within any applicable grace period, the RLOC becomes due and payable.

10. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2019, is as follows (amounts in thousands):

	Beginning Balance July 1, 2018	Additions	Deductions	Ending Balance June 30, 2019	Amounts Due Within One Year
Governmental Activities:					
Bonds, Notes, and Other Payables:					
Notes/Loans Payable	\$ 15,031	\$ 16,072	\$ (8,729)	\$ 22,374	\$ 8,805
Capital Outlay Bond Issue	9,853	-	(1,311)	8,542	1,177
Certificates of Participation	1,355,973	-	(77,630)	1,278,343	76,303
	1,380,857	16,072	(87,670)	1,309,259	86,285
Plus Issuance Premium	154,873	-	(23,410)	131,463	-
Total Bonds, Notes, and Other Payables	1,535,730	16,072	(111,080)	1,440,722	86,285
Other Liabilities:					
Compensated Absences	193,826	19,301	(15,670)	197,457	15,263
Self-Insurance Claims and Judgments	59,128	209,899	(211,333)	57,694	22,813
OPEB Liability	138,163	27,407	(7,919)	157,651	-
Net Pension Liability	1,033,565	546,741	(538,643)	1,041,663	-
Total Other Liabilities	1,424,682	803,348	(773,565)	1,454,465	38,076
Total Governmental Activities Long-Term Liabilities	\$ 2,960,412	\$ 819,420	\$ (884,645)	\$ 2,895,187	\$ 124,361

The compensated absences and postemployment benefits are generally liquidated by the General Fund. Long-term claims and judgments are liquidated by the internal service funds. Pension contributions are paid by the governmental fund consistent with employee compensation. OPEB is pay as you go and charged to internal service fund.

Notes/Loans Payable

On February 20, 2014, the District entered into loan agreement 2014 with TD Equipment Finance for financing the acquisition of 119 buses. The \$14 million issue with a coupon of 1.235 percent is payable over 5 years and matured on August 1, 2018.

On July 2, 2015, the District entered into loan agreement 2015 with Banc of America Public Capital Corp for financing the acquisition of 125 buses and other equipment, a \$14.2 million issue with a coupon rate of 1.242 percent. Under the terms of the loan agreement, the debt is payable over 5 years.

On November 19, 2015, the District entered into loan agreement 2015A with Banc of America Public Capital Corp for financing the acquisition of 18 HVAC systems and other equipment, a \$7.2 million issue with a coupon rate of 1.274 percent. Under the terms of the loan agreement, the debt is payable over 5 years.

On March 18, 2016, the District entered into loan agreement 2016 with Banc of America Public Capital Corp for financing the acquisition of 60 buses and other equipment, a \$6.9 million issue with a coupon rate of 1.255 percent. Under the terms of the loan agreement, the debt is payable over 5 years.

On October 18, 2018, the District entered into loan agreement 2018 with Banc of America Public Capital Corp for financing the acquisition of various HVAC systems and other components, a \$16.1 million issue with a coupon rate of 3.044 percent. Under the terms of the loan agreement, the debt is payable over 5 years and will mature on August 1, 2023.

A summary of notes/loans payable terms are presented as follows (amounts in thousands):

Bus & Equipment Loans	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding July 1, 2018	Debt Issued	Debt Redeemed	Debt Outstanding June 30, 2019
2014	02/20/14	\$ 14,002	-	08/01/18	\$ 1,427	\$ -	\$ 1,427	\$ -
2015	07/02/15	14,235	1.242%	02/01/20	5,770	-	2,867	2,903
2015A	11/19/15	7,152	1.274%	08/01/20	3,619	-	1,434	2,185
2016	03/18/16	6,950	1.255%	02/01/21	4,215	-	1,388	2,827
2018	10/18/18	16,072	3.044%	08/01/23	-	16,072	1,613	14,459
Total		<u>\$ 58,411</u>			<u>\$ 15,031</u>	<u>\$ 16,072</u>	<u>\$ 8,729</u>	<u>\$ 22,374</u>

The annual future minimum loan payments are as follows (amounts in thousands):

Year Ended June 30	Principal	Interest	Total Principal and Interest
2020	\$ 8,805	\$ 498	\$ 9,303
2021	5,294	342	5,636
2022	3,235	227	3,462
2023	3,335	128	3,463
2024	1,705	26	1,731
Total	<u>\$ 22,374</u>	<u>\$ 1,221</u>	<u>\$ 23,595</u>

The District uses a Master Equipment Lease Purchase Agreement dated 2015 (direct placement), to finance the purchase of vehicles and equipment. In the event of a default, the Lessor may terminate the Lease. The Lessor may also demand all unpaid rental payments and liquidated damages. The Lessor may also request the District to convey any or all the equipment to the Lessor so the equipment can be leased or sold. The proceeds will be applied to the unpaid obligations. As of June 30, 2019, the District has four direct borrowings with \$22.4 million outstanding under the Master Equipment Lease Purchase Agreement.

Events of default related to the Equipment Lease would be failure to pay within 10 days or failure to maintain insurance, failure to observe and perform any covenant, condition or agreement for a period of 30 days after written notice specifying such failure and requesting it be remedied. In addition, false statements or representation pursuant to the lease, any default occurs under any other agreement for borrowing money, lease financing, or otherwise receiving credit under which there is outstanding and aggregate amount of at least 10 percent of the District's current indebtedness, appointment of a receiver, trustee, custodian or liquidator of all or a substantial part of the assets of the District, filing

of bankruptcy, consolidation, merger or otherwise combine with any other entity, or sell, lease or dispose of all or a substantial portion of assets.

State Board of Education Capital Outlay Bond Issues

State Board of Education Capital Outlay Bond Issues (COBI) are serviced entirely by the State using a portion of the District's share of revenue derived from motor vehicle license taxes pursuant to Chapter 320, Florida Statutes, and Article XII, Section 9(d), of the Florida Constitution. The State Board of Administration determines the annual sinking fund requirements. The amounts necessary to retire bonds and interest payable are withheld from the entitlement to the District. Interest rates on the COBI bonds range from 2 percent to 5 percent. Interest is payable semiannually on January 1 and July 1. The bonds are redeemable at par.

A summary of bond terms is presented as follows (amounts in thousands):

Capital Outlay Bond Issues	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity	Debt Outstanding July 1, 2018	Debt Matured	Debt Outstanding June 30, 2019
COBI 2009-A	9/10/2009	\$ 1,655	-	1/1/2019	\$ 205	\$ 205	\$ -
COBI 2010-A	10/14/2010	9,700	3.5% - 5%	1/1/2030	6,240	465	5,775
COBI 2010-A	10/14/2010	1,790	4% - 5%	1/1/2022	900	200	700
COBI 2011-A	12/7/2011	5,820	3% - 5%	1/1/2023	2,425	400	2,025
COBI 2014-B	12/2/2014	4,275	2%	1/1/2020	83	41	42
Total		<u>\$ 23,240</u>			<u>\$ 9,853</u>	<u>\$ 1,311</u>	<u>\$ 8,542</u>

The debt service requirements through maturity to the holders of the Capital Outlay Bond Issue are as follows (amounts in thousands):

Year Ended June 30	Principal Capital Outlay Bonds	Interest	Total Principal and Interest
2020	\$ 1,177	\$ 358	\$ 1,535
2021	1,200	300	1,500
2022	1,280	241	1,521
2023	1,070	187	1,257
2024	515	150	665
2025-2029	2,725	438	3,163
2030	575	23	598
Total	<u>\$ 8,542</u>	<u>\$ 1,697</u>	<u>\$ 10,239</u>

The District is subject to State Board of Education Administrative Rule 6A-1037(2) that limits the amount of State Board of Education Capital Outlay Bond Issues outstanding to 10 percent of the non-exempt assessed valuation. At June 30, 2019, the statutory limit for the District was approximately \$20.9 billion, providing additional debt capacity of approximately \$20.9 billion.

Certificates of Participation

On November 16, 1994, the District entered into a Master Lease Purchase Agreement (Master Lease) dated November 1, 1994, with the Palm Beach School Board Leasing Corporation, a Florida not-for-profit corporation, to finance the acquisition and construction of certain facilities, and

equipment for District operations. The Corporation was formed by the Board solely for the purpose of acting as the lessor for Certificates of Participation financed facilities, with the District as lessee. The Corporation issued Certificates of Participation (COP) to third parties, evidencing undivided proportionate interest in basic lease payments to be made by the District, as lessee, pursuant to the Master Lease. Simultaneously therewith, the Board entered into Ground Leases with the Corporation for the Facilities sites.

The District also sold Certificates of Participation Qualified Zone Academy Bonds (QZAB). The QZAB program is a financial instrument that provides a different form of subsidy from traditional tax-exempt bonds. Interest on QZABs is paid by the Federal government in the form of an annual tax credit to an eligible financial institution that holds the QZAB. The QZAB issuer is responsible for repayment upon maturity. The tax credits and bonding authority are made available by the Federal government to support innovative school partnerships; enhance reform initiatives, including augmenting Federal education programs, technology and vocational equipment; and development of curriculum or better teacher training to promote market driven technology. To be eligible, a school must:

1. Be located in an Empowerment Zone or an Enterprise Community or have 35 percent or more of its students eligible for free or reduced lunch under the National School Lunch Act.
2. Obtain cash and/or in-kind contribution agreements from partnerships equal to at least 10 percent of the gross proceeds of the QZAB.

The District deposits funds annually into an escrow account, which when coupled with interest earnings will be sufficient to pay off the principal at maturity.

As part of the American Reinvestment and Recovery Act (ARRA), the District was authorized to issue up to \$67.7 million of Qualified School Construction Bonds (QSCB) for the purpose of new construction. The District chose to modernize two schools (Galaxy Elementary and Gove Elementary) and replace two roofs (Belle Glade Elementary and Pioneer Park Elementary). The District issued the bonds as Taxable Certificates of Participation through the Build America Bonds program, also created by the ARRA legislation. The District issued taxable bonds and receives a federal subsidy from the Treasury department equal to the difference between the taxable and tax-exempt rates. The Certificates were sold to Bank of America during a competitive sale held on November 3, 2010, and closed on November 15, 2010. The par amount was \$67.7 million and the interest rate was 5.40 percent. The District will pay interest only until 2019 when deposits to the sinking fund begin. The final maturity of the bonds is August 1, 2025. The total interest that will be paid over the life of the bonds is \$53.8 million. A total subsidy of \$48.8 million will be recorded as revenue in the year earned. Therefore, the amount the District will pay net of the federal subsidy is \$4.9 million. In the current year, the District recorded \$3.3 million subsidy as revenue and \$3.7 million as interest expense resulting in a net impact of \$0.4 million.

Subsequent to the sale of the QSCB certificates, the District entered into a forward delivery agreement (FDA) classified as a nonparticipating interest-earning investment contract with Barclays Bank related to the COP 2010A QSCB. A forward delivery agreement is a type of investment in which the investor purchases eligible securities on a periodic basis from the agreement provider at a fixed rate of return. The Board expects to purchase eligible securities, which consist of direct obligations

of or obligations guaranteed by the U.S. Treasury and AAA-rated senior debt obligations of Fannie Mae, Freddie Mac, the FHLB, and Federal Farm Credit System from Barclays on a semi-annual basis beginning July 19, 2019, through the final maturity date of August 1, 2025. The Agreement will generate a guaranteed fixed rate of return of 4.262 percent or \$8.1 million. The interest earnings associated with this transaction will completely offset the interest due (net of the federal subsidy) and will generate an additional \$3 million to be used to repay the principal in 2025.

The Corporation leases facilities and equipment to the District under the Master Lease. The Master Lease is automatically renewable annually unless terminated, in accordance with the provisions of the Master Lease, as a result of default or the failure of the Board to appropriate funds to make lease payments in its final official budget. Failure to appropriate funds to pay lease payments under any lease will, and an event of default under any lease may, result in the termination of all leases. The remedies on default or upon an event of non-appropriation include the surrender of the COP Series 2000A, Series 2001A, Series 2002A, Series 2002B, Series 2002C, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2006A, Series 2007A, Series 2007B, Series 2007E; QZAB Series 2002, QZAB Series 2004, QZAB Series 2005, and QSCB Series 2010A Facilities by the District and the Trustee's re-letting for the remaining Ground Lease term, or the voluntary sale of the COP Series 2000A, Series 2001A, Series 2002A, Series 2002B, Series 2002C, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2006A, Series 2007A, Series 2007B, Series 2007E; QZAB Series 2002, QZAB Series 2004, QZAB Series 2005, and QSCB Series 2010A Facilities by the School Board. In either case, the proceeds will be applied against the School Board's obligations under the Master Lease.

A summary of lease terms are presented as follows (amounts in thousands):

Certificate Series	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)		Final Maturity Date	Debt Outstanding July 1, 2018	Debt Matured	Debt Outstanding June 30, 2019	Ground Lease Term
2004 QZAB	04/30/2004	\$ 2,923	-	**	04/30/2020	\$ 2,923	\$ -	\$ 2,923	N/A
2005 QZAB	12/15/2005	2,150	-	**	12/15/2020	2,150	-	2,150	N/A
2010A QSCB	11/15/2010	67,665	5.4%	*	08/01/2025	67,665	-	67,665	08/01/2032
2011A (1)	07/13/2011	112,425	4% to 5%		08/01/2021	17,860	-	17,860	08/01/2032
2011C (2)	11/15/2011	15,355	-		08/01/2018	1,355	1,355	-	08/01/2018
2011D (3)	11/15/2011	25,065	2.64%	**	08/01/2021	15,325	4,435	10,890	08/01/2021
2012A (4)	05/15/2012	20,085	5%		08/01/2022	1,795	-	1,795	08/01/2028
2012C (5)	08/09/2012	67,145	4% to 5%		08/01/2029	59,965	3,825	56,140	08/01/2029
2014B (6)	06/27/2014	166,010	4% to 5%		08/01/2025	139,390	14,945	124,445	08/01/2025
2014C (7)	07/29/2014	33,280	5%	**	08/01/2031	33,280	-	33,280	08/01/2031
2015A (8)	05/05/2015	106,315	2.52%	**	08/01/2022	61,555	18,820	42,735	08/01/2022
2015B (9)	01/14/2015	145,535	5%		08/01/2031	138,790	7,080	131,710	08/01/2031
2015D (10)	04/30/2015	221,640	5%		08/01/2032	221,640	18,915	202,725	08/01/2032
2015C (11)	10/28/2015	62,970	5%		08/01/2032	62,970	-	62,970	08/01/2032
2017A (12)	10/11/2017	147,850	5%		08/01/2027	147,850	-	147,850	08/01/2027
2017B (13)	12/26/2017	41,945	5%		08/01/2028	41,945	-	41,945	08/01/2032
2018A (14)	02/13/2018	114,770	5%		08/01/2027	114,770	2,780	111,990	08/01/2027
2018B (15)	02/28/2018	103,955	5%		08/01/2028	103,955	5,475	98,480	08/01/2028
2018C (16)	02/28/2018	120,790	5%		08/01/2029	120,790	-	120,790	08/01/2029
		<u>\$ 1,577,873</u>				<u>\$ 1,355,973</u>	<u>\$ 77,630</u>	<u>\$ 1,278,343</u>	

* 2010A QSCB - Average coupon rate before IRS subsidy is 5.4%. Net interest rate with IRS subsidy is 0.5422%.

** Outstanding direct placement debt.

Notes to Certificates of Participation Series leases on previous pages:

- (1) Issued to advance refund and defease Series 2007B Certificates of Participation, refunded and partially defeased by 2015C Certificates of Participation. **
- (2) Issued to advance refund and defease a portion of Series 2002A Certificates of Participation. **
- (3) Issued to advance refund and defease a portion of Series 2003A Certificates of Participation. **
- (4) Issued to advance refund and defease a portion of Series 2002D Certificates of Participation, refunded and partially defeased by Series 2017B Certificates of Participation. **
- (5) Issued to advance refund and defease a portion of Series 2004A Certificates of Participation. **
- (6) Issued to advance refund and defease a portion of Series 2011B Certificates of Participation (which previously refunded Series 2001B Certificates of Participation). **
- (7) Issued to advance refund and defease a portion of Series 2007A Certificates of Participation. **
- (8) Issued to advance refund and defease a portion of Series 2005A Certificates of Participation (which previously refunded Series 2001A, 2002A, 2002C, and 2002D Certificates of Participation). **
- (9) Issued to advance refund and defease a portion of Series 2006A Certificates of Participation. **
- (10) Issued to advance refund and defease portions of Series 2007A and 2007E Certificates of Participation. **
- (11) Issued to advance refund and defease a portion of Series 2011A Certificates of Participation (which previously refunded Series 2007B Certificates of Participation). **
- (12) Issued to advance refund and defease a portion of Series 2007C Certificates of Participation (which previously refunded Series 2001A and 2002C Certificates of Participation). **
- (13) Issued to advance refund and defease a portion of Series 2011A and 2012A Certificates of Participation (which previously refunded Series 2007B and 2002D Certificates of Participation). **
- (14) Issued to advance refund and defease Series 2002B Certificates of Participation. **
- (15) Issued to advance refund and defease Series 2012B Certificates of Participation (which previously refunded Series 2002D Certificates of Participation). **
- (16) Issued to advance refund and defease Series 2003B Certificates of Participation. **

** These refunding issues were done in order to achieve debt service savings.

The Certificates are not separate legal obligations of the Board but represent undivided proportionate interests in lease payments to be made from appropriated funds budgeted annually by the School Board for such purpose from current or other funds authorized by law and regulations of the Department of Education, including the local optional millage levy. However, neither the Board, the District, the State of Florida, nor any political subdivision thereof are obligated to pay, except from Board appropriated funds, any sums due under the Master Lease from any source of taxation. The full faith and credit of the Board and the District are not pledged for payment of such sums due under the Master Lease, and such sums do not constitute an indebtedness of the Board or the District within the meaning of any constitutional or statutory provision or limitation. A trust fund was established with a Trustee to facilitate payments in accordance with the Master Lease and the Trust Agreement. Various accounts are maintained by the Trustee in accordance with the trust indenture. Interest earned on invested funds is applied toward the basic lease payments. Basic lease payments are deposited with the Trustee semi-annually on June 30 and December 30, and are payable to Certificate holders on August 1 and February 1.

Due to the economic substance of the issuances of Certificates of Participation as a financing arrangement on behalf of the Board, the financial activities of the Corporation have been blended in with the financial statements of the District. For accounting purposes, due to the blending of the Corporation within the District's financial statements, basic lease payments are reflected as debt service expenditures when payable to Certificate holders. During the year ended June 30, 2019, \$2.8 million was expended for capital outlay in the Certificates of Participation Capital Projects Funds.

The District uses certificates of participation to finance capital projects, which is based on a COP Master Lease Purchase Agreement dated 1994. If the School Board defaults on one series under the COP Master Lease, the default will apply to all series under the COP Master Lease. In the event of a default, the School Board is required to surrender and deliver all facilities financed under the COP Master Lease to the Trustee. The Trustee will then sell or lease the facilities. The proceeds will be applied to the unpaid obligations. Any excess remaining will be paid to the School Board. As of June 30, 2019, the District has 5 direct placements with \$92 million outstanding under the COP Master Lease Agreement.

Events of default related to COP would be if the School Board fails to pay in full any lease payment, failure to observe and perform any covenant or condition or agreement for 60 days after written notice specifying such failure and requesting it be remedied, filing of bankruptcy, insolvency, or reorganization. However, any of these items caused by a failure of the School Board to appropriate funds shall not constitute an event of default.

All Certificates of Participation issued are subject to arbitrage rebate. At June 30, 2019, the arbitrage liability was zero.

The debt service requirements through maturity to the holders of the Certificates of Participation, which will be serviced by the annual lease payments, are as follows (amounts in thousands):

Year ended June 30	Series 2011A	Series 2011D	Series 2012A	Series 2012C	Series 2014B	Series 2014C	Series 2015A
2020	\$ 5,630	\$ 4,555	\$ -	\$ 4,015	\$ 15,615	\$ -	\$ 18,345
2021	5,895	4,670	-	4,180	16,190	-	5,475
2022	6,335	1,665	-	4,385	16,965	-	9,345
2023	-	-	1,795	4,565	17,685	-	9,570
2024	-	-	-	4,790	18,480	-	-
2025-2029	-	-	-	27,790	39,510	7,890	-
2030-2033	-	-	-	6,415	-	25,390	-
Total	<u>\$ 17,860</u>	<u>\$ 10,890</u>	<u>\$ 1,795</u>	<u>\$ 56,140</u>	<u>\$ 124,445</u>	<u>\$ 33,280</u>	<u>\$ 42,735</u>

Year ended June 30	Series 2015B	Series 2015C	Series 2015D	Series 2017A	Series 2017B	Series 2018A	Series 2018B
2020	\$ 7,435	\$ -	\$ 5,275	\$ -	\$ -	\$ 10,260	\$ 250
2021	7,805	-	5,535	12,805	-	10,680	185
2022	8,200	-	5,815	3,740	-	11,255	6,310
2023	8,605	-	6,105	3,990	6,335	11,795	3,955
2024	9,040	-	6,410	15,020	6,365	12,365	6,785
2025-2029	52,435	-	91,165	112,295	29,245	55,635	80,995
2030-2033	38,190	62,970	82,420	-	-	-	-
Total	<u>\$ 131,710</u>	<u>\$ 62,970</u>	<u>\$ 202,725</u>	<u>\$ 147,850</u>	<u>\$ 41,945</u>	<u>\$ 111,990</u>	<u>\$ 98,480</u>

Year ended June 30	Series 2018C	Series 2004 QZAB	Series 2005 QZAB	Series 2010A QSCB	Total Lease Payment	Total Interest	Total Lease Payment & Interest
2020	\$ 2,000	\$ 2,923	\$ -	\$ -	\$ 76,303	\$ 60,839	\$ 137,142
2021	-	-	2,150	-	75,570	57,655	133,225
2022	3,305	-	-	-	77,320	54,230	131,550
2023	6,930	-	-	-	81,330	50,576	131,906
2024	6,320	-	-	-	85,575	46,522	132,097
2025-2029	27,390	-	-	67,665	592,015	147,266	739,281
2030-2033	74,845	-	-	-	290,230	22,283	312,513
Total	<u>\$ 120,790</u>	<u>\$ 2,923</u>	<u>\$ 2,150</u>	<u>\$ 67,665</u>	<u>\$ 1,278,343</u>	<u>\$ 439,371</u>	<u>\$ 1,717,714</u>

State statute requires that no more than 75 percent of the capital millage levy be used for COP debt service. Two trends have lowered the district's debt capacity in this area. First, property values declined between fiscal year 2009 and fiscal year 2013. Second, the Florida Legislature lowered the allowable capital millage rate from 2 mills to 1.75 mills in fiscal year 2009 and again from 1.75 to 1.5 mills in fiscal year 2010. In the course of two years, the Legislature reduced District debt service capacity by 25 percent. Debt service payments remain in compliance at 51.8 percent of capital millage proceeds. The District's legal lease purchase agreement remaining debt issuance capacity is \$77.4 million, and \$5.2 million based on Board Policy which recommends no more than 50 percent of capital millage levy.

Defeased Debt

In prior years, the District defeased certain Certificates of Participation by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. Government Securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments. These investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the financial statements.

As of June 30, 2019, the total amount of defeased debt outstanding but removed from the District's financial statements amounted to \$45 million.

Certificates of Participation:

<u>Series</u>	<u>Maturities</u>	<u>Outstanding (in thousands)</u>	<u>Call Date</u>	<u>Defeased by COP Series</u>
2011A	8/2022 - 8/2025	\$ 26,660	8/1/2021	2017B
2012A	8/1/2028	18,290	8/1/2022	2017B
Total Defeased COP		\$ 44,950		

11. RETIREMENT PLANS

A. Florida Retirement System (FRS)

General Information about the FRS

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

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122,

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

The District's FRS and HIS pension expense totaled \$51.7 million for the fiscal year ended June 30, 2019.

FRS Pension Plan - Defined Benefit

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 as follows:

- *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. Members of the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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 employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

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

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>Percent Value</u>
Regular Class 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 Class 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 Class	3.00
Senior Management Service Class	2.00
Special Risk Class	3.00

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 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, include 0.06 percent for administrative costs of the FRS Investment Plan.
- (2) Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions to the Plan totaled \$100.7 million (which includes \$29.6 million of employee contributions) for the fiscal year ended June 30, 2019. This excludes the HIS defined benefit pension plan contributions.

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 \$697.7 million 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 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the District's proportionate share was 2.316 percent, which was a decrease of 0.005 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$44 million (\$115.1 million due to the District's share of changes in deferred inflows and deferred outflows of resources, reduced by \$71.1 million for the District's contributions subsequent to the measurement date) related to the FRS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 59,104	\$ 2,145
Change of Assumptions	227,968	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	53,904
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	780	15,054
District FRS Contributions Subsequent to the Measurement Date	71,141	-
Total	\$ 358,993	\$ 71,103

The deferred outflows of resources related to pensions, totaling \$71.1 million, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 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 (in thousands):

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 90,348
2021	58,029
2022	1,017
2023	37,320
2024	25,990
Thereafter	4,045
Total	\$ 216,749

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 projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at the statutorily required rates. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The 7 percent rate of return assumption used in the June 30, 2018, calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes, which differs from the rate used for funding purposes, which is used to establish the contribution rates for the Pension Plan. The discount rate used in the July 1, 2017 valuation was 7.1 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 (amounts in thousands):

	<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	\$ 1,273,295	\$ 697,680	\$ 219,597

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

Payables to the Pension Plan. At June 30, 2019, the District reported a payable of \$14.3 million for the outstanding amount of contributions owed 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 Division of Retirement within the Florida Department of Management Services.

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 three 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 \$17.9 million 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 \$344 million for its proportionate share of the HIS 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 3.250 percent, which was an increase of 0.004 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$7.7 million (\$25.6 million due to the District's share of changes in deferred inflows and deferred outflows of resources, reduced by \$17.9 million for the District's contributions subsequent to the measurement date) related to the HIS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 5,266	\$ 584
Change of Assumptions	38,255	36,369
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	208	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	4,487	4,259
District HIS Contributions Subsequent to the Measurement Date	17,918	-
Total	\$ 66,134	\$ 41,212

The deferred outflows of resources related to pensions, totaling \$17.9 million, resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended 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 (in thousands):

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 4,736
2021	4,720
2022	2,723
2023	1,153
2024	(4,309)
Thereafter	(2,019)
Total	\$ 7,004

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

Discount Rate. The discount rate used to measure the total pension liability was 3.87 percent, up from 3.58 percent in the prior year. 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.

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 (amounts in thousands):

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
District's Proportionate Share of the Net Pension Liability	\$ 391,777	\$ 343,983	\$ 304,144

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

Payables to the Pension Plan. At June 30, 2019, the District reported a payable of \$2.7 million for the outstanding amount of contributions owed to the HIS Plan required for the fiscal year ended June 30, 2019.

FRS – Defined Contribution Pension Plan

The District contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.

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

Allocations to the investment member's 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. 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. 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. 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; 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 \$5.6 million for the fiscal year ended June 30, 2019.

Payables to the Investment Plan. At June 30, 2019, the District reported a payable of \$1.8 million for the outstanding amount of contributions owed to the Investment Plan required for the fiscal year ended June 30, 2019.

12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The District follows the guidance contained in Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, (GASB 75); for certain postemployment health care benefits provided by the District for the fiscal year ended June 30, 2019.

Plan Description. Pursuant to Section 112.0801, Florida Statutes, the District is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Retirees pay 100 percent of the blended (active and retiree combined) equivalent premium rates. The blended rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The OPEB Plan contribution requirements and benefit terms of the District and the OPEB Plan members are established and may be amended through recommendations of District staff and action from the Board. The plan is a single employer plan, and no separate financial statements of the Plan are issued. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

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

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	799
Active Employees	<u>20,799</u>
Total	<u>21,598</u>

Total OPEB Liability. The District's total OPEB liability of \$157.7 million was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.5 percent
20-Year Tax Exempt General Obligation Bonds	3.5 percent
Bond Rate Basis	Average Rating AA/Aa or Higher
Salary Increases	2.5 percent, per annum
Healthcare Cost Trend Rates	6.5 percent decreasing to an ultimate rate of 4.5 percent
Medical Consumer Price Index Trend	Chained – CPI of 2 percent per annum
Inflation Rate	2.5 percent per annum
Census Data	Provided by the District as of June 2019.
Medicare Eligibility	All current and future retirees are assumed to be eligible for Medicare at age 65.
Actuarial Cost Method	Entry Age Normal based on level percentage of projected salary.
Amortization Method	Experience/Assumptions gains and losses are amortized over a closed period of 14.1 years starting the current fiscal year, equal to the average remaining service of active and inactive plan members.
Plan Participation Percentage	The participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed that 30 percent of all employees and their dependents who are eligible for the early retiree benefits will participate in the retiree medical plan. This assumes that a one-time irrevocable election to participate is made at retirement.
Mortality Rates	RP 2014 Generational Mortality Table projected using Scale MP-18, applied on a gender-specific basis.
Termination Tables	FRS Actuarial Valuation as of July 1, 2018.
Retirement Tables	FRS Actuarial Valuation as of July 1, 2018.

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 to the Total OPEB Liability. Below are the details regarding the total OPEB liability for the measurement period from July 1, 2018, to June 30, 2019 (amounts in thousands):

	<u>Amount</u>
Balance at June 30, 2018	\$ 138,163
Changes for the year:	
Service Cost	7,418
Interest	5,591
Differences Between Expected and Actual Experience	(3,464)
Changes of Assumptions or Other Inputs	14,398
Benefit Payments	<u>(4,455)</u>
Net Changes	<u>19,488</u>
Balance at June 30, 2019	<u>\$ 157,651</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87 percent as of June 30, 2018, to 3.5 percent as of June 30, 2019. In addition, there was an update to a more recent scaling factor (MP-18) and the medical trend was reset.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following 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 (2.5 percent) or 1 percentage point higher (4.5 percent) than the current discount rate (amounts in thousands):

	<u>1% Decrease (2.5%)</u>	<u>Current Discount Rate (3.5%)</u>	<u>1% Increase (4.5%)</u>
Total OPEB Liability	\$ 189,476	\$ 157,651	\$ 132,783

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.5 percent decreasing to 3.5 percent) and 1 percentage point higher (7.5 percent decreasing to 5.5 percent) than the current healthcare cost trend rates (amounts in thousands):

	<u>1% Decrease (5.5% decreasing to 3.5%)</u>	<u>Healthcare Cost Current Trend (6.5% decreasing to 4.5%)</u>	<u>1% Increase (7.5% decreasing to 5.5%)</u>
Total OPEB Liability	\$ 126,936	\$ 157,651	\$ 198,566

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended June 30, 2019, the District recognized OPEB expense of \$12.3 million.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts in thousands):

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 7,332
Changes of Assumptions or Other Inputs	13,384	12,854
Total	\$ 13,384	\$ 20,186

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows (amounts in thousands):

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ (729)
2021	(730)
2022	(729)
2023	(730)
2024	(729)
Thereafter	(3,155)
Total	\$ (6,802)

13. NET POSITION AND FUND BALANCE REPORTING

Fund Balance

GASB Statement No. 54 categorizes fund balance as either nonspendable or spendable. Nonspendable is defined as the portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. District nonspendable items include inventories.

Spendable is defined as a hierarchy of fund balance classifications that is available to be spent based on the element to which the District is bound to observe constraints imposed upon the use of resources:

- Restricted fund balance is constrained by external parties, and constitutional provisions or enabling legislation. District restricted balances includes: Carryover balances as a result of revenue received with constraints from Federal laws, Florida Statutes, Florida School Board Rules, local ordinances or contract provisions.
- Committed fund balance can only be used for specific purposes pursuant to constraints imposed by formal action of the School Board. District committed balance includes: Funds committed by the School Board on June 2, 2010, for future purchase and installation of equipment needed to transmit and receive programming for The Education Network (TEN).
- Assigned fund balances are amounts that are constrained by the School Board or Superintendent to be used for a specific purpose. Florida Statute 1001.51, Duties and Responsibilities of District School Superintendent, delegates certain financial authority to the Superintendent.
- Unassigned fund balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted assets first, followed by unrestricted assets. Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The District has not established a stabilization arrangement. Instead, the Board has established Board Policy 2.55, *Fund Balance for Contingency*, to set aside 3 percent of total annual operating fund appropriations and transfers from the operating fund to cover unanticipated financial needs and to avoid a budget deficit. At the end of the fiscal year, the unassigned general fund balance was \$64 million or 3.7 percent of general fund total expenditures.

The following table shows the District's fund balance classification at June 30, 2019 (in thousands):

	Major Funds				Other Nonmajor Governmental	Total Governmental
	General	COPS Debt Service	Capital Improvement	Sales Tax		
Fund Balances						
<u>Nonspendable:</u>						
<u>Inventory:</u>						
Textbooks	\$ 5,174	\$ -	\$ -	\$ -	\$ -	\$ 5,174
Child Nutrition	-	-	-	-	4,229	4,229
Transportation	371	-	-	-	-	371
Warehouse	790	-	-	-	-	790
Other	24	-	-	-	-	24
Total Nonspendable	6,359	-	-	-	4,229	10,588
<u>Restricted for:</u>						
Categorical Carryover Programs	5,236	-	-	-	-	5,236
IB, AP, AICE & Industry Cert. Prog.	12,662	-	-	-	-	12,662
Industry Certification	6,766	-	-	-	-	6,766
School Improvement	1,774	-	-	-	-	1,774
Local Sales Tax Projects	-	-	-	202,208	-	202,208
Workforce Development	3,427	-	-	-	-	3,427
Child Nutrition	-	-	-	-	12,984	12,984
Debt Service	-	107,251	-	-	14,681	121,932
Capital Projects	-	-	114,452	-	14,659	129,111
Total Restricted	29,865	107,251	114,452	202,208	42,324	496,100
<u>Committed to:</u>						
The Education Network Program	-	-	-	-	18	18
Total Committed	-	-	-	-	18	18
<u>Assigned for:</u>						
<u>School Operations:</u>						
Instruction	165	-	-	-	-	165
Instructional Support Services	18	-	-	-	-	18
Board	9	-	-	-	-	9
General & School Administration	5	-	-	-	-	5
Central Services	7	-	-	-	-	7
Student Transportation Services	17	-	-	-	-	17
Operation of Plant	299	-	-	-	-	299
<u>Community Services:</u>						
After Care/Summer Camp	11,407	-	-	-	-	11,407
Pre-K/VPK Fee Based Activities	434	-	-	-	-	434
Community Schools	834	-	-	-	-	834
Other	179	-	-	-	-	179
Capital Projects	220	-	-	-	40,560	40,780
Miscellaneous Local Grants/Donations	2,885	-	-	-	-	2,885
Next Year Budget Appropriations	67,063	-	-	-	-	67,063
Total Assigned	83,542	-	-	-	40,560	124,102
Unassigned	64,000	-	-	-	-	64,000
Total Fund Balances	\$ 183,766	\$ 107,251	\$ 114,452	\$ 202,208	\$ 87,131	\$ 694,808

14. INTERNAL SERVICE FUNDS

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

	Total	Health Insurance	Workers Comp & Claims Insurance
Assets and Deferred Outflows of Resources:			
Total Assets	\$ 205,804	\$ 137,796	\$ 68,008
Deferred Outflows of Resources:			
Pension	495	271	224
Total Assets and Deferred Outflows of Resources	<u>206,299</u>	<u>138,067</u>	<u>68,232</u>
Liabilities, Deferred Inflows of Resources, and Net Position:			
Accounts Payable	1,866	1,483	383
Accrued Payroll and Payroll Deductions	41	21	20
Estimated Unpaid Claims	57,694	14,000	43,694
Liability for Compensated Absences	260	168	92
Other Postemployment Benefits	106	57	49
Pension	1,205	661	544
Deferred Inflows of Resources:			
Pension	135	71	64
Net Position:			
Unrestricted	144,992	121,606	23,386
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 206,299</u>	<u>\$ 138,067</u>	<u>\$ 68,232</u>
Revenues:			
Premium Revenue	\$ 220,300	\$ 200,899	\$ 19,401
Pharmacy Rebates	14,348	14,348	-
Interest and Other Income	3,428	2,121	1,307
Other Operating Revenue	1,027	442	585
Total Revenues	239,103	217,810	21,293
Total Expenses	<u>(224,202)</u>	<u>(208,665)</u>	<u>(15,537)</u>
Change in Net Position	<u>\$ 14,901</u>	<u>\$ 9,145</u>	<u>\$ 5,756</u>

15. COMMITMENTS AND CONTINGENCIES

The District receives funding from the State that is based, in part, on a computation of the number of full time equivalent (FTE) students enrolled in different types of instructional programs. The accuracy of data compiled by individual schools supporting the FTE count is subject to State audit and, if found to be in error, could result in refunds or in decreases in future funding allocations. It is the opinion of management that any amounts of revenue which may be remitted back to the State due to errors in the FTE count, if any, will not be material to the financial position of the District.

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any

disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the District.

The District is involved in various lawsuits arising in the ordinary course of operations. In the opinion of management, the District's estimated aggregate liability with respect to probable losses has been provided for in the estimated liability for insurance risks and pending claims in the accompanying financial statements, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations of governmental liability on uninsured risks. It is the opinion of management in consultation with legal counsel that any final settlements in these matters will not result in a material adverse effect on the financial position of the District.

The District has entered into various construction and other contracts that extend beyond year-end. The District has capital outlay commitments of \$153.8 million and other encumbrances of \$2.2 million as of June 30, 2019, are shown below (amounts in thousands):

	Encumbrances	Capital Fund Commitments	Total
General Fund	\$ 706	\$ -	\$ 706
Capital Improvement Fund	-	9,857	9,857
Sales Tax Fund	-	118,963	118,963
Other Nonmajor Governmental Funds	1,500	24,974	26,474
Total Commitments	<u>\$ 2,206</u>	<u>\$ 153,794</u>	<u>\$ 156,000</u>

16. SUBSEQUENT EVENTS

On September 6, 2019, the District entered into a loan agreement with Banc of America Public Capital Corp for financing the acquisition of air conditioner chillers of \$14.7 million. The \$14.7 million loan has a coupon rate of 1.72 percent and under the terms of the loan agreement, the debt is payable over five years.

On September 24, 2019, the District issued Tax Anticipation Notes (TANS) Series 2019. The \$115 million issue has a coupon rate of 2.25 percent with an effective yield of 1.3 percent. The notes are dated October 3, 2019, and are due August 28, 2020.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the District's Total OPEB Liability and Related Ratios (amounts expressed in thousands)

	2019	2018
Total OPEB Liability		
Service Cost	\$ 7,418	\$ 7,142
Interest	5,591	5,546
Difference Between Expected and Actual Experience	(3,464)	-
Changes of Assumptions or Other Inputs	14,398	(7,413)
Benefit Payments	(4,455)	(6,557)
Net Change in Total OPEB Liability	19,488	(1,282)
Total OPEB Liability - Beginning	138,163	139,445
Total OPEB Liability - Ending	\$ 157,651	\$ 138,163
Covered-Employee Payroll	\$ 1,072,877	\$ 1,051,957
Total OPEB Liability as a Percentage of Covered-Employee Payroll	14.69%	13.13%

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	2.3163%	2.3208%	2.3253%	2.4332%	2.5354%	2.5134%
District's Proportionate Share of the FRS Net Pension Liability	\$ 697,680	\$ 686,486	\$ 587,133	\$ 314,284	\$ 154,697	\$ 432,674
District's Covered Payroll	\$ 1,051,957	\$ 1,011,258	\$ 989,739	\$ 966,098	\$ 971,624	\$ 933,906
District's Proportionate Share of the FRS Net Pension Liability as a Percentage of Its Covered Payroll	66.32%	67.88%	59.32%	32.53%	15.92%	46.33%
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 (in thousands).

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

	2019	2018	2017	2016	2015	2014
Contractually Required FRS Contribution	\$ 71,141	\$ 66,459	\$ 60,417	\$ 57,082	\$ 59,324	\$ 55,536
FRS Contributions in Relation to the Contractually Required Contribution	(71,141)	(66,459)	(60,417)	(57,082)	(59,324)	(55,536)
FRS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 1,072,877	\$ 1,051,957	\$ 1,011,258	\$ 989,739	\$ 966,098	\$ 971,624
FRS Contributions as a Percentage of Covered Payroll	6.63%	6.32%	5.97%	5.77%	6.14%	5.72%

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

**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	3.2500%	3.2460%	3.2461%	3.1986%	3.3048%	3.2469%
District's Proportionate Share of the HIS Net Pension Liability	\$ 343,983	\$ 347,078	\$ 378,316	\$ 326,211	\$ 309,012	\$ 282,686
District's Covered Payroll	\$ 1,051,957	\$ 1,011,258	\$ 989,739	\$ 966,098	\$ 971,624	\$ 933,906
District's Proportionate Share of the HIS Net Pension Liability as a Percentage of Its Covered Payroll	32.70%	34.32%	38.22%	33.77%	31.80%	30.27%
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 (in thousands).

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

	2019	2018	2017	2016	2015	2014
Contractually Required HIS Contribution	\$ 17,918	\$ 17,613	\$ 17,178	\$ 16,674	\$ 12,227	\$ 11,321
HIS Contributions in Relation to the Contractually Required Contribution	(17,918)	(17,613)	(17,178)	(16,674)	(12,227)	(11,321)
HIS Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 1,072,877	\$ 1,051,957	\$ 1,011,258	\$ 989,739	\$ 966,098	\$ 971,624
HIS Contributions as a Percentage of Covered Payroll	1.67%	1.67%	1.70%	1.68%	1.27%	1.17%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. 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. The discount rate was changed from 3.87 percent as of June 30, 2018, to 3.5 percent as of June 30, 2019. In addition, there was an update to a more recent scaling factor (MP-18) and the medical trend was reset.

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

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

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Palm Beach 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	\$ -	\$ 15,231,905
National School Lunch Program	10.555	19001, 19003	-	58,808,807
Summer Food Service Program for Children	10.559	18006, 18007, 19006, 19007	-	2,647,729
Total Child Nutrition Cluster			-	76,688,441
Special Education Cluster				
United States Department of Education:				
Special Education - Grants to States:	84.027			
Florida Department of Education		262, 263	2,520,188	40,861,444
Putnam County District School Board		None	-	16,182
Total Special Education - Grants to States	84.027		2,520,188	40,877,626
Special Education - Preschool Grants:				
Florida Department of Education	84.173	266, 267	30,187	1,198,169
Total Special Education Cluster			2,550,375	42,075,795
Not Clustered				
United States Department of Agriculture				
Florida Department of Health:				
Child and Adult Care Food Program	10.558	None	-	3,444,930
Florida Department of Agriculture and Consumer Services:				
Farm to School Grant Program	10.575	None	-	43,548
Fresh Fruit and Vegetable Program	10.582	19004	-	779,400
Total United States Department of Agriculture			-	4,267,878
United States Department of Defense				
Reserve Officers Training Corps	12.UNK	N/A	-	1,319,559
United States Department of Justice				
National Institute of Justice Research, Evaluation, and				
Development Project Grants	16.560	N/A	-	489,243
Equitable Sharing Program	16.922	N/A	-	3,641
Total United States Department of Justice			-	492,884
United States General Services Administration				
Florida Department of Management Services:				
Donation of Federal Surplus Personal Property	39.003	None	-	13,470
United States Department of Education				
Impact Aid	84.041	N/A	-	7,848
Magnet Schools Assistance	84.165	N/A	-	3,374,519
Fund for the Improvement of Education	84.215	N/A	-	35,804
Arts in Education	84.351	N/A	-	224,155
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	-	2,537,434
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	3,152,611	49,463,102
Migrant Education - State Grant Program	84.011	217	-	1,928,113
Career and Technical Education - Basic Grants to States	84.048	161	19,427	1,864,307
Education for Homeless Children and Youth	84.196	127	-	88,609
Charter Schools	84.282	298	22,531	22,648
Twenty-First Century Community Learning Centers	84.287	244	198,788	4,750,569
English Language Acquisition State Grants	84.365	102	-	4,218,737
Supporting Effective Instruction State Grants	84.367	224	16,069	6,470,964
School Improvement Grants	84.377	126	-	1,661,725
Student Support and Academic Enrichment Program	84.424	241	44,381	3,080,410

(Continued)

**Palm Beach County District School Board
Schedule of Expenditures of Federal Awards (continued)
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
Not Clustered (continued)				
United States Department of Education (continued)				
Florida Department of Education (continued):				
Hurricane Education Recovery:	84.938			
Immediate Aid to Restart School Operations	84.938A	105	16,879	3,955,622
Temporary Emergency Impact Aid for Displaced Students	84.938C	106	222,710	1,822,970
Total Hurricane Education Recovery	84.938		239,589	5,778,592
Total United States Department of Education			3,693,396	85,507,536
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	-	345,194
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	-	65,770
Florida Department of Children and Families:				
Refugee and Entrant Assistance - State Administered Programs	93.566	XK057	-	471,684
Refugee and Entrant Assistance - Discretionary Grants	93.576	XK057	-	11,296
Lutheran Services Florida, Inc.: Head Start	93.600	04CH4702	-	3,598,942
Total United States Department of Health and Human Services			-	4,492,886
United States Department of Homeland Security				
Florida Division of Emergency Management:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z1127	-	1,304,026
Total Expenditures of Federal Awards			\$ 6,243,771	\$ 216,162,475

The notes below are an integral part of this Schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Palm Beach 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 and Summer Food Service Program for Children - Includes \$5,325,489 and \$484,188, respectively, of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (B) Donation of Federal Surplus Personal Property - Represents the estimated fair value (23.68 percent of the original acquisition costs) of the donated Federal surplus personal property obtained during the fiscal year.
- (5) Head Start. Expenditures include \$762,038 for grant number/program year 04CH4702/05 and \$2,836,904 for grant number/program year 04CH4702/06.
- (6) Hurricane Education Recovery. The District incurred \$5,539,003 in expenditures for the Hurricane Education Recovery grant in the 2017-18 fiscal year.
- (7) Disaster Grants – Public Assistance (Presidentially Declared Disasters). The District incurred \$1,304,026 in expenditures for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program in the 2017-18 fiscal year.



Sherrill F. Norman, CPA
Auditor General

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Palm Beach 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 30, 2020, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

We noted a certain additional matter which is described as Finding No. AM 2019-001 on pages 88 through 90.

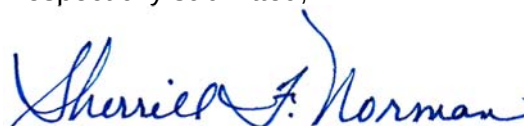
District's Response to Finding

The District's response to the additional matter finding identified in our audit is included as District Response on pages 89 and 90 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 30, 2020



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT ON 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 Palm Beach 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**.

The District's basic financial statements include the operations of Palm Beach School for Autism, Renaissance Charter School at Central Palm, Renaissance Charter School at West Palm Beach, and South Tech Academy (charter schools) as part of the reported aggregate discretely presented component units on the accompanying basic financial statements. Each of the charter schools expended in excess of \$750,000 in Federal awards for the fiscal year ended June 30, 2019. Our audit, described below, did not include the operations of the charter schools because, pursuant to Section 218.39(1)(e), Florida Statutes, the charter schools engaged other auditors to perform the audit in accordance with Uniform Guidance.

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 small initial between them.

Sherrill F. Norman, CPA
Tallahassee, Florida
March 30, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major Federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major Federal programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
84.010	Title I Grants to Local Educational Agencies
84.424	Student Support and Academic Enrichment Program
84.938	Hurricane Education Recovery
93.600	Head Start
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	2019-001
Opinion Unit	Aggregate Discretely Presented Component Units
Financial Statements Account Title(s)	Various
Fund Name	Not Applicable
Adjustment Amounts	July 1, 2018, Beginning Net Position of the Component Units: \$18,474,901
Prior Year Finding	2016-001, Report No. 2017-190
Finding	The District did not comply with Florida Department of Education (FDOE) directives for reporting charter schools as discretely presented component units (DPCUs) on the District financial statements.
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 provides that the financial reporting entity consists of the primary government and its component units. GAAP further defines 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 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 the 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 51, 48, and 49 charter schools as DPCUs on the District financial statements for the 2016-17, 2017-18, and 2018-19 fiscal years, respectively. However, for those fiscal years, the District did not report the charter schools as DPCUs on the District financial statements.
Cause	In response to our inquiries, District personnel indicated that the District assessed and concluded that charter schools do not meet the criteria to be considered component units because: • The District is not financially accountable for the charter schools. Charter schools are legally separate organizations with independent boards and are exempt from many of the State regulations allowing them to provide unique educational opportunities for students. The role of the District is to provide limited administrative oversight and does not impose its own will but that of the State. • Charter schools are not fiscally dependent on the District because the charter school's Board, not the School Board, approves its budget and charter schools are able to issue debt without approval by the District.

- There is no fiscal benefit or burden to the District because the District is not entitled to and cannot legally access the charter school's resources until closure of a school.
- It is not misleading to exclude charter schools from the District's reporting entity because Section 1002.33, Florida Statutes, explicitly precludes the district from being responsible for any and all liabilities of a charter school. Upon closure of a charter school, any remaining assets are usually distributed amongst other charter schools and are not significant to the District.

Notwithstanding this response, the District's financial reporting of the charter schools is contrary to the FDOE's conclusion that charter schools are DPCUs 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 reporting entity's financial activities in comparison with other school districts, and result in incorrect assessments of the reporting entity's financial position.

We extended our audit procedures to determine the adjustments necessary to report the financial information of the 49 charter schools in the aggregate discretely presented component unit information on the District financial statements and related notes, and District personnel accepted these adjustments.

For the 2018-19 fiscal year, the financial information of the 49 charter schools comprise 100 percent of the information reported for the District's aggregate DPCUs.

Recommendation

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

District Response

In response to Finding AM 2019-001, the District has reassessed and since no facts or circumstances have changed the District continues to conclude that charter schools do not meet the criterion to be considered component units under Governmental Accounting Standards Board (GASB) Statement 14, 39 and 61, even after careful consideration of GASB Statement 39, paragraph 6.

GASB 39, paragraph 6 states that other organizations should also be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government. Paragraph 6 also states it is a matter of professional judgment to determine whether the nature and the significance of a potential component unit's relationship with the primary government warrant inclusion in the reporting entity.

District staff consulted with the GASB in July 2017 as to the meaning of closely related and professional judgement. The term closely related is intended to focus on financial relationships. GASB 61 clearly lays out guidance to determine financial accountability and charter schools do not meet that definition. As for professional judgement, it is the professional judgement of the reporting entity meaning the District. Professional judgment of the District, it is misleading to include charter schools as component units. GASB 61 clearly defines guidelines for determining misleading to exclude and charter schools do not meet the criteria.

The District will continue to comply with any state reporting requirements determined to be non-GAAP, such as reporting the financial information of charter schools, in the unaudited Superintendent's Annual Financial Report. The District

Auditor's Remarks

welcomes a conference meeting with representatives from the FLDOE, the AG, and representative from the GASB to further evaluate our GAAP understanding.

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 corrective actions for the additional matter audit finding included in our report No. 2017-190.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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